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ENTREPRENEURSHIP DEVELOPMENT

Elizabeta Stamevska¹, Vasko Stamevski², Aleksandra Stankovska³

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Abstract

Entrepreneurship is the active process of recognizing an economic demand in an economy, and supplying the factors of production (land, labor and capital) to satisfy that demand, usually to generate a profit. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world's population into self-employment and informal activities. But this is not necessarily negative; microenterprises contribute significantly to economic growth, social stability and equity.

Entrepreneurship development is the process of improving the skills and knowledge of entrepreneurs. The whole point of entrepreneurship development is to increase the number of entrepreneurs. By doing this, the pace at which new businesses or ventures are made gets better. On a wider level, this makes room for employment and improves the economy of a business or country.

Key words: entrepreneurship, entrepreneurs, entrepreneurship development, process of entrepreneurship development, entrepreneurship development programs

JEL Codes: L26

1. Introduction

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs (Yetisen et al., 2015). The entrepreneur is able to recognize the commercial potential of the invention and organize the capital, talent, and other resources that turn an invention into a commercially viable innovation." (Audretsch, et al. 2002).

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The concept of an entrepreneur is refined when principles and terms from a business, managerial, and personal perspective are considered. In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes:

- initiative taking,
- the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account;
- acceptance of risk or failure.

Entrepreneurs create something new, something different—they change or transmute values (Drucker, 1993). The exploitation of entrepreneurial opportunities may include (Hisrich, 2011):

Developing a business plan

Hiring the human resources

Acquiring financial and material resources

Providing leadership

Being responsible for both the venture's success or failure

Risk aversion

Entrepreneurship development is concerned with the study of entrepreneurial behavior, the dynamics of business set-up, development and expansion of the enterprise. Entrepreneurship development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programs. It basically aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created and accelerates employment generation and economic development.

Entrepreneurship development is the process of enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it. This can be done through various methods such as classroom sessions or training programs specially designed to increase the entrepreneurial acumen.

Entrepreneurship development should be about helping people start and grow dynamic businesses that provide high value added. In determining the difference, it is useful to look at potential growth sectors or geographic areas and to explore criteria for selecting beneficiaries who are entrepreneurial. A needs assessment before program formulation is useful. An analysis of high-

growth economic sectors enables more focused support to entrepreneurs in the most promising sectors of the economy.

Entrepreneurship development programs require a selection process that attempts to identify those target groups that have some of the key prerequisites for entrepreneurial success. While it can be argued that public funds should be spent on those who most need help, a selection process deploys limited resources where they are most effective, to the overall benefit of the community. Beneficiaries may be individuals and/or groups.

2. Process of entrepreneurship development

The process of entrepreneurship development is helping the entrepreneurs develop their skills through training and application of that training. It instils in them the quality of making better decisions in the day to day business activities.

1) Clear View of the Objective of the Program

Before get into training the prospective entrepreneurs, it is very important to have a clear objective and plan in mind about what the program is going to encompass.

Without a proper plan and direction, the training would not yield the desired results. This would lead to a loss of time, money, effort and most of all, valuable potential.

2) Selecting the Potential Targets

It is important to select the potential targets who are willing to enhance their skills and who can be identified as the people who have some amount of business acumen. These can be further divided into two categories- the educated target audience and the uneducated target audience.

Educated audience refers to the target people who have a decent educational background and want to be entrepreneurs. These people have the motivation to put their education to use by starting a venture and working for themselves.

Uneducated audience refers to the people who are not as privileged as others in terms of education about the market and have the potential to become entrepreneurs. These people are constantly looking for alternative ways to earn money and support their families. Therefore they are highly motivated and, given the right training and direction, can prove to be exceptional entrepreneurs.

3) Identifying Local Talents and Markets

The process of entrepreneurship development program can be seen as most effective and efficient when it is applied in the local markets and on the local entrepreneurs who know about it. These people understand and absorb the knowledge way more quickly and can apply it in the current scenario because of which the results of the program can be seen more quickly and effectively.

4) Choosing the Right Location

The ideally, these programs should be planned and launched in the areas where most people are interested and willing to take advantages of these programmes so that this opportunity can be used most effectively and there is no loss of resources.

5) Tying up with Institutions

A lot of times these programs involve tying up with various institutions like universities, NGO and some private institutions. This is done to give a real-world experience to assist the program and give the people some idea of the situations in the real world.

6) Develop the Entrepreneurship Program as Needed

People and their skill sets are different and develop over time. Thus, it is very important to keep developing the programs to suit the needs of the people enrolled in it. Moreover, the focus must be on harnessing their strengths and working to minimize their weaknesses.

7) Analyze the Result for Future Development

This is a very important and final step in the process of entrepreneurship development. After the program has run its course, it is very important to analyze the effectiveness of the program. This is necessary to ensure that in future more effective programs can be developed. For this one has to minimize the shortcomings of the existing program.

3. Effective entrepreneurship development programs

An entrepreneurship development program should help aspiring entrepreneurs to recognize and design unique, innovative business opportunities, based on an analysis of local conditions and their own special skills. The program can help the entrepreneur to diversify based on his/her basic knowledge of a product or skill in a certain sector without distorting the local markets. In a truly entrepreneurial approach, innovative capacity matters more than the size of the market. Diversification can be accomplished by introducing

a novelty or new product feature, stressing quality or value added, anticipating a new market or even creating a market.

The steps below will explain how to create an effective entrepreneurship development program and how to go about enhancing it.

1) Outline the objectives of the program and focus on the venture development

Entrepreneurship development aims at individuals who want to start or possibly expand a business. Entrepreneurship development also focuses a lot on enhancing the ideas and potential of an entrepreneur.

The aims of a program have to be clearly explained otherwise the program will never reach its full potential. The development of venture also has to be outlined in the program. Without these two, there will be no clear goal.

2) Select educated people who have high entrepreneurial potential

An entrepreneurship development program requires that various people be selected. However, most programs tend to look for a specific group of educated people rather than target everyone. Ideally, you have to look at the education and traits that you are looking for, in an entrepreneur, and match them with the people who have applied for the program.

Most people say that public funds should be spent on people who need the most help. The resources of an entrepreneurship development program are usually (and unfortunately) limited. It is hence better to choose people who will prove to be really useful and benefit the entire community.

3) Select uneducated people who have high entrepreneurial potential

The people who couldn't meet the essential needs of their family or themselves were usually more eager to learn about different ways to earn money as compared to women who were better off. However, such people usually face many problems and even are not educated, they have great entrepreneurship potential because they have the right motivation. They need to be aided by assistance packages where training can be given on entrepreneurship. This will instill confidence and teach them the skills they need in order to provide for their family.

4) Identify the local market and search for people who have potential in it

Entrepreneurship development programs should first identify the local market and aid potential entrepreneurs who know a lot about it. These people

need to be able analyze and then design unique ideas based off the needs of their surroundings.

By concentrating on select local entrepreneurs, the effects of the program can be easily and quickly seen within the community. Later on, programs can help improve their knowledge in their sector. In fact, it is creativity and the thirst for innovation that truly matters rather than the market's size. In later programs, the introduction of new products and product features can be added. This will add value and increase the size of the market

5) Provide support through private sector-based organizations

Support should be obtained from private organizations that are both financial and knowledge-based. This helps reduce the cost of the entrepreneurship development program and increases its effectiveness.

Private organizations that could support entrepreneurship development programs include universities, consulting companies and various NGOs. Large enterprises are also encouraged to support entrepreneurship development programs as this their sponsorship that will help reduce unemployment.

6) Provide an easy yet detailed methodology that will help entrepreneurs improve in the short and long-run

Entrepreneurial development programs aim at being simple to understand and teach skills that entrepreneurs can use after the program. It also contains courses that aim at developing their skills and ideas. These are required if entrepreneurs wish to successfully exploit the local market.

They also need to be taught how to gather the required resources in order to meet the goals of their venture. The program also needs to have outlined methods through which entrepreneurs can improve the performance of their business in the long run.

Entrepreneur development training proves to be highly effective when finance, quality assurance, marketing and productivity are linked to the training program. As an example, when development banks are involved earlier in the process of training, an entrepreneur will easily understand credit processes and the also praises the bank's business plan.

7) Implement special measures to improve the usefulness of trainers and facilitators

The success of an entrepreneurship development program also relies on the commitment and quality of the many facilitators and trainers. Any trainer or

facilitator in the program needs to understand the culture and lifestyle of the group in order to better integrate themselves and serve the group.

The selection of proper trainers is based on the amount of business experience they have and the how much knowledge they have about their local business environment. Training facilitators can significantly improve their usefulness in tackling the needs of entrepreneurs.

8) The selection of areas for pilot programs must be right

Entrepreneurship development programs are usually too restricted in terms of where it is done and what people are involved in the program. Selecting pilot target areas will usually depend on the ease at which support institutions are available.

It will also depend on the interest people take in entrepreneurial development programs. These facts can never be the same for any two geographical locations and hence must be considered carefully.

9) Launch pilot ED programs and develop as needed

Analyzing pilot feasibility is an effective way of launching a major entrepreneurship development program. If the program shows signs of high promise, it can be launched on a national level. By relying on the sponsors for support rather than donor support, the program will be able to expand past local development while maintaining high quality. This is especially important when the support of donors starts to fade.

10) A successful entrepreneurship development program requires government policies

Entrepreneurship helps the economy of a country grow and creates new jobs. Government policies usually have a substantial impact on the number of entrepreneurs in a country.

While there are many governments that say they do support entrepreneurial businesses, they usually do not have many specific policies and programs that effectively support entrepreneurial development. Creating an effective entrepreneurship development program may not be easy but then again, it is not impossible either.

4. Conclusion

Entrepreneurship is promoted to help alleviate the unemployment problem, to overcome the problem of stagnation and to increase the

competitiveness and growth of business and industries. Various attempts have been made to promote and develop entrepreneurship. By giving specific assistance to improve the competence of the entrepreneur and his enterprise so as to enhance his entrepreneurial objectives and accommodate more people to become entrepreneurs as well.

Corporate entrepreneurship has been promoted in organizations for many reasons including as a growth strategy, to increase profitability, for strategic renewal, innovation, international success, and to develop competitive advantage (Kuratko, 2007). Entrepreneurs perform vital functions in economic development to mobilize capital, add value to natural resources and services, develop the means to produce necessary goods and services, create employment and develop the means by which trade is conducted. Without entrepreneurs, there would be no economic development.

The entrepreneurship development meaning capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

Entrepreneurship development focuses on the individual who wishes to start or expand a business. Small and medium enterprise development, on the other hand, it also focuses on developing the enterprise, whether or not it employs or is led by individuals who can be considered entrepreneurial. Furthermore, entrepreneurship development concentrates more on growth potential and innovation than small and medium enterprise development does. However, many of the lessons learned from experiences in both types of development are similar.

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THE GLOBAL CURRENCY SYSTEM CONTEMPORARY ISSUES

Hovhannes Melkumyan¹

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Abstract

The article considers contemporary issues of the current global currency system and the necessity of its reformation caused by the incompatibility with the global economic system. It has been analyzed the most possible directions of its reformation and estimated its possible development. Also has been reviewed the increasing role of Chinese Yuan in the international currency market.

Keywords: international currency system, multicurrency system, international currency, reserve currencies, IMF, SDR basket, US Dollar, Euro, Chinese Yuan

JEL Codes: F30

1. Introduction

In the 1960s and 1970s, the well-known dilemma of Tiffin appeared in the Bretton Woods currency system. On the one hand, the emission of the reserve currency (in this case, the US dollar) should correspond to the gold reserves of the country and the excessive dollar emission that would not have been secured by gold might have led to a crisis of confidence in it, and on the other hand, under conditions of ever-increasing international economic transactions there was a need for currency servicing. As a result of this dilemma, in 1971, the process of the dollar exchange of gold was eventually stopped, which, in essence, led to the disintegration of the Bretton Woods currency system. A currency crisis began, which required about ten years for overcoming it (Markosyan, Nazaryan, Hakhverdyan, 2012, p. 249-250).

In 1972 the World Currency System Reform Committee was formed, which developed the basic principles of the new currency system: the gold standard was officially demounted, instead of the gold standard, the SDR

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standard (which, in fact, was hidden in the dollar's standard, as the dollar kept its dominant position in the SDR basket) was introduced, countries were given the opportunity to freely choose their currency rate regime, the IMF maintaining its former position, at the same time, further strengthened its role of the international currency regulator. These fundamental principles were fixed in 1978 at the summit in Jamaica, resulting in the formation of the fourth global currency system (Kireev, 2001, p. 31-32).

The Jamaican currency system, according to the established principles, was pretending to be more active, showing flexibility over the various instabilities of the global economy. However, it has been subject to frequent shocks since its inception, and it is no coincidence that the current issues of the reorganization of the current monetary system and the transformation of its fundamental principles have become extremely urgent.

It was particularly striking in 2008-2010 during the financial and economic crisis, as the development of currency systems is largely conditioned by the periodic development of the economy, which leads to structural changes in the global economy, conflicts of interests between countries, at the same time as the principles of the Jamaican monetary system have been elaborated since 1960s when globalization processes were new in the global economy, we can state that they cannot conform to the globalization of world economy, regionalization between countries (that in turn can lead to the formation of a regional monetary system, the best example of which is the European Monetary Union), the current realities of the redistribution of the global financial and economic centers, and therefore cannot guarantee currency stability. Under these circumstances, the formation of a new currency system or, at least, the functioning of the existing currency system becomes inevitable.

2. An analysis of the latest research and publications, which initiated the solution of this problem and which are basis for the author

The exploration of the global currency system and its main issues have been always within the interests of economists from different schools. After the formation of Jamaican currency system many economists started to speak about the above mentioned issues of this currency system. Also after the crisis in 2008-2010 many specialists started to speak about the necessity of reformation

of current currency system including the discussions on higher platforms (G8, G20). For the observation of above mentioned issues we have studied and analyzed literature sources of following authors: L. Krasavina - "International currency-credit and financial relations" (Krasavina, 2005), A.P. Kireev- "International Economics" (Kireev, 2001), A. Markosyan, G. Nazaryan, D. Hakhverdyan - "International Economic Relations" (Markosyan, Nazaryan, Hakhverdyan, 2012), R. Hasanshina - "The evolution of international currency system and the perspectives of its development" (Hasanshina, 2016), R. Mundell and others.

3. Formulation of the objectives of the article (statement of the task)

Within the framework of the research, it is aimed to find out the current problems of the functioning of the current monetary system, reveal its main principal discrepancies with the contemporary tendencies of the global economic system, to predict and evaluate the possible directions of its reformation.

4. Exposition of the main material of the research

The above mentioned issues, the current trends in global economic development predetermine the possible directions of reform of the current monetary system. Particularly, one of the most probable developments is the multi-currency system, claiming the SDR basket as the basis of it (Krasavina, 2010, p. 51).

The creation of a multi-currency system will enable us to:

1. Create a competitive environment between reserve currencies, which will significantly weaken the US dollar's monopoly position.
2. Promote the effectiveness of internal monetary and fiscal policies in countries with a reserve currency.
3. Promote global financial sustainability.

This direction of development implies preservation of the role of the dollar as a leading global currency, but at the same time the euro's leadership is fixed. In addition to these two currencies, the role of the Chinese Yuan in the global currency system is crucial, and it is no coincidence that from October 1, 2016 Yuan was included in the SDR basket, besides taking into consideration China's ever-increasing role in the global economy, we can say that Yuan day by day strengthens its positions and can claim to become one of the pillars of

the new currency system. Along with them, despite some decline, they continue to maintain their positions Pound sterling and Japanese Yen.

Table 1. Structure of SDR basket for 2005-2016

Currency	Share in SDR basket (%)		
	2005	2010	2016
US Dollar	44	41.9	41.73
Euro	34	37.4	30.93
Chin. Yuan	-	-	10.92
Japan. Yen	11	9.4	8.33
Pound sterling	11	11.3	8.09

Source: International Monetary Fund

Such changes in the functioning currency system are largely conditioned by current developments in the global economy, the redistribution of global economic and financial centers. In particular, the fall of the share of traditional centers (US, Western Europe, Japan) is now in favor of world trade-leaders, China and India. According to some forecasts the share of China and India can reach up to 33%, which, of course, will confirm a new reality in the world economic life, which cannot remain indifferent to the currency system (European strategy and policy analysis system, 2013, p. 61).

Such changes in the world economic leadership are explained not only by the intensification of China but also by the weakening of the US economy and the dollar as international currency. If in 2005 the share of the USA in the world GDP was 27.6%, in 2010 - 22.7%, and in 2017 - 24%, then for China this index has constantly increased 4.8%, 9.25% and 15.2% respectively. The same can be said about the position of countries in world trade. The share of the United States in the global imports has dropped from 16.3% to 13.5% in 2005-2017, while in the global export structure the same position in the United States in 2005-2017 has remained at about 8.8%. As for China, there are continuous growth rates. In 2005-2017, the share of China in the global import structure rose from 6.2% to 10.3% and in the export structure from 7.4% to 12.9%. As a result, China now is the world's leading trade partner in terms of gross commodity turnover as well as the main exporter. Sustainable economic

development, dynamic growth of export volumes is the most important preconditions for strengthening the position of Chinese Yuan in the global currency system.

Over the last decade, the role of the dollar as the international reserve currency has also dropped dramatically. At the beginning of the 21st century, about 72% of world official foreign exchange reserves fell to the dollar. By the end of 2008, this figure had dropped to 63.8%, and now it is 62.2%.

Theoretically, the international reserve currency should always maintain its stability, its emission must be carried out with simple rules for all, the supply should be flexible and able to react quickly to fluctuations in global demand and ultimately it should not serve the individual interests of this or that state.

In essence, the dollar does not provide any of these preconditions as there are a number of opposing issues facing it. If the US tries to secure the dollar as an international reserve currency by implementing a dollar emission, it may lose control over its internal inflation. At the same time, if the US tries to stimulate domestic demand, the unwanted amount of dollar may appear in the international currency market, which may lead to its devaluation. Consequently, the national currency of any country cannot effectively solve its internal economic problems and make the function of the international currency. That is the reason why especially recently it is much spoken about the need to introduce a single supranational currency as an international reserve. The need to introduce a new currency is also conditioned by the fact that it is more in line with the requirements of the global economy.

Still in post-crisis years, the Nobel Prize laureate R. Mundell mentioned that the global currency system was in a deep crisis and in order to get out he offered a single virtual currency based on the dollar, euro and yen, which would practically be exchanged easily with the currencies involved. The IMF could act as a single currency issuer and a global central bank. However, Mundell himself found that the emission of such currency is unlikely in the near future, and this scenario can only be realized as a result of the mutual consent of the leading countries, as a result of the common rules of the game (Mundell, 2013).

Currently, the most likely alternative to the US dollar as the international reserve currency is the SDR that can act as a supranational currency (Hasanshina, 2016, p. 59). Nevertheless, there are also a number of issues related to the release and distribution of the SDR, its use, and the methods for

determining the exchange rate. First of all, the SDR release is absolutely non-flexible and is not conditioned by actual demand. In the case of 85% of the votes of the member countries, the IMF Executive Board issues a pre-determined SDR batch. In addition, the distribution process is also not perfect. The distribution is made between member states in accordance with their share in the IMF capital. Thus, the 2/3 of the released SDR goes to the developed countries, including more than half to the G7 countries. The USA accounts for about 23% of the issued SDR as much as developing countries together (Krasavina, 2005, p. 80-81).

The SDR does not fulfill its predetermined goal: financing the deficit of balance of payments of the countries. Currently, especially with developing countries, the SDR is used to repay IMF loans, as a result of which they are returned to the IMF and redistributed to favorable developed countries.

The scope of use of the SDR is also very narrow. It is mainly used in transactions with IMF and central banks of Member States. In international trade, international currency transactions, it is practically not practiced, and its share in international reserves is negligible – 1.2% (Saprikina, 2014).

The SDR exchange rate is determined by the weight of the included currencies, which is largely dependent on the dollar (about 42%), and can be said to be the dollar standard under the SDR standard.

In view of all this, we can state that the SDR does not yet comply with the principles of the supranational currency and cannot act in that role. For that there is a need of reformation of the SDR or the creation of a principally new supranational currency.

Another direction of the functioning currency system can be the reformation of the IMF, the main supranational institution implementing the currency regulation. This is due to the fact that for more than 70 years of its existence, the IMF has not provided adequate international co-operation and the currency-financial regulation within its member states (Krasavina, 2010, p. 56)

The IMF reform should be aimed at correcting those shortcomings. First of all, it refers to the redistribution of quotas and votes for member states. Another important issue of strengthening the IMF's position is its scarcity of resources. There have been recent discussions over the IMF capital expansion (up to three times), especially during post-crisis years. However, it is clear that this process can be implemented mainly at the expense of the developed

countries (G7), which will further enhance their influence in the IMF. Therefore, the best way to achieve the desired outcome is to implement systematic reforms, taking into consideration the interests of the all Member-States, the trends and perspectives of the global economy and international currency-financial relations, which are aimed to achieve relatively stable global currency system.

5. Conclusions from this study and prospects for further research in this direction

Analyzing the current state of the global currency system and estimating the possible directions of its development, we consider it most likely to maintain the leading position of the dollar in the coming years and, above all, strengthening the position of the euro and especially the Chinese Yuan, which ultimately will lead to the formation of multicurrency system.

Despite the fact that the USA has a major deficit of balance of payments, huge amount of external debt, taking into account the prevailing position of the US dollar in the international currency market, official foreign exchange reserves may well prove that it will maintain its position in the near future. In addition, such a scenario is explained not by the higher development of the US economy, but with the absence of the other effective international currency at this moment.

The IMF leadership is mostly oriented toward the formation of multicurrency systems too. This is also explained by the involvement of the Chinese Yuan in the SDR basket. However, the formation of such a system (most probably on the basis of the dollar, euro and Yuan) will only be possible in the Asian region with a steady high rate of growth and with the internationalization of Chinese Yuan.

Currently, China is implementing Yuan's internationalization policy on "Trade Accounts + Offshore Markets". He aims to use his currency in foreign trade operations and it is not accidental that China is actively conducting negotiations with the countries of the region, including Russia, on mutual settlements with Yuan. However, the real results are still missing. An important step toward internationalization of the Chinese Yuan was the release of oil futures on the Shanghai Stock Exchange in March 2018 by Yuan. Meanwhile, oil quotations were executed exclusively in US dollar. Although the Yuan-based

futures still cannot be a substantial competitor to dollar futures as these are new tools and consequently of high risk, this is a real step towards using Yuan in international calculations.

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PATENT TAX IN BULGARIA - A FORM OF INJUSTICE TAXATION OF PHYSICAL PERSONS

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Abstract

The article highlights the main accents characterizing the nature of the patent tax. The advantages and disadvantages of taxing the income of natural persons and sole traders with patent tax and the reasons for the need for adequate changes in the organization and application of the patent system in the Bulgarian tax practice have been pointed out. On this basis, recommendations and conclusions are made.

Keywords: patent tax, income, individuals, sole traders, tax system

JEL Codes: H25

After achieving financial stability and the completion of the major structural reforms in the Bulgarian economy in the new conditions of development it was a new goal to be put for the tax policy – stimulating sustained economic growth in the country. In this sense, tax policy must be synchronized and to be subordinated to the goals and ideas of economic policy.

The tax policy implemented at a modern stage is also aimed at optimizing the tax forms and the units of the revenue system and in particular:

- applicable taxes and social and health insurance contributions;
- the technology of taxation;
- bodies and institutions exercising control.

The effectiveness of the tax policy underway depends on:

- the share of budget revenue accrued through taxes in the budget;
- the extent of collection of taxes and social and health insurance contributions;

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- the share of GDP reallocated through taxes and social and health insurance contributions;

From this point of view, the subject of research in this article is the organization of the patent tax in our tax system. The aim is to discuss the issue of the need for the patent tax and the problems arising from the taxation of personal income in Bulgaria.

The patent tax is an annual amount payable by natural persons and sole traders whose annual turnover for the preceding business year is up to BGN 50,000. The specific amount of the patent tax is determined by the Municipal Councils within the limits specified in Annex 4 of the Local Taxes and Fees Act and depends on:

- of the type of activity pursued;
- of the functional type of the settlement;
- from certain natural indicators such as: net sales area in square meters per site, hotel category and number of rooms, type of restaurant and number of places of consumption.

The need for the introduction of the patent tax is related to the low collection rate of revenue and tax lowered control during the first years of transition from a centralized to a market economy.

The advantages when taxing the income of natural persons and sole traders with patent tax during the transitional period are the following:

- the magnitude of the patent tax is not affected by the final annual financial result.

Thus limiting the vicious practice in which small enterprises of sole proprietorship shall declare their annual income within the non-taxable income minimum and they do not pay the tax;

- the introduction of a patent tax guarantees rhythmic cash receipts in the municipal budget.

Disadvantages of the introduction of the patent tax in the national tax system are:

- firms of sole traders are not interested in documenting their business;
- the cost and revenue operations of companies subject to patent tax do not affect the amount of patent tax;
- the introduction of the patent tax system does not stimulate the legal increase in the production or trade activity of Sole Trade companies;

- companies are interested not to exceed the threshold of the annual turnover of 50 000 BGN. Otherwise, their final financial result will be taxed under a heavier tax regime under the Corporate Income Tax Act;
- the introduction of patent tax has a negative impact on the conclusion of employment contracts.

This is because the remuneration and contributions to compulsory social and health insurance are costs for the company, which does not affect the size of the patent tax. In order to reduce these costs, the managers of the companies subject to patent tax does not show in the payroll for wages actually earned or they hire workers and employees without concluding contracts.

With the strengthening of the market model of economic development, the need to change the organization of the taxation of the patent is due to the following reasons:

- optimizing the structure of revenue administration and the organization of tax forms, which has led to improved revenue collection;
- fulfillment of tax obligations by a larger part of individuals and increased financial control;
- a reduction in the overall tax burden and the need for natural persons to be placed under the same conditions of taxation.

The existing patent tax organization places taxpayers under different taxation conditions for the same income. Assuming that the three individuals receive the same income, and taxed by applying different tax systems: progressive-income, proportionate and patent it for annual income of 10 000 BGN. (after deduction of contributions for social and health insurance), the tax that must be paid for a certain activity (e.g. clocks and watch repair services) is the following:

- Under the Progressive-Income System implemented until 2008 (under Art. 48 of the APLL):

Annual Income	+ Tax:
Up to 2 400 BGN	Unobservable
From 2 400 BGN to 4 000 BGN	20 percent for an over 2 400 BGN
From 3 000 BGN to 7 200 BGN	120 BGN plus 22 percent for over 3 000 BGN
Over 7 200 BGN	1 044 BGN plus 24 percent for over 7 200 BGN

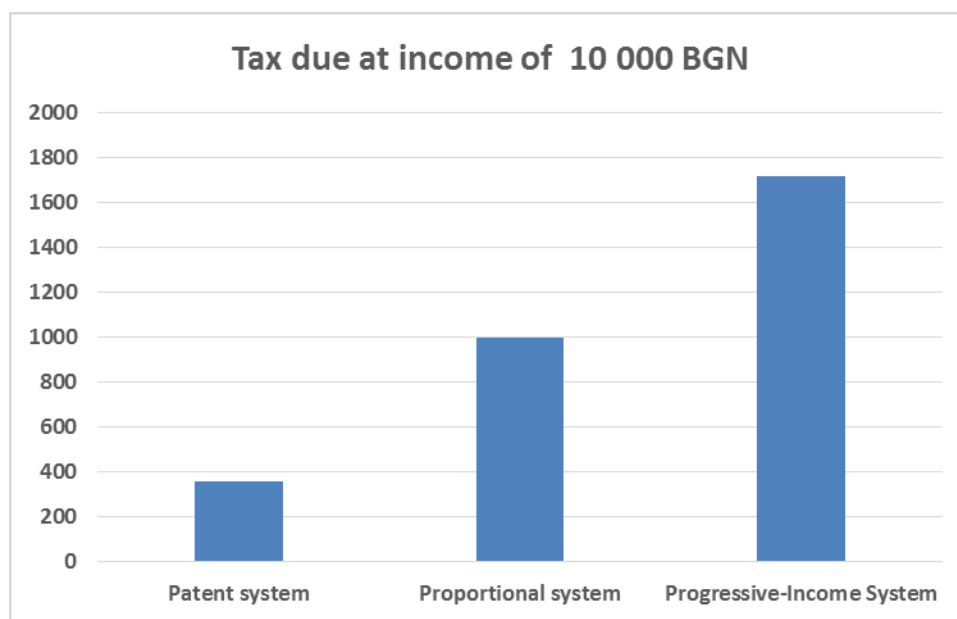
The calculated tax based on the indicated income table of BGN 10,000 is:

$$1\,044 + (2\,800 \times 24\%) = 1\,044 + 672 = 1\,716 \text{ BGN}$$

- Under the proportional system (flat tax currently applicable at 10%):
 $10\,000 \times 10\% = 1\,000 \text{ BGN}$
- In the patent system, the annual tax is 360 BGN. Annex 4 of the TDCA.

The tax burden borne by individuals who received the same income during the year can be represented by the following figure:

Figure 1. Amount of tax due at income of 10 000 BGN taxed on the methodology of different tax systems



Source: the author

From the example and graph, it can be seen that for the same annual income received by three individuals taxed by different systems, the tax is different. Thus, they are placed under unequal taxation.

The use of the patent tax, after the introduction of the flat tax to the taxation of income of individuals, leads to violations of these principles applied in the countries of the European Union:

- principle of equal treatment-taxation policy must be clear, comprehensible and equally applicable to all, i.e. the tax laws should be applied equally to all taxpayers, regardless of their status;
- the principle of public trust in the revenue administration. This principle means that the revenue administration should not use unnecessary or unlawful authority given to it by law in its relations with taxpayers;
- the principle of mutual respect between taxpayers and the revenue administration.

In conclusion, it can be summarized that:

Firstly, Patent tax has played an important role in increasing the collection of tax revenues during the first years of the transition.

Secondly The applied patent system of taxation has a specific organization that is unique to Bulgaria only, which does not apply in other EU countries.

Thirdly The patent tax puts individuals at a disadvantage in the same income.

Fourthly. The new realities of the socio-economic life and the optimized structure of tax authorities impose elimination of the patent system of the taxation of personal income.

Patent tax may be maintained for certain activities exercised by persons at a disadvantage relative to other members of society, a practice that is applied in some countries of the European Union.

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ECONOMIC ASPECTS AND CHARACTERISTICS OF AGE INEQUALITY IN THE NEW REALITY

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Abstract

The aim of article is to present the contemporary development of society and related economic inequality. Emphasis is place on age inequality due to its economic aspects and characteristics. The direction of article is to the new reality, in which the economic indicators decrease and have a negative impact on another contemporary trend - increasing the number of retired persons.

The results of article outline a trend similar to most EU countries - population aging and inequality for retired people. Unlike other countries, there are additional factors in Bulgaria that affect the inequality studied - the transitional nature of economy and a series of social reforms, incl. the EU integration processes.

Keywords: economic inequality, aging populations, social reforms

JEL Codes: H31, I32, J14, J26

1. Introduction

The effects of global financial crisis have posed a number of challenges for all humanity. Most economies report a lower growth in their production capacity, which may delay the rise in living standards in the future (Blagrove & Furceri, 2015, p. 22). The modern economy is entering a stage of development, which is define as a "new reality". Its characteristics are reduction of potential output growth; an impact of aging population on the economic downturn; lower capital growth and productivity.

The current stage of social development is distinguish by the existence of large and multiple inequalities in the different social groups that manifest to varying degrees for each particular country. This determines the need for policy changes in this area, the guidelines of which are the subject of wide-ranging discussions not only in academic circles but also among the public. The focus is

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on only one of the existing inequalities - by age, which is characteristic of all economies, regardless of their stage of development.

The sources of economic inequality are related to the development of technologies, to improvement of living standard and to improvement of quality of health services (Zahariev, 2010, p. 102). These external factors lead to an advanced age, while retaining their ability to lead an active, healthy, dynamic and productive lifestyle. The cumulative situation of a sustained increase in life expectancy, lasting tendencies of birth reduction and the population aging are related to economic, budgetary and social challenges (Ministerski savet, 2012, p. 5). Aging has a significant impact on economic growth and leads to an increase in public spending on pensions, healthcare, social assistance, education, housing and infrastructure.

In line with the trends of the new reality, we formulate the following research hypotheses:

Hypothesis 1: The economic aspects of age inequality are similar across countries;

Hypothesis 2: The economic characteristics of age inequality are characteristic of each country.

The structure of this article consists of two parts. In the first part, we present the economic aspects of age inequalities and their reflection in the economic characteristics of age inequalities discussed in the second part.

2. Economic aspects of age inequality

At the heart of most research on inequality issues is the question of discrimination. In order to prevent and protect against discrimination in the legal framework of most countries, measures are foreseen, the non-compliance of which has legal consequences and are sanctioned by the respective legislations.

The types of economic actors whose rights may be violated determine different forms of discrimination. This also defines the wide range of stakeholders who offer their own interpretations of the content of term "discrimination". Regardless of the results achieved, however, due to the morally outdated and often misleading terminology in this field, modern researchers often encounter justified difficulties.

The aging trend of population leads to changes in its basic age structure - below, at and over working age. Impact on population aggregates at and above

working age is due both to population aging and to legislative changes in the determination of retirement age limits (Natsionalen statisticheski institut, 2017b, p. 2).

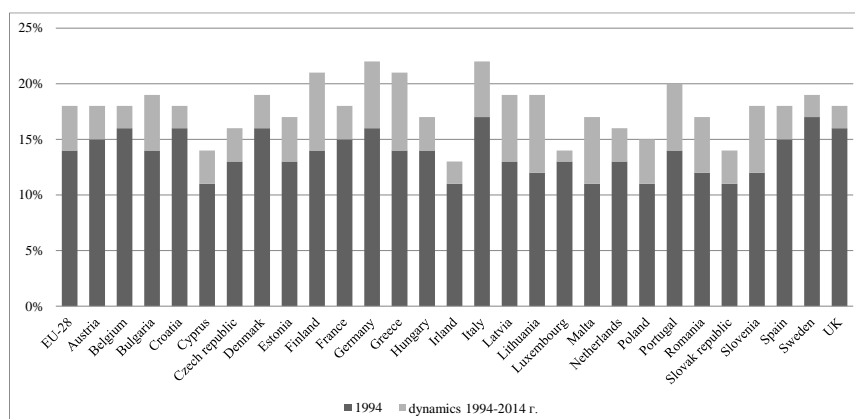
In the first decade of the 21st century, social phenomena are transform into economic effects, with the greatest importance being the social structure. Changes in the economy are reflect in various forms of diversity, the provision of innovative products and the use of complex social resources (Nedelcheva, 2017, p. 57).

Nowadays, cultural traditions and religious views of equality are increasingly being combine with the requirements of a multicultural environment in which national borders are abolish. Therefore, over the past 30 years, the issue of inequitable treatment of people based on their age has become particularly relevant, which, unlike discrimination, can be curtailed by voluntary initiatives and but resulting in legal but economic and social consequences.

The positive outcomes of introducing innovation (e.g. new methods of diagnosis and treatment in medicine, as well as innovation in other sectors such as the environment and education) cause radical changes in the age structure of society. Between 1994 and 2014 the share of elderly people increased by 4.0 percentage points in the EU (Eurostat, 2015a, p. 10). The figures for Bulgaria (5%) are similar to those from other Eastern European countries (see Figure 1). This also determines the leading role of age in research related to the issue of inequality.¹

¹ For the most part, the inequality as a social phenomenon arises from the social status (primarily from education as a form and orientation), which affects the balance of income and economic indicators of living standards.

Figure 1. Population of 65 and over (percentage of total population)



Source: Eurostat, 2015a

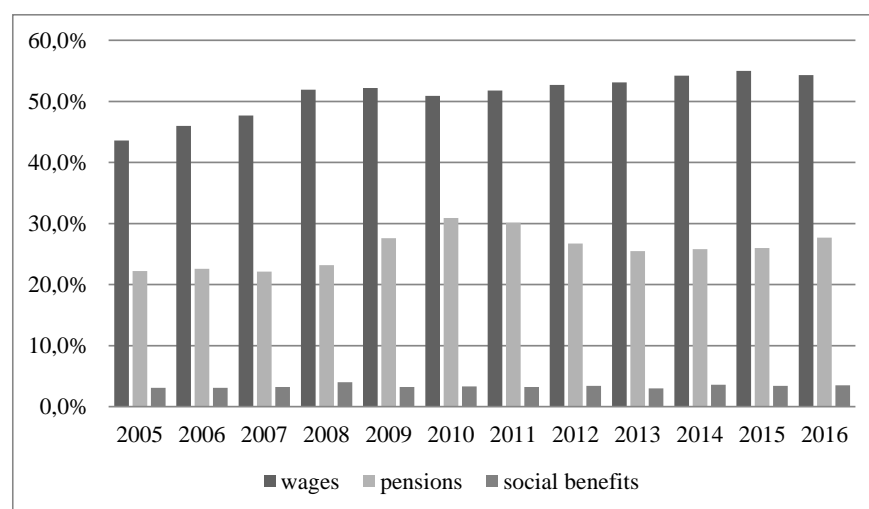
Major changes in society contribute to the emergence of inequalities. For the countries of Eastern Europe, incl. for Bulgaria, socio-demographic changes are added to the adoption of market principles in the economy that have led to social inequality (Hubenova, 2010, p. 68). Negative changes in the status of older population are perceived because of changes in social norms and underestimation of contribution of older people to development (Mihova, 2012, p. 92). These inequalities are reflected in situations where GDP growth is below 6% per year.

Due to globalization and integration processes, age inequality crosses national borders. As a result, as well as recent large-scale movements of people around the world, there is a convergence of state policies in this area. They focus on offsetting and encouraging corporate initiatives to reduce age inequality, with the main tool being the use of material incentives to sustain economic growth.

The new reality in Bulgaria's social development determines modern inequalities. The relative share of wages in total income in 2016 increases by 10.7 percentage points compared to 2005 (Natsionalen statisticheski institut, 2017a, p. 17). In 2016, the income from social transfers (pensions, family allowances for children, social benefits, scholarships and unemployment benefits) increased in nominal terms by 2.6 times compared to 2005 and their

relative share in total income increased by 5.9 percentage points (see Figure 2). Income from all social transfers accounted for 31.2% of total household income.¹

Figure 2. Relative share of income from wages, pensions and social benefits in the total income of households



Source: Natsionalen statisticheski institut, 2017a

3. Economic characteristics of age inequality

The aspects of age inequality discussed in the previous part of the article have a real impact both in society and in the economy. Unlike economic

¹ Research interest for economists is the period after the accession of Bulgaria as a full member of the European Union in 2007. Over the last ten years, Bulgaria's aging population has increased by 3.8 percentage points, while the relative share of income from pensions in the household budget - by 5.5 percentage points. In addition to the gap between the aging population and the pensions, there is a decline in household income from entrepreneurship, with its relative share in total household income decreasing by 0.9 percentage points. When carrying out future research on the chosen topic, it should be borne in mind that the same period, 2007-2017, apart from EU membership, coincides with the effects of the global financial crisis.

aspects, the economic characteristics of age inequality are characteristic of each country.

Age inequalities are manifest not only in the workplace (similar challenge for humanity is ecology and measures to tackle climate change by the end of the twentieth century). It is relate to a number of sectors of the economy - education, health, ecology, taxes and public spending. To reduce age-related inequalities, new market niches, particularly in the field of medicine and education, are of great importance. Public pressure to increase public spending (as a percentage of GDP) for pensions, healthcare, infrastructure and education increases. It should be note, however, that due to differences in statutory definitions of age, individual countries do not maintain the same levels of cost to deal with this problem.

The definition of a demographic group according to the age characteristics of its members has its specificity not only for the specific economic sector but also for each country (similar problems have been observed in the 1970s baby boom). When analyzing age inequalities, account should be taken of the fact that besides increasing life expectancy, there is another determinant: birth reduction (United Nations, 2009, p. 4). This, along with the characteristic imagination, inertia, and resistance in conducting interviews and surveys, leads to difficulties in measuring the effects of age inequality.

The problem of aging is complement by an ever-widening emigration wave. The unfavorable demographic situation (resembling the post-war periods and the time of the Great Depression of the 1930s) leads to a reduction in labor force and productivity. There is a new type of immigration - to countries (so-called "oases") where there are more favorable conditions for tackling the problem of age inequality, higher social costs for health care and a better pension system.¹

A number of difficulties accompanies establishing age inequality and determining the effects of it. Unlike the other types of inequality, there are no clear-cut motives for the unequal treatment of people, such as inequalities in

¹ The most attractive are the countries that have implemented the Beveridge pension system (where the time and retirement amount is determined by the employer who maintains his own pension fund and conducts a social program for pensioners), unlike those, incl. Bulgaria, using the Bismarck system (the state regulates the retirement age, including minimum wage and pension rates).

education and nationality.¹ The magnitude of age inequality is mostly determined by the existing stereotypes in workplace perceptions and the age limit of individual occupations (for example shorthand typists or typists, golfers and gymnasts, ballet and opera artists, miners and sailors). Permanent expectations of state initiatives and statist attitudes define age inequality as the newest type of all inequalities in the society. Leading experts (Pavlov, 2007, p. 266) recommend adapting the state system to changes in society through systematic reform (radical changes in the basic structure, financial and social strategies of the social security system, adhering to the principles of diversity and diversification of sources of funding social protection, personal responsibility, freedom, entrepreneurial activity and initiative) instead of through a parametric reform (conservative modification of the most important parameters of the scope, the amount of payments, streamline processes and procedures in system to maintain relative financial balance).

Addressing the problem of age inequality requires complex measures in the social system. The modern macroeconomic environment provides opportunities for maintaining high levels of employment and for the participation of more disadvantaged social groups in the labor market. At the same time, the rapid pace of technological change creates conditions for building a society where learning can last throughout life. This is a prerequisite for placing the generations in the same position, incl. for the reintegration of older employees. Finally yet importantly, the modern society has the real opportunity to modernize the infrastructure according to the socio-demographic situation, incl. by providing personalized services (care) tailored to individual needs and people's preferences. Unfortunately, however, in most countries, incl. in Bulgaria, the problem of age inequality is solved by exogenous actions - for example, the cost of new drugs on an individual basis is approved, where innovation is not high enough and returns are below average (Kamusheva et al., 2017, p. 8).

Age inequality affects the budget and hampers economic growth (World Bank, 2013, p. 22). Real GDP growth may slow down to 0.7% per year, with

¹ Account should also be taken of the fact that adult voters are often more conservative in their views and are more active in exercising their right to vote, give guidance to changes in the political map (for example, BREXIT is provoked by the votes of Britain's retired population).

the labor force shrinking by nearly 40% by 2050. These processes will in the end increase public spending as a share of GDP, with the result that Bulgaria's debt-to-GDP ratio is expecting to grow from 18% to 51%.

The aging of the population leads to dependence on the working population. The total age dependency ratio¹ in Bulgaria at the end of 2016 is 53.4%, or for every person in the dependent ages (under 15 and over 65) there are fewer than two persons in active age (compared, in 2005 this ratio was 44.5%). The overall age-dependency ratio in the EU-28 is 51.8%, equivalent to about two people in working-age dependent. The lowest ratio of age dependency was Slovakia (40.6%), and the highest - France (57.6%).

Aging populations and related inequalities lead to increased costs. For Bulgaria, the age-related economic costs (for pensions, social and medical care and education) are expected to increase by about 2% of the annual national product by 2060. At the same time, the forecast is an average annual increase of about 1.4% (Eurostat, 2015b, p. 8).

The population aging process tends to shift the solutions of social welfare problems from the state to individuals as responsible for failing to deal with the risks at a later age (Zlatanova, 2015, p. 9). Transnational financial organizations are the main agents that promote the idea of individually or locally addressing globally generated problems.

The role of the state in the distribution of social expenditures and the effects of social policy does not bring about the desired outcome in terms of reducing inequality (Hristov, 2013, p. 11). The reforms in the healthcare and pension system do not meet promises and expectations. Other countries, such as Slovenia, report successes with a lower scale of income taxation for the population. In these countries, the emphasis of social policy is greater efficiency in the allocation of funds rather than an increase in their size.

¹ The age dependency ratio shows the number of people in the "dependent" ages (population aged under 15 and over 65 and over) per 100 individuals of the "independent" population (aged 15 to 64).

4. Conclusion and Recommendations

The age inequality is the first inequality in historical aspect and least analyze due to inertia of social views. So far, this issue has been addressed mainly in post-war periods and in future initiatives such as "Economy 4.0". There are no major research on the subject by professional experts with the participation of leading universities and scientific organizations. Dependence on past and historic inertia, as well as significant social pressures, predetermine the greater interest and attention of researchers towards gender inequalities. The lack of research on age inequality provides opportunities for manipulations and manifestations of populism. Most studies are related to discrimination and are initiated by specific projects without having a solid basis for comparison with previous results, determining dynamics and outlining the trend.

Our results partially support the first hypothesis (*Hypothesis 1*) - individual countries have similar economic aspects of age inequality. Regardless of the degree of economic development, the inequality by age is analogous to most countries. A determinant factor for the economic aspects of age inequality is the society and, in particular, the dependence on the path and the degree of achievement in society. In order to reduce the effects of age inequality, it is advisable to take measures prior to their accumulation over time (Organisation for Economic Co-operation and Development, 2017, p. 4).

Survey data show different economic characteristics of age inequality. An essential element supporting the second hypothesis (*Hypothesis 2*) is the overlapping of new factors such as European integration processes and post-crisis effects on the society and economy. While economic aspects are common to individual countries, economic characteristics are country specific. For the completeness of the analysis, it is advisable to conduct a qualitative meta-analysis to determine the economic impact of age inequalities for a specific country, for example for Bulgaria.

In the new reality, policy actions are aimed at increasing productivity, promoting capital growth and offsetting the effects of aging. In modern society, there is no correlation between age and wealth, although unlike other forms, age inequality is reflected in a decline in life status.

Modern social dimensions are the result of a combination of an aging population and low birth rates. An additional factor for the challenges is the global financial crisis. As a way out of the situation, a coordinated response and

concerted efforts to overcome the recession and implement reforms to sustainably manage age-related expenditure (Commission of the European Communities, 2009, p. 2) are recommended. The short-term guidelines are investing in the training and development of human capital that will help to cope with the impact of the crisis in long run.

To dissipate the results of the analysis of age inequalities further contribute to the differences in legislation affecting this issue as well as the different conditions in the individual national economies. Issues of age inequality are not relevant in societies in which the acquisition of tangible goods is mainly about the physiological qualities of economic subjects.

Unlike research into other forms of inequality, the age is here as the basis for inequality not from cabinets but from field studies. The application of cabinet studies in the real environment reduces the importance of the individual economic entity, focusing mainly on a specific sector of the economy.

In connection with the this presentation, one basic recommendation is also possible - in conducting research on inequality issues, it is important to first analyze the inequality of age and then the other forms of inequality.

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THE STRATEGY FOR NEW PRODUCTS – AN IMPORTANT CONDITION FOR THE DEVELOPMENT OF COMPETITIVENESS ENTERPRISES

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Abstract

The specific article refers to the process for the production of new products. In an era that the economic crisis in Greece has limited the available resources of enterprises, it is particularly useful and essential for an enterprise to produce products that will be efficient to improve the competitiveness in order to be able to remain in its position in the market. For this reason, the enterprises should have the potential to create new products and services so that they identify new parts in new markets and changes in the consumers' profile and behavior. A successful new product is due to the existing ideas which originate either from internal either from external sources related to the production, or suitable promotion time and suitable commercial and economic policy that the enterprise should have.

Keywords: new product, competitiveness, production, models, variables, risk, success

JEL Codes: L26

1. Introduction

All the programs of parts of an enterprise related to the products are ruled from two basic principles:

First principle: everyone from the data of mix marketing for the products should be consistent with the other.

Second principle: the data of marketing as a total should be consistent with the expectations of market-target (Σιώμκος, 2004, p. 98).

According to Kotler the variables that should be examined for the development of new products in order that they give impetus in development of

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an enterprise competitiveness are: the ***mix product*** that includes the characteristic of product, the ***mix distribution*** that includes the channels of distribution, the ***mix projection*** that includes the advertisement and all relevant actions of sales department and the ***mix invoicing*** that includes the pricing policy of enterprise related to the new product (Kotler et al., 2009, p. 63).

In today's economic situation, it is very important that an enterprise should proceed in creating new products that will ensure the increase of competitiveness. The topic acquires greater importance due to the fact that the economic crisis has limited the ability of the market to absorb what new comes out in them (Πανυγήράκης, 1996, p. 491).

2. Definition of product

A product, either it is simple either composite consists of a lot of levels. Traditionally, the product was simply the result of a production process (Kotler et al., 2009, p. 359). **The product** can be defined as a total of uses and benefits. Because of that, we say that the product is not only one material with physical characteristics, but one total perception in the mind of the consumer, which creates a similar expectation satisfaction of needs. According to the marketing, the producer does not sell products but benefits which emanate from the product (Ayers, Dahlstrom, & Skinner, 1997, p. 107-116). The introduction of a new product depends to a great degree on the choices that the enterprise has done in product marketing. So it is obvious that the connection of basic theories of products marketing with the ability of enterprise can determine the frame entrance of a new product in the market.

3. The classification of products

The consumer products according to the way in which the consumers perceive them are divided in a) **convenience products**, b) **choice products** and c) **special products** (Kotler et al., 2009, p. 360-363).

- The **convenience products** are related to cheap products which are bought frequently while the consumer is not given a lot of time and effort to find them.

- The **choice products** are the products for which the consumer is minded to devote more time and effort to their market and are more expensive than the convenience products.

- Finally, the **special products** are the products for which the consumer believes that there are no other substitutes. Regarding those products, the consumer does not make comparisons and the time that they spend to find the point of sale to buy them.

3. The importance of new products

The development of a new product is one of the fundamental processes of an enterprise and consists of a basic source renewal and an improvement in competitive advantage. Certainly, it consists of a dynamic and energetic procedure which requires the combination and exploitation of all possibilities of the enterprise. In order to stay competitive, the enterprises should plan products and services that correspond to the expectations of their clients or anticipate them. Also, every new product should offer something different in relation to similar products that circulate in the market, in order to be acceptable and gain an important market share in the contemporary competitive environment. An enterprise should create and provide competitive products in order to be competitive in the market and broaden its share. I.e., there is a variety of products depending on the preferences of consumers in order to provide better technical characteristics (Rothwell, 1992, p. 221-239). The production of new products of an enterprise can occur in different ways. In the wider sense, it can accrue from a simple desire to try a new series of products or from a firm commitment in the excellent knowledge of recent products or technological development (Bonner, Ruekert, & Walker, 2002, p. 233-245). Another reason for the production of a new product is that changes that are observed at an international level in characteristics of demand refer to the ability of enterprises to change their products and improve their quality. The importance that is attributed to change accrues from the intensification of competition and from the fact that the most products are available in markets in which the consumers have acquired an experience that does them more pretentious. Kotler supports that given the intensity of competition that is observed today in most markets, the companies that are not in a position to create new products are exposed to great dangers. The products that the companies already have are vulnerable to the consumer's changing needs and tastes, new technologies, the life cycle of the product and increasing domestic and foreign competition (Kotler et al., 2009, p. 360-363). Another reason for the production of a new product is to

enable the entrepreneur to always provide the potential buyer with the expected value and satisfaction and to withstand the high competition (Kyurova, 2014, p. 61).

4. The process of creation development of new products

All enterprises created, are active and developed in a dynamic environment that is constantly evolving. The involvement of technology, an increase of competition and the changes in habits of consumers who can be more selective with the passage of time have compelled the enterprises to apply new methods for the development of new products aiming to the best quality with less cost, and as a result, improve the competitiveness of enterprises. The enterprises, in order to secure larger profits and superiority in relation to their competitors, are confronted with the challenges of a) decrease of percentage failure of new products that they create and b) increase of lifetime of their products (Bonner, Ruekert & Walker, 2002, p. 233-245).

Essentially, the process starts with the inevitable end of *life cycle product* that in essence creates the need for consistent creation and introduction of new products in the market. When the product arrives at the end and most consumers do not desire it at this point, the first stage development of a new product that is the stage of *birth ideas* starts. The next stage that follows is the choice and *evaluation of ideas* with three basic criteria evaluation, firstly the ideas should fit in the total strategy of enterprise, secondly, the ideas should “build over in resources of enterprise” and thirdly the idea should satisfy the market. Next, there is the stage of *economic analysis* that makes predictions such as *cost, profit, and performance, sales, budget and appreciation danger*. Then the stage of *development standard* follows. In this stage, the idea is designated as a physical product. The next stage is the *test of the product*. In this stage, the product is controlled in a limited scale: to what extent does it respond to original specifications and to what extent does it cover the needs of the consumer? The stage of *import and marketing* in which the product enters in points of the sale comes next. This stage is very costly because the enterprise can provide important amounts for the promotion of the new product (Τζωρτζάκης, 1998, p. 140). After the integration of procedure that is required so that the product gets its final form, the enterprise applies the pricing strategy that should be understanding of the consumers’ needs. Bergstein and Estelami

(Bergstein & Estelami, 2002, p. 303-318) mention that the greatest challenge that the enterprises confront in launching a new product, in today's competitive market is the determination of selling price.

The development of new products is more resulting when there is a cooperation team project between the research and development department, the mechanic department, the construction department, the market department, marketing, and economics. The idea of the new product should be researched from the marketing point of view and a specific operational team should guide the project during all development. A lot of new products which move from the stage of the idea directly in development with a minimum preparation usually have catastrophic results. A full preparation for the development of a new product can lead to a hundred percent success (Nelson & Winter, 1982).

5. Success factors of new products

A series of research has shown that the most resulting factor for the success of new products is the creation of a new product that is better than the other that circulate in the market made with smaller cost.

The study of Booz, Allen, and Hamilton showed the below seven factors that contribute to successful new products (in parenthesis the response rates in the questionnaire).

- Match of product with the needs of the market (85%)
- Match of product with internal operational abilities of enterprise (62%)
- The technological superiority of the product (52%)
- Support from top management (44%)
- Using of process development of new product (33%)
- Beneficial competitive environment (32%)
- Structure organization of new products (15) (Σιώμκος, 2004, p. 490)
- The opinion of consumers.

De Brentani (1993) studied 106 services and 37 economic institutes. She elaborated four economic factors which had a positive contribution in success and they are the following: an environment which is highly supportive and participatory for the development of new products, a typical and expanded promotion program, a typical initial planning, and evaluation oriented in knowledge process development of new products.

Martin and Home (1995) studied and seek for factors success. In a study with 88 companies they elaborated five factors which were important in relation to the success and they are: direct participation of clients in new products, direct participation of high management in developing a new product, direct participation of personnel that is in contact with the clients, direct participation of personnel that is not in contact with the clients and frequent use of information that comes from the clients.

A research has studied the factors of the import success of a new product that are: factors that differ according to the nature and the size of the enterprise, while other factors can include the branding and the mental abilities of employees. Most researches showed that one of the most important success factors of a new product is the fast and full distribution of the product.

6. The risk in the process of the creation of the new products

The risk has different meanings, according to the framework in which it is applied. Baird and Thomas (1985) identified three stages of strategic risk. In these three distinct stages shared the risk that receives an enterprise for the creation of a new product, i.e. from the arrest of the idea until her conversion in full product.

The first stage is related to the product planning. In this stage, the risk is increased, as a lot of resources (personal infrastructure, capital, etc.) are required for the construction and testing of the effective operation of the prototype until the attainment of the desired result.

In the second stage, the risk refers to the dangers that are related to the acceptance of the product. Finally, in the third stage, the risk refers to the dangers that are related to the availability and promotion of the new product.

Therefore, we can define the withdrawal of risk as “the degree to which the managers are willing to actual extensive and risk-taking commitments resources, i.e. commitments that have severe possibilities of failure”. Both the meaning of a fixed attachment to the borrowing and the resources broad commitment agree with that meaning of taking the risk.

7. The strategic importance of a new product development

A. The meaning of strategic planning

The strategic planning is occupied with the configuration of decisions for the long-term targets of a business. With the strategic planning, the strategic

plans which have a keen extrovert orientation and cover big parts of the business are formed (Johnson & Scholes, 2005, p.15-21). Essentially, the strategic planning examines the future but only in regard to present decisions. The **strategic planning** is the process with which the targets of a business are formed, the politics and programs essential to succeed the specific targets and the methods that are essential to confirm that the politics and the strategic programs are complied with. The strategic planning has a long-term character and the time horizon is from three to five years (Avlonitis, Hart, & Tzokas, 2000, p. 41-56).

B. The strategic importance of launching a new product

The development of new products is the way in which a business uses its experience and abilities to create a new product or improve an existing one. Those businesses invest in the development of new products, they are obligated to decrease the cycle time and development cost without sacrificing the innovation of the new product as the philosophy of "faster-better-cheaper" defines. The creation and production of a new product that fits with the demands of the market are not enough. The business should ensure the flow of raw materials but also ensure the channels of distribution and the relevant points of sale. Even if a product is characterized successful in regards to the consumer's demand, it can fail due to distribution channels (Kim & Wilemon, 2002, p.16-30). At this point, it should be referred that the interest of the retailer plays a decisive role in the success of a new product. The business should produce products that are based on what the retailers expect to be for sale. A danger point is the decision for the entrance or not of the product in the market because the launching of the product is the last decision on process development of the new product (Greenley & Bayus, 1994, p. 5-29).

C. Models of strategic development of a new product

The businesses desire the products that circulate or are set like new, to be accepted by the consumers who have set the profit as their ultimate goal. In order for that to be achieved, it is essential for every business to create and set new products on the market, understand the needs of consumers and offer values and innovations.

The model of Lee and Wong (2010) gives a particular emphasis in terms of the interdisciplinary relations but also the relation of leadership with the

other parts of the business so that the product is a fruit of cooperation between different parts (Lee & Wong, 2010, p. 28-54).

The model of Kotler and Keller (2009) allows us to follow the process flow of the development of a new product so the new product can come out in the market with success. For the successful and long-duration import of a new product according to the model eight steps which should be applied carefully are required and the correct decisions should be taken: The steps of the model are birth ideas, strategy marketing, business plan, development product, test in the market, launching (Kotler et al., 2009, p. 614).

Another model is that of Panizzolo et al. (2010), a model referred to the way that the creation procedure of a new product can have high specifications. The process is related to focusing on the market, to the matters of the production of the product and finally to the procedure control of quality (Panizzolo, Biazzo, & Garengo, 2010, p. 173-194). There are a lot of new products production models in the bibliography which are applied by the businesses.

8. Conclusions

Based on the above we have guided the conclusion that, the continuous development of new products can be accepted generally as a requirement for the development and prosperity of businesses in today's competitive environment. Logically, it is expected that in the economy of services the development of new products is considered an important ingredient of the consistent prosperity and the competitiveness development of a business. From the analysis of researches with different new products development models the conclusion that the need to import new products is consistent results. The innovation in products, mainly in new products, allows the differentiation from competitive products, opens new markets, and improves the competitiveness of business. To conclude we will say that the import of a new product is essential in order for a business to take advantage of opportunities and avoid the dangers that are caused by the competitiveness that prevails in the market.

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INNOVATIVE MANAGEMENT AS COMPETITIVENESS FACTOR

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Abstract

Continuous partial or total improvements in the manufacturing process or services can result in higher production quality at lower cost and can lead to significant productivity gains over time. Many companies are successful in continuous improvement, through the introduction and proper management of innovation. The challenge for management is to bring the enterprise more competitive than other businesses in the same industry. The main objective of this article is to clarify the essence of the innovation management process, the competitiveness of the enterprise and to identify the relationship between them for the successful development of the company and gaining more competitiveness than other companies. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach, questionnaire survey.

Keywords: innovation management, competitiveness, management, innovation, manager

JEL Codes: M11, O32

1. Introduction

Under the conditions of the market economy, there is a close link between innovation and the market, which determines the need for one or another innovation and its destiny. An important condition for achieving market success, retaining market share, conquering new markets, taking the lead in the industry, and enhancing the competitiveness of entrepreneurial businesses is innovation in entrepreneurial activity (Kyurova, 2015, p. 195). Innovative development of the national economy today an alternative without creating, learning and using new knowledge (Sotirova, 2015, p. 53). In today's business development conditions, characterized by high dynamism of the enterprise's

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external environment, introduction and realization of innovations, intensification of competition in the sectoral market, globalization of the economy, issues of innovation management and their role in enhancing the competitiveness of the enterprise. In each enterprise, it is necessary to provide conditions for the introduction of innovations, therefore, it must have such a structure and processes that imply and implement appropriate innovative behavior (Sotirova, 2016, p. 2).

Innovation is a process that needs to have a structured and organized approach and this process to be managed. Assuming the innovation process is cyclical and there is some link in successive innovation intentions and projects in the context of the company's complex marketing mix, the analysis and evaluation of the results are extremely important. This analysis should be carried out both in the internal business environment and as regards the market and the customers (Kalaidjieva, 2017, p. 52). In companies, innovation management includes a set of tools that enable the manager, marketing and sales staff, and all other departments in the enterprise to collaborate with a common understanding of processes and goals. In the increasingly widespread and intense changes, incredible awareness and competitiveness in which an organization operates, it only succeeds if it uses the full capacity of all its members (Danchova, 2017, p. 80).

Innovation management allows organizations to respond to internal and external opportunities, to use their creativity, to bring new ideas, products, services, processes or business models, and to improve their competitiveness. When innovation is an integral part of the company's strategy, the innovation process is managed in accordance with the vision and goals of the organization. Innovation is most often associated with a new product or innovation, and it is very rare to talk about business model innovations, such as those that create more successful undeniable competitive advantages. It is therefore very important for innovation to be approached horribly to be the manager - an innovation leader in the company's business.

The role of innovation is indisputable. In the business world, this is a clear imperative, for the simple reason that when a product or service is changed, the product's competitiveness can be maintained or improved. Otherwise, this may lead to a quick exit from the business. Effective innovation management requires a manager responsible for this feature to focus on

development and accordingly reduces the time for a new product or service to come out on the market. This inevitably leads to greater competitive advantages and economic benefits for the company. Innovation management is a tool that influences competitiveness together with innovation culture, innovation strategy, innovation capacity and innovation discipline that makes innovation real and sustainable to the organization. The main factor for sustainable economic growth today is the competitiveness of enterprises. In this connection, V. Kyurova points out that one of the important factors influencing the competitive economic development of the enterprise is its innovative potential (Kyurova, 2015, p. 196). The opinion of S. Timofeeva, that "one of the components of the competitive potential is the innovation potential." (Timofeeva, 2016, p. 144). Success not only in the private sector, but also globally, is increasingly due to technology and innovation, the development of new market niches and organizational innovation. Everything that can not be programmed in modern technology can only be done by people, and this is the key competitive advantage over the "artificial intellect". These are adaptive skills with constant variables, with unpredictability, with unprecedented complexity (Danchova, 2017, p. 78).

Bubenok's opinion Elena Alexandrovna is one of the clearest and shortest definitions of the link between innovation and competitiveness - innovation should not be an end in itself but the basis of the enterprise's response to changes in the external environment, to its adaptability. Therefore, the level of innovation of the company, in line with its technical, technological and social situation, must meet the needs of the market and the objective of innovative development is the competitiveness of the enterprise, determined by its profitability and investment attractiveness. In the free world market a company may become unattractive even when production remains profitable but its profitability is at the world average.

2. Innovation Management - the Essence of Business for a Good Future

The innovation process is a complex system that reflects in a concentrated way the relationship science - production - consumption. This process is realized through the following main phases: generating ideas; screening and evaluation; development and commercialization of the product

(Sotirova, 2016, p. 81). Innovation management should be seen in the context of many steps that address different functional areas. The need to manage innovation often requires managers to combine technical skill, flexibility, creativity, and skill to manage projects with large financial capabilities. Managers identify many aspects of innovation management - strategy, human resources management, motivation, and so on. Integrating these aspects of governance is difficult, and innovation management therefore needs systematic encouragement. If we can summarize a definition of innovation management, it will be as follows:

- management of the innovation and investment process as a whole, not as individual cases of renovation and investment;
- covering all the functions of innovation and investment management: forecasting; planning; organization and coordination; stimulation and control;
- Taking into account the impact of the investments, both on the company and on the structure of the sector;
- Investment management takes into account both the direct effect for the company and the side effects.

Figure 1. Pyramid of Generating and Implementing Innovation.



Source: Adapted by Iliev V., In Support of Innovative Management of Small and Medium Enterprises

In the opinion of Iliev, described in his work, how the stages of development may seem - the "Development Funnel" (Iliev, 2016, p. 20) - can also be shown in a different way. The way business generates and introduces innovation can be illustrated as a 5-story pyramid that shows the process of generating the idea, selecting performance, and so on. In each of the five areas or elements of innovation management there are features to be managed. Figure 1 shows how the pyramid describes the stages.

- 1.1. First row** - Innovation strategy - Developing and implementing an innovation strategy requires the business manager to focus on a number of issues to solve. The first step is to assess the market trends and determine the need for innovation in the sector selected by the manager. Much attention should be paid to the role of technology and how to gain experience in relevant technologies. Management should identify and control the role of innovation within a company or segment of a company - product, service, process or business - innovation process.
- 2.2. Second row** - Idea - here the manager has to determine the number of ideas needed to capture and evaluate whether they meet consumer preferences for products, services, and streamlined processes. Good ideas usually merge with the requirements of the market and the company's customers. Ideas are a great number to identify the most appropriate, even if only 3 of all listed or described.
- 2.3. Third row** - Prioritization - it is necessary to generate such an efficient process that to choose the best ideas for development of the innovations. This requires appropriate tools for risk analysis and return on individual projects. Managers need to pool information across the range of projects to ensure that the portfolio of innovative projects is balanced and in line with the company's innovation strategy. Information on the decision-making process is collected so that management teams can review and draw lessons from previous cases in the future.
- 2.4. Fourth row** - Application - This area focuses on the faster and more effective development of innovations, be it a service, a product, a process, or a combination of all. The implementation process is an

area where businesses can learn and take a better example of each project so that quantitative accumulations will lead to greater future success and results. In order to achieve rapid development it is good to create efficient functional teams, prototypes and testing. The final step of the implementation is commercialization.

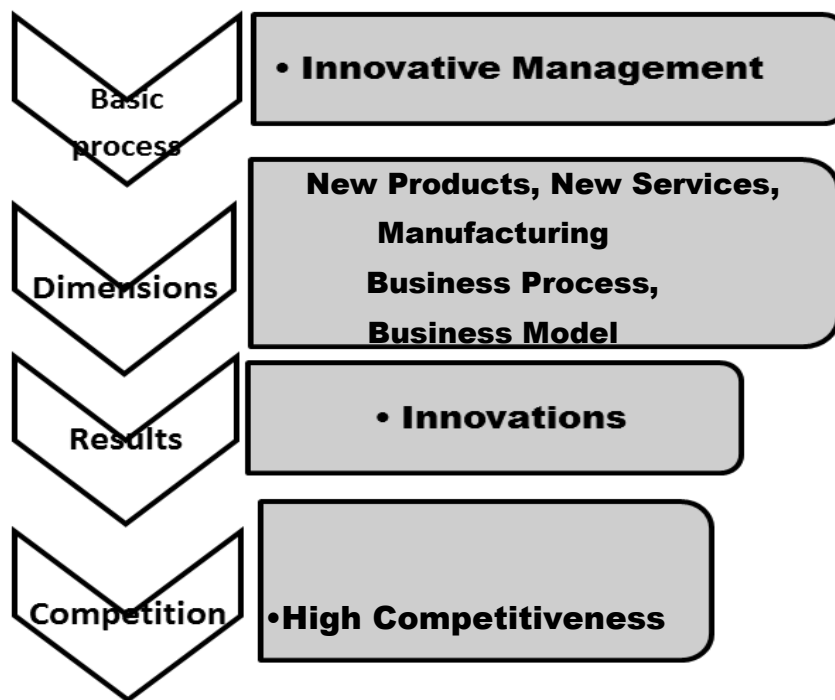
2.5. Fifth row - Human Resources - When it comes to innovation, there are many issues related to human resource management. The manager responsible for innovation and its management is also responsible for managing the hiring, retention and training policies, designing new venues and creating effective organizational structures. Consideration should also be given to developing effective award and recognition programs, as well as motivating staff to help implement the innovation. Since nowadays human resources management is a fairly controlled system of stages so that everyone can be encouraged and satisfied with their work on the benefits of the company.

Innovation management certainly needs permanent and long-term attention to managers. Applying novelty requires collaboration of different people with experience and skills. Innovations include workflows during which experts generate ideas or discuss "achievements", for example, this may be the start of the innovation process, problem solving, control and monitoring, and so on. Manager - Innovation is the person responsible for managing an idea within the organization and confesses to the innovation argumentation. This provides the following few features:

- Such management of ideas as an area of responsibility and activities, that innovation culture is respected and sustainable;
- The commitment is permanent;
- The set of ideas is periodically updated, coordinated with the entire leadership, and implementation is assigned to teams.

In the opinion of world-renowned Schumpeter about the vision of an innovation manager, it should be as follows: the function of a businessman and the function of an inventor are completely different things. The businessman is neither the inventor nor the inventor is a real businessman but has a common link between them... (Schumpeter, 1934, p. 255).

Figure 2. Dimensions of innovation in a manufacturing company



Source: own systematization

Management must be the driving force behind the main processes that stimulate innovation within the company (Figure number 2). Some innovation management processes can be formally identified and documented, such as the development of new products. Others will be less tangible like generating ideas or managing company culture. That is why managers face a real challenge in managing innovation. In a modern manufacturing company, line operators are not just responsible for producing products, they also have full responsibility for constantly improving production processes. Senior managers need to see themselves as owners of the innovation management process, not simply managing outgoing new products and services. Managers should see innovation processes within their organizations as one of their biggest assets, which will bring the company to a high level of competitiveness.

The management of innovation and investment must be provided with the same conditions as for the management of every uninterrupted process in the company. More specifically, this requires the appointment of specialists, the establishment of units, organizational and functional structures and information base in order to fulfill the different functions in the innovation and investment process - planning innovation and investment; organizing the study, developing and implementing the projects, controlling the innovation and the investment process, etc.

3. Competitiveness of the enterprise - nature, features and characteristics

Competition is a universal tool for preserving the effectiveness of the various companies and stimulating the most efficient ones. The most important feature that places competition on a decisive role is the fact that it is a process that allows the use of experience and knowledge in a way that maximizes economic performance. The formation and implementation of an adequate competitive strategy of the enterprise is an extremely important condition for its prosperity in the contemporary conditions of deepening competitive rivalry and unsustainable economic environment (Timofeeva, 2015, p. 17). The competitiveness of producers, traders and entrepreneurs depends to a large extent on innovation and innovative potential, financial opportunities and access to the international and European markets. In the context of a globalizing economy, innovation policy is associated with accelerating economic growth and enhancing competitiveness by transforming creative ideas into real products, services, processes and technologies. In the same way, R. Ivanova describes competitiveness and innovation in his work (Ivanova, 2014, p. 35).

The economic category "competitiveness" is an element of the conceptual apparatus defining the success of the economic activity of the enterprises on the market as well as the subject of the scientists' attention. Competitiveness as a concept is used in many industry sectors and in differently-sourced objects: products, economic sectors, human life spheres (Timofeeva, 2015, p. 17). The development of competitiveness theory is followed by the formation of different views and views on the essence of competition and what its content is.

A significant contribution to the competitiveness theory introduces M. Porter, who identifies a competitor efficiency as a "... property, product characteristic, service by which market participants enter the market on an equal footing with similar products, services and competitors" (Porter, 2005,

Competition, 588). Competitiveness is the ability to create sustainable development by producing goods and services that successfully pass the test of an unrestricted market and educated demand under normal conditions. Competitiveness is a relationship between highly demanding markets, leading companies and lasting investments in human capital. An economy in which even own consumers do not buy what they produce is doomed to decline. Competitiveness, however, is a quality of individuals and individuals, entrepreneurs and corporations, not peoples, countries or economies. The competitiveness of an organization and the success of its leaders are increasingly associated with their ability to cope with their dynamic and competence-building skills to respond adequately to the external environment (Danchova, 2017, p. 78).

Competitiveness is closely related to competition and the market. It is the main concept in the market economy and is an expression of a more efficient and efficient functioning of a business in relation to other business entities. Competitiveness is one of the most important internal factors for the functioning of the company and is realized through communication with other entities of the external environment. In a broad sense this means an opportunity to win some rivalry. The essence and content of competitiveness is revealed at several levels, namely: level of products, level of organization, level of national economy. Competitiveness in modern conditions depends on four interrelated elements:

- a) Terms of operation of the company in the country;
- b) The nature of the internal market;
- c) Condition of related and supporting industries;
- d) Characteristics of the main factors of production.

Mladen VeleV considers the competitiveness of the enterprise as "its ability through continuous innovation and improvement to create and sustainably maintain competitive advantages leading to high economic results in the long run (VeleV, 2004). In a number of scientific studies and scientific papers, a variety of competitive properties are discussed, which determine its complex and multidimensional nature. Here we can summarize the opinions of several well-known authors Dimitrova, Zavvjalov, Fathuddinov, Savelieva, Safulin, their views on the most important characteristics of the economic category of competitiveness that are derived from the individual authors are as follows:

- In order to maintain and increase the level of competitiveness, there is a need for an objective quantification of competitiveness (Zavuilov, 1992, p. 44).
- Competitiveness has a multi-dimensional character, which results from its evaluation, respectively from the presence of subject, object, objectives and criteria of its assessment (Fathuddinov, 2000).
- Competitiveness is controversial, as it has to combine the interests of producers and consumers (Saveljeva, 2009, p. 128).
- Competitiveness is manifested in the presence of competition, i.e. when comparing different competing objects and subjects, which determines its relative nature (Dimitrova, 2015, p. 8).
- Competitiveness is dynamic and changing over time.
- Competitiveness is conditioned by the combination of competitive advantages and weaknesses.
- Competitiveness is a complex category that is formed on many levels (Safuline, 2002).

In their perceptions of the essence of enterprise competitiveness, some authors focus on the economic parameters and the efficiency of its activity, here M. Porter points out that in order to achieve competitive success, the enterprises in the country must have a competitive advantage in the form of or lower cost, or differentiated products that impose high prices. The author takes the view that, in order to maintain the advantage over time, businesses need to achieve more advanced competitive advantages by providing higher quality products and services or by more efficient production. This is directly transformed into productivity growth (Porter, 2004, p. 23).

According to R. Dimitrova, "the level of competitiveness of the product, the products, as well as the prospects and the potential for its growth are among the main factors of the company's competitiveness (Dimitrova, 2013, p. 77). The continuous improvement of the product and its specifics or characteristics, increase its competitiveness among other products on the market, and hence improve the competitiveness of the enterprise. The definition of competitiveness can be formed by the ability of a firm to "fight" the market with rivals in the production and sale of goods or services, and by analogy the ability of a country to maintain a relatively high standard of living for its citizens through trade in its international markets and its own markets. Competitiveness is a fundamental complex indicator. It is a concentrated expression of the

economic health of each company, summarizing the efficiency of its economic, social, financial, institutional and other subsystems. Competitiveness is always a comparative category, possessing the potential for sustainable sustainable growth with its inherent pillars:

- economic, social and environmental;
- productivity of the factors of production;
- factor costs for production of a unit of final product;
- quality (technical level) of manufactured products;
- reliability of products and services;
- structural characteristics of the economy in the broadest sense of the term;
- imitative and innovative potential of the economy;
- strong sensitivity to market signals and expeditious response; the potential for rapid absorption, dissemination and commercialization of technical and other innovations;
- loyal partnership in business relationships;
- reconciliation of private, state and public interests.

Therefore, the competitiveness of an enterprise can be defined as the ability of an enterprise, through continuous upgrading and refinement, to create and sustain competitive advantages that lead to high business results in the long run (Saveljeva, 2009).

Competitiveness leads the manager to think and plan new developments to introduce to the firm so he can bring it to the other companies on the market. When a company succeeds in placing an innovation or a new product / service on the market, it gradually becomes more competitive and gets a chance for faster growth among other companies. We can note that in order to develop the company, it must be flexible, creative and innovative.

4. Connection between innovation management and competitiveness

The main driver for innovation is the constantly growing competition among enterprises not only in Bulgaria but also on a more global scale. At the beginning of this article, the essence of innovation and innovation management was discussed in detail as well as the most important features of the company's competitiveness. The essence of competitiveness is the ability of an enterprise to improve and improve the characteristics of the products produced, thereby outperforming competitors. This is a "measure unit" through which companies

can analyze their competitiveness among others in the market. In its theory of competitive advantage of the nations, M. Porter emphasizes that "companies will ultimately fail if they do not base their strategies on improvement and innovation " (Porter, 2004).

The generic version of innovation management is a set of principles, methods, tools and ways to manage innovation and the team responsible for its market introduction. Hence the essence of the relationship between competitiveness and innovation management. Since high competitiveness is achieved when there is good and quality innovation management and their successful introduction of the market segment occupied by the enterprise. The innovative management tool of the enterprise for competitiveness and successful future development for the company. Innovation management, as it has become known, is the process of planning, organizing and controlling and managing the processes for development and implementation of innovations from different managerial levels aimed at achieving innovative objectives of the organization and achieving high competitiveness of the enterprise. In the opinion of the world-renowned M. Porter, innovation competitiveness is strongly dependent on the potential of its industry for innovation and technological development (Porter, 2004, p. 25).

According to a survey conducted by the global consulting company A.T. Kearney, in which more than 250 companies from around the world participated with a successful innovation management process, whether they responded to a question asked about a need to successfully manage the innovation process and achieve high competitiveness. For successful management, a total of 4 areas are linked to the characteristics of the innovative leaders that each company takes into account:

- Innovative strategy to be developed and to invest time, resources and labor;
- Generate ideas, in which process partners should be involved. It is necessary to use different sources and approaches to promote creativity and gather information on a global scale;
- Choice of ideas, using defined evaluation criteria;
- Development of the concept - development of the idea in a well-founded and ready-to-implement business concept, for faster growth over the other enterprises, ie. greater competitiveness.

5. Conclusion

On the basis of the above, we can summarize that competitiveness is directly related to innovative business activity. Innovations contribute to the improvement of technology and technology, product and service characteristics, organizational skills of the company and, ultimately, to its "distinctive competence" with respect to its main competitors. Indeed, competitiveness as an economic category is manifested at company level (enterprise), because there is added value. It is also defined as a summary indicator of the next levels of organization and management - respectively the subsector, the sector, the economy and the national level.

The modern business organization operates in a dynamically changing environment. Organizational policy is geared towards achieving both sustainable development and competitiveness. Achieving sustainable development in an organization is a necessity for its competitiveness, while prosperity is sought. The discovery of new innovative methods and approaches to influence the human factor in governance and administration is a necessity. The relationship of power decision - behavioral approach is a key factor in achieving competitive management.

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RISK MANAGEMENT IN BANKING INDUSTRY

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Abstract

In this research paper we will explore the risk management in banking. Accurate risk measurement enables banks to develop a risk management strategy. Risk Management in banking programme provides an overview of risk governance and long-term value creation in light of new regulations, final Basel III (Basel IV) and special resolution regimes with bail-in debt.

Keywords: risk management, banking industry, Basel III, Basel IV

JEL Codes: F65, G32, O16

1. Introduction

Risk management evolved from a strictly banking activity, related to the quality of loans, to a very complex set of procedures and instruments in the modern financial environment. In general, banking risks fall into four categories: financial, operational, business, and event risks. Financial risks in turn comprise two types of risk. Pure risks - including liquidity, credit, and solvency risks - can result in loss for a bank if they are not properly managed. Speculative risks, based on financial arbitrage, can result in a profit if the arbitrage is correct or a loss if it is incorrect. The main categories of speculative risk are interest rate, currency, and market price (or position) risks (World Bank Group).

Risk management has always been a critical area for banking industry but it has acquired a new found meaning in the post-2008 credit crunch era as an increasing number of financial institutions are willing to go that extra mile to

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ensure they understand the element of risk well enough. There are all sorts of advanced mathematical tools, analytics and approaches to understand market behavior better and it would be important for any financial institution to know which ones might fulfill their needs depending on the kind of risks they might be liable to face. There have been a lot of changes in regulatory banking institutions facing a plethora of emerging risks in an increasingly interconnected and complex global industry.

The banking industry sector is characterized by intensive competition considering both the cost and the products. For this reason, the banks are forced to identify and adopt new and more efficient ways to fight their competitors and to gain more customers that will be retained and loyal. In this way, banks make efforts to reduce costs and make better offers by screening borrowers and differentiating the prices accordingly so as to maximize the profits and minimize the losses-risks. Risk management in banking contains a combination of processes and models, results of scientific research, that banks base on them to implement risk based policies and practices. Risk Management strategy is an everyday process of identifying, evaluating, operating and monitoring risks and aim to immune the company from the potential hazards.

Banking is the intermediation between financial savers on one hand and the funds seeking business entrepreneurs on the other hand. As such, in the process of providing financial services, banks assume various kinds of risk both financial and non-financial. The main aim of management of banks is to maximize expected profits taking into account its risk. This calls for an active management of the risk in order to get the desired results. Risk management is therefore an attempt to reduce the volatility of profit which has the potential of lowering the value of shareholders' wealth.

2. Literature review

There is a growing volume of literature investigating risk management in the banking industry. Due to the financial crisis during the period 2007–2009, great attention has been paid to the risk-taking behavior of the banking industry by the government as well as by banking regulatory authorities. The greatest impact of the crisis has been on the banking industry where some banks which was hitherto performing well suddenly announced large losses with some of them going burst. The Basel Committee is just one of a plethora of international

bodies and groupings which now set standards for financial activity around the world, in the interests of protecting savers and investors and maintaining financial stability.

Risk Management is described as the performance of activities designed to minimize the negative impact of uncertainty regarding possible losses (Schmidt and Roth, 1990). Risk management techniques have made a lot of progress since the best practices were defined by various think – tanks and regulatory bodies (Bessis, 2010). Also, Bessis (2010) indicates that the goal of risk management is to measure risks in order to monitor and control them, and also enable it to serve other important functions in a bank in addition to its direct financial function. Concern and discussions in banking circle are often dominated by personal experiences of staff and customers, as well as corporate strategies of banks for dealing with uncertainty and risk management (Onyiriuba, 2016).

Chatterjee (2014) argues why risk management requires a whole new different approach in the existing market conditions and introduces readers to advanced tools and techniques with far greater relevance in context of today's financial realities.

There are two broad risk management strategies open to financial institutions (Hull, 2015). According Hull, one approach is to identify risks one by one and handle each or separately. This is sometimes referred to as risks decomposition. The other is to reduce risks by being well diversified. This is sometimes referred to a risk aggregation. Both approaches are typically used by financial institutions.

3. Methodology

In the research and development of this paper a qualitative and quantitative methodology has been implemented. To achieve the object of this paper, the risk management in banking data has been collected.

4. Analysis and discussion

Risk management in banking has been transformed over the past decade, largely in response to regulations that emerged from the global financial crisis and the fines levied in its wake. Banks are obliged to establish a comprehensive and reliable risk management system, integrated in all business activities and

providing for the bank risk profile to be always in line with the established risk propensity. Risk management system comprises (National Bank of Serbia):

- ✓ Risk management strategy and policies, as well as procedures for risk identification and measurement, i.e. for risk assessment and risk management;
- ✓ Appropriate internal organization, i.e. bank's organizational structure;
- ✓ Effective and efficient risk management process covering all risks the bank is exposed to or may potentially be exposed to in its operations;
- ✓ Adequate internal controls system;
- ✓ Appropriate information system;
- ✓ Adequate process of internal capital adequacy assessment.

The importance of bank risk management, however, is not confined only to minimize costs. Permanent concern to minimize exposure to risk management has positive effects on employee behavior that are more rigorous and conscientious in carrying out the work tasks, it is not negligible either psychological effect to deter fraudulent activities. The existence of adequate programs for prevention and control banking risks contributes to impose banking institution in the community, little or no experience of such conditional admission or participation in programs such bank inter-bank associations or obtain higher qualifications in the banking authority.

In contrast to Basel I, whose main objective was to create a level playing field for banks, introducing a "one-size-fits-all" framework, Basel II encourages banks to develop risk management systems and to calculate capital requirements on the basis of these systems' outcomes. This approach changed once again in view of the financial turmoil which broke out in 2007-2008.

Basel II brings changes in activity of banks and financial institutions, imposing mandatory capital requirements for banks' exposures. When a bank grants credit, it assumes a risk in its portfolio. To be a global event risk, throughout the bank and real time, it needs a good IT solution set, a set of procedures, well trained people who know what to do when there are early warning signals.

To calculate the necessary capital, Basel II proposes two different approaches:

- The standard approach, which is similar to that proposed by Basel I, but using more refined weights. In addition to the previous agreement,

this approach allows the use of derivatives to mitigate credit risk and reducing capital requirements. Basel II recognizes the techniques for reducing credit risk through collateralization; the guarantors are credit risk derivatives.

- Approach based on internally generated ratings:
 - ✓ Methodology based on internal ratings based (Foundation Internal Rating Based (IRB) approach), which allows a bank to use their own rating system, inclusively using their own calculations on the probabilities of entry in default (PD), but losses when the counterparties to default (LGD) are provided by the supervisory institution.
 - ✓ Methodology based on advanced internal ratings (IRB advanced approach), in which banks calculate their capital requirements on their models, validated by the institution of monitoring, inclusively calculations on the probability of entry in default (PD) and loss if the counterparty enters into default (LGD).

In 2015, the Basel Committee on Banking Supervision, a global standard-setting institution for bank regulation and oversight, issued a request for comments on its proposal to address what is known as step-in risk, or the risk that banks will undermine their solvency by trying to shore up failing non-bank financial institutions (Crayson, 2016).

When a non-bank financial institution affiliated with a bank experiences stress, a sponsoring bank often will lend support in order to avoid the reputational damage that comes from being affiliated with failing institutions. Despite its benefits, this practice can lead to widespread financial instability if the stresses that the non-bank institutions experience spill over into the banking system.

In December 2017, the Basel Committee on Banking Supervision (BCBS) released the final rules on operational risk capital. The final rules came a year later than anticipated and more than three years after the first consultation on operational risk in October 2014.

The BCBS has introduced a single non-model based method for the calculation of operational risk (OpRisk) capital, the Standardised Approach (SA). This will replace all three existing approaches for OpRisk under Pillar 1: the Basic Indicator Approach (BIA), the (Alternative) Standardised Approach

(TSA/ASA) and the Advanced Measurement Approach (AMA). The SA will apply from 1 January 2022. The main objectives of the BCBS in defining these new rules were to improve comparability and simplicity, but neither has been fully achieved. The scope for national discretion and the use of opaque Pillar 2 capital requirements will make it difficult to compare banks, while the new SA is less simple for banks that currently use the less advanced approaches to OpRisk because of the ten year loss data capture requirement. There is also a risk that the new SA will reduce the incentives for robust risk management within the business due to the lack of risk sensitivity in the new approach (KPMG, 2018).

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks. Like all Basel Committee standards, Basel III standards are minimum requirements which apply to internationally active banks. Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee. A key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets (RWA). At the peak of the global financial crisis, a wide range of stakeholders lost faith in banks' reported risk-weighted capital ratios. The Committee's own empirical analyses also highlighted a worrying degree of variability in banks' calculation of RWA (Bank for International Settlements, 2017).

Basel IV introduces changes that limit the reduction in capital that can result from Banks' use of internal models under the Internal Ratings-Based approach. This includes (Wikipedia):

- A standardized floor, so that the capital requirement will always be at least 72.5% of the requirement under the Standardized approach;
- A simultaneous reduction in Standardized risk weights for low risk mortgage loans;
- Requiring banks to meet higher maximum leverage ratios (an initial leverage ratio maximum is likely to be set as part of the completion of the Basel III package);

A higher leverage ratio for Global Systemically Important Banks (G-SIBs), with the increase equal to 50% of the risk adjusted capital ratio. British

banks alone may have to raise another £50Bn in capital in order to meet Basel 4 requirements. The average Common Equity Tier 1 (CET1) capital ratio for major European banks is estimated to fall by 0.9%, with the biggest impact on banks in Sweden and Denmark of 2.5% - 3%.

5. Conclusion

Risk management activity has experienced exponential growth over the past decade. Banks play a significant intermediation role in the economy, where “confidence” is of paramount importance. Financial risks are also subject to complex interdependencies that may significantly increase a bank's overall risk profile. Operational risks are related to a bank's overall organization and functioning of internal systems, including computer-related and other technologies; compliance with bank policies and procedures; and measures against mismanagement and fraud. Business risks are associated with a bank's business environment, including macroeconomic and policy concerns, legal and regulatory factors, and the overall financial sector infrastructure and payment system. Event risks include all types of exogenous risks which, if they were to materialize, could jeopardize a bank's operations or undermine its financial condition and capital adequacy.

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FORMS OF SUPPORT OF SMALL AND AVERAGE BUSINESS IN WORLD PRACTICE

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Abstract

In article the condition of small and average business as resource of ensuring stability of national economies is considered. A basis of economic growth is the business activity of the person which is carried out on own initiative and under own responsibility. It staticizes a research of forms of support of small and average business in world practice on the example of EU countries, the USA, China, Japan and other countries. The relevant directions and features of the state and non-state support of business are analyzed.

Keywords: world practice of support of business, direction and feature of the state and non-state support of small and average business

JEL Codes: M10, M12, M13, M21

1. Introduction

Development of small and average business is referred to priority activities of bodies of authority and management of all levels. The analysis of an economic situation in national economies confirms essential increase in a role of small business which during market transformations remains the only strategic resource providing return of invested funds and effective use of all factors of production.

The level of development of small and average business reached so far is insufficient for creation of new jobs, development of new segments, revival "demand - the offer" in the industrial and commodity markets, emergence of

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independent sources of income of a private enterprise initiative in economically active population, decrease in social loads of budgets of all levels. In this regard development and approbation of the forms of support of business, including dissimilation (adaptations and distribution) experience of support which have confirmed efficiency at the level of world practices is staticized.

2. Analysis and discussion

Programs of support and stimulation of small and medium-sized enterprises are developed by federal and regional authorities by formation of synergetic effect of use of various mechanisms of state regulation, including on the basis of use of the statistical data formed by means of instruments of management accounting. It is connected with the fact that in modern conditions small and medium business (SMB) turns into the main source of ensuring sustainable development of national economy.

Each national economy has own approach to formation of infrastructure and the choice of forms of support of small and average business (SAB). We will address tendencies of development and support of small and average business in separate world economy and it is comparable with the Russian practice.

Small enterprises always held a dominant position in economy, despite the happening processes of concentration of production and its integration. The certificate is statistical this development of business in the leading European economies (tab. 1).

Thus, small and average business was and is basis of economic stability of society, and their development significantly improves a situation with employment of the population. At the beginning of the 20th century the most part of the enterprises (80-90%) in Germany, France, Austria, Switzerland was made by small enterprises though the greatest number of workers worked at the large enterprises. On average, at small enterprise no more than 2 people, have been engaged at an average – 14 people, on large – the 190th persons. For the next decades the situation has a little changed.

Table 1. Group of the enterprises for the sizes, 1902-1907

Country	Number of the enterprises		Number of busy	
	Absolute	Percentage of total	Absolute	Percentage of total
Small enterprises				
Austria, 1902 year	913472	94,2	1552065	46,8
Switzerland, 1905 year	176618	92,7	285985	39,9
France, 1906 year	531958	87,4	916441	24,9
Germany, 1907 year	1822234	90,0	3166734	29,1
Average enterprises				
Austria, 1902 year	53392	5,5	840354	25,4
Switzerland, 1905 year	12177	6,4	16744	23,3
France, 1906 year	72209	11,9	1291348	35,1
Germany, 1907 year	176103	8,7	2526135	23,2
Large enterprises				
Austria, 1902 year	3140	0,3	920877	27,8
Switzerland, 1905 year	1819	1,0	264052	36,8
France, 1906 year	4485	0,7	1471999	40,0
Germany, 1907 year	27205	1,3	5180831	47,6

Source: Cobo, R., 1924, p. 500

In the most developed foreign countries as of 2014 small enterprises make about 70-90% of total number of the enterprises (for example, with the USA in this sector 53% of all efficient population, in Japan – 71,7%, and in EU countries – 50% work). At the same time more than a half of all small enterprises (and in Finland – more than 80%) work in the sphere of trade and services (Fink, 2012, p. 177).

The most effective in relation to development and support of small and average business remains policy of **Germany** (The certificate of development of the sector of small and average business in the Germany) which purpose is creation and support of a large amount of the productive, dynamically developing small and average economic structures.

In Germany along with 5800 large enterprises by 1995-2000 there were more than 3.3 million small and medium-sized enterprises and individual

entrepreneurs. They made 99% of taxpayers and provided more than 70% of all jobs, trained about 80% of young specialists and gave nearly 45% of receipts of a sales tax, carried out 30% of the German export. In 1999 these enterprises have received 46% of gross investments and provided 57% of GNP of Germany.

Small and medium-sized enterprises have distinctive quantitative features: small – up to 9 people working average – from 10 to 499 people of 65-70% of graduates of institutions prefer to begin work on small and medium-sized companies.

In Germany one of the main instruments of the state support of SMB – stimulation of microfinance of small business. The KfW Group financial group which 80% belong to the state is for this purpose created. This organization credits on favorable terms about 2,9 million small enterprises of the country, providing: low rates on the credits, the medium-term and long-term credits (at most – 10 years), release from payments for the credit in the first 2 years, a possibility of long-term return of the credit, a possibility of participation financing, etc. (Zverev, 2009, p. 12). The main advantage of the German state programs consists in uniform for all rules of receiving the credits and the standardized transparent procedures of crediting of MSP. The address for receiving the credit is accepted by private commercial banks which sign with KfW-group the contract on refinancing of the credits according to which they undertake to return the means provided to them. Further the national bank transfers money to commercial banks, and those, in turn, grant the loans to MSP, at the same time all subsequent payments of businessmen are listed to national bank. Financing of the following directions isn't allowed: conversion of debts, additional injections in earlier financed projects, restoration of liquidity of the enterprises.

In Germany tax benefits include three main versions: the special norms of depreciation charges, creation of reserves of tax-free profit and investment extra charges paid by tax departments. The enterprises which will independently organize preparation and retraining of the workers use tax benefits: reduction of contributions to social insurance varies from 50% of total amount of obligatory payments before liberation. Income tax has been lowered by the special decision in crisis years from 39% to 30%, contributions to funds of social

insurance are reduced (the obligatory contribution for unemployment has decreased from 6.5% to 3.3%).

For Germany support of innovative small business which assumes stimulation of a technological transfer and consulting activity also is priority. Infrastructure of such support has included 16 higher educational institutions of a technical profile.

Decisions in the sphere of support of small and average business are included into competence of authorities at the level of federation, federal lands, city and land districts, communities. A part of functions on support of MSP is transferred to the specialized banks which are carrying out programs for support in federal scale and also the self-regulating organizations (SRO) of private business, for example, to Chambers of Commerce and Industry.

Small and medium-sized enterprises are the most dynamic sector of economy of Belgium, their value constantly increases, at the same time, they face a number of problems. Small and medium-sized enterprises – 99% of the total number of the enterprises registered in Belgium. The share of employed at small and medium-sized enterprises reaches 55% a sector share in production of GDP makes 46%.

In the **Belgian** legislation exists several definitions of the sector of small and medium business differing depending on the territory. The general remain restriction for number working – no more than 50 people for small firms and no more than 250 people – for averages.

Economists have developed the plan consisting of 50 offers on 8 directions which pursues tasks for improvement of a situation: to facilitate tax burden for small and medium-sized companies, to simplify administrative procedures at formation of the enterprises, to change the social status of independent businessmen, to facilitate access to the risk capital.

In **Great Britain** 21% of commodity turnover and 36% of labor of the country fell to the share of small business in 2005. Every eighth full age citizen of the country is busy with individual business. About 50% of a gain of new jobs fall to the share of small business.

Small firms function in all branches of the English economy, but they play a special role in the knowledge-intensive and high-tech industries (electronics, biotechnology, chemistry, instrument making). Small business of

Great Britain considerably advances other European countries in the specified spheres.

In Great Britain there is no uniform definition of small and average business. In most cases carry the enterprises with number to him working no more 250th persons.

The main forms of support and stimulation of development of small business are implemented through budgetary and tax and credit policy of the state. Treat measures of the general character: establishment for small firms of the lowered rates of taxes, the postponed payment of accounts, drawing up balance for calculation of a value added tax only after payment of the accounts, the effective system of discounts at payment of overdue loans, privileges at collection of the local property tax.

According to "The program of guaranteeing the loans" 70-80% of the credits granted by banks to small business, guaranteed by the government.

Active participation in development of small and average business is accepted by the large enterprises practicing sending at them the qualified managers and experts for biennial term.

In the 1980th integration of small enterprises into structure of the large companies, including the system of franchizing have gained development. The leading English banks contribute to the development of similar communications. The national council of economic development has prepared the specialized catalog of small enterprises by means of which the large companies can choose potential partners. The special center promoting contacts and the business relations between large and small enterprises is also created and functions.

Much attention is paid to programs of training of businessmen. The general program of training includes several schools. On the basis of the universities and colleges, regional control centers and private consulting firms courses for "small business" lasting training of 6-10 weeks work.

In **Finland** more than 90% of all registered enterprises of the country fall to the share of SMB. The total annual turnover of SMB of Finland makes 52% of a total turnover of all companies, and a share in production of GDP – 50%. 50% all working are engaged at them and annually with their help it is created up to 60% of new jobs. SMB share in the Finnish export makes 17% and grows quicker, than at the large companies.

The state support of SMB in Finland is carried out by completely state JSC Finnvera which grants to businessmen the loans with the increased risk. Most often Finnvera acts as the co-investor, developing the scheme of multichannel financing for each enterprise separately on the basis of the analysis of his economic activity. Besides, analyzing the Finnish experience of support of SMB, authors pay attention to territorial differentiation and targeting of the state support: Finland is conditionally divided into three "zones of development" (assisted area) and the size of subsidies for SMB directly depends on a zone of location of the enterprise. In addition, Finland strenuously attracts investors to SMB sector for what at the legislative level limits for receiving the credits and the choice of legal form for the foreign citizens wishing to organize the small business in Finland have been lifted.

In economy of **Spain** small and medium-sized companies prevail: more than 1 million enterprises (for 98% of the enterprises the number of working doesn't exceed 100 people). Individual and family business remains the most common form. In Spain carry to SMB: number working at small enterprise – no more than 50 people, for an average – no more 250th persons. Share in the capital of other enterprises shouldn't exceed 35%.

In the system of executive bodies of national level of Spain development and realization of state policy on support of small business is assigned to the Ministry of Industry and Energy. The main forms of support assume: the help in diagnostics of small enterprises, training of businessmen, cooperation with medium and large business, adaptation to norms and requirements of the EU. Coordination of this activity is carried out by the autonomous organization - Institute of the small and medium-sized industrial enterprises (IMPI) which also analyzes application of forms of support and prepares offers on their improvement.

The Center of development of industrial technologies (CDTI) is responsible for providing the state scientific and technical policy of Spain and participation in her of small enterprises. His tasks: selection, financing and control of realization of applied researches and research and development, coordination of actions within the National development plan for science and technology. The center gives financial support to small enterprises which act as customers necessary him research and development in the scientific

organizations and finance them on a contractual basis or carry out works as own resources.

Began to play a noticeable role of SMB in economy of **Italy** from 1950th. Unlike the majority of the capitalist countries of Europe in Italy agrarian structure of economy in which small and medium-sized enterprises worked always. In the country there is a definition of SMB on number occupied in him: the microenterprise – no more than 19 people working small enterprise – from 20 to 99 people, an average (small) – from 100 to 199 people, an average (big) – from 200 to 499 persons.

In modern practice the national system of financing of small and average business which is carried out by "Mediokredito Centrale" and the Ministry of the industry of Italy functions. Preferential crediting is carried out by also public institutions of the medium-term credit on the terms of favorable interest rate – for the sum up to 40% of estimated expenses. The term of crediting is established in 15 years for new initiatives and 10 years for modernization and expansion of the operating business. At the same time interest rates usually are 36-60% from market depending on the volume of investment.

In 1991 the government of Italy has adopted the law on measures for assistance of modernization and to development of the small enterprises that intensified financing of scientific research at small enterprises, was promoted technical modernization, improvement of quality of training, by creation of control systems of quality of production, support of small firms in foreign markets.

In **France** small and medium-sized enterprises make 99.9% of total of the economic subjects producing more than 50% of value added which are carrying out up to 50% of investments and concentrating nearly 2/3 busy.

In France there is no official definition of SMB. It is accepted to refer the enterprises with number to category of microfirms working up to 9 people, to small and to average – from 10 to 499 persons. In the Charter of General confederation of SMB it is specified that the small (average) enterprise is such enterprise in which the owner irrespective of the legal status of firm bears personal and direct responsibility for her financial, technical, social and commercial development.

SMB role for economy of France is many-sided. Small and medium-sized enterprises get into the most remote territories, promoting employment and

ensuring activity of the population. SMB allow to develop also raw material resources in limited quantities, necessary for satisfaction of local specific requirements, with the smallest costs. Besides, they provide to the large enterprises a certain set of services and semi-finished products, or make end products on the terms of a subcontract. The strategy of the large enterprises lead at the same time and to SMB development, and to economic rise.

The state support of SMB is carried out through planned contracts of the regional and local level "The State — the Region" in which the main attention is paid to involvement of businessmen to the solution of economic problems and stimulation of moving of small and medium-sized companies to the province.

Small and medium-sized enterprises can apply for more than 1500 types of support. Financial aid will be organized at the national level, then broadcast on regional. Financing and carrying out operations with SMB is a task of Bank of financing of small and medium business. In 1996 the Development bank of small and medium-sized enterprises has been created. The deposit and consignment cash desk (CDC), is the main financial source, supporting projects and programs for SMB of the national importance at the expense of the state budget.

In France at the initial stage (2 years) small enterprises are exempted from local taxes, from contributions to funds of social security, also other taxes for businessmen decrease if their enterprises work in depressive zones. Further within the third year 25% of a usual rate of taxes, the fourth – 50%, the fifth – 75% are paid.

The considered European practitioners directly are connected with policy of the EU for SMB which is based on vertical and horizontal approaches to the solution of problems of his creation and functioning. Vertical approach is expressed in the direct actions focused only on small and medium-sized enterprises. These events are held under the direction of General management of the European Commission (policy for business, commerce, tourism and social economic activity) in cooperation with the European Parliament, Economic and social council, the representative organizations of small and medium-sized enterprises in bodies of the EU and other services of the EU Commission. Horizontal approach is based on protection of interests of SMB in a field of activity of the EU: researches and technical developments, regional policy, international relations, etc.

Considering SMB value for economic structure of the EU and integration of economy concerning less developed members of the EU inside, with assistance of business two lines are optimum combined: macroeconomic (general political) and microeconomic (enterprise).

Main goals of supranational regulation and support of SMB from the EU are: strengthening of uniform domestic market, internationalization of business activity at the level of the enterprises, elimination of administrative barriers and creation of a common economic space in the EU by standardization of the legislative base on small business.

The national policy in EU countries is focused on granting the best conditions for business activity, increase in competitiveness and growth of business. Especially during bilateral sanctions. At the same time leaving from "heavy" to support in a form of grants and loans and transition to "soft" support in a form of consulting services is observed.

Thus, active regulation of activity of SMB is carried out to the EU and broad assistance is rendered his development with use of the forms and methods considering requirements of the European integration.

Despite vulnerability and low standard of survival, small enterprises have adaptability at occurrence on the new markets. In the **USA** in 1960 there were about 5 million small and medium-sized companies (on average – up to 5 working at each enterprise), in 1970 – 10 million, in 1980 – 14 million, and by 1990 – about 20 million.

In the early nineties in the **USA** economists call into question a dominant position of the large enterprises. Small business takes the leading place in national economy (99,9% in total of the managing units of the **USA**): 40% a share in GDP, over 50% of all investments, 2/3 occupied from cumulative labor.

In the introduction of the Law of the **USA** on small business it is specified that "the essence of the American economic system of private business consists in free competition. Only full and free competition can release the markets, release entry into business and possibilities for expression and growth of a personal initiative and ensuring personal judgment. Such situation can't be reached if the available and potential opportunities of small business aren't encouraged and don't develop".

The economic help to small business in the **USA** from the state appears at 3 levels:

1 level – federal (Administration of small business – Small Business Administration, SBA);

2 level – the Governments of the States;

3 level – municipal.

The administration of small business (it is created in 1953 as the independent agency of the federal government with own financing) aims at support and protection of small business. SBA carries out gradation of the enterprises for quantity occupied at them and on the volume of annual revenues. According to it to small carry the enterprises with a number of the occupied from 1 to 100 people, to averages – from 100 to 500 persons. The volume of annual revenues for small and average business has branch differentiation.

SBA carries out annually more than 50 programs which are constantly renewed and calculated on achievement of a specific goal, a segment of action, a condition of participation and businessmen. The largest are programs of support of business activity of women and representatives of ethnic minorities, rendering legal services, assistance in research work, development of export-oriented productions and others. The most popular programs – "7a" and "504" (The comparative analysis of systems and instruments of support of small business in 5 countries, 2006, p. 37-38).

The 7a program consists in provision of a guarantee for loans of commercial banks. The loans are granted by private banks and other financial institutions which obtain from the U.S. Government represented by SBA a guarantee of their return at the rate to 90% of the sum of a loan. The term of a loan is established depending on the purposes of receiving the credit and opportunities of small enterprise. When financing working capital this term is established from 5 to 10 years. When financing expansion of fixed capital term is established in limits to 20 years.

The 504 program is intended for the help to businessmen in expansion and modernization of the business through granting the long-term credits with a guarantee under 40% of a loan (the maximum sum of the credit – 1 mln. dollars). Financing of the export operations SMB is carried out by the Centers of assistance to export on the basis of SBA and the U.S. Department of Commerce.

The great value in SBA is given to information support and training of the businessmen who are in competence of special groups – SCORE

(Counselors to America's Small Business) having nearly 500 branches and staff of 10000 former and current heads and owners of SMB (Shepelev, 2008).

In 42 states special programs of granting the credits to small business, in 32 states – loans for purchase or rent of service premises and in 22 states – guarantees of loans are carried out. The majority of states provide the whole aid packages to small firms. "Business incubators" work in 29 states. Governing bodies of states and large cities offer the preferential programs calculated on involvement of small business in state programs of production of goods and rendering services of the population. Preferences are often applied to firms which owners are representatives of ethnic minorities or women. The role of municipal structures isn't less considerable in development of small business. Programs of placement of purchases among small and average business, especially in the defensive industry where considerable number of the state orders for business are carried out actively. In 1994 the Law on a guarantee of loans of conversion small and medium-sized enterprises which gives the chance to small firms to obtain the state guarantees on loans to 100 million dollars is adopted.

Small and medium-sized enterprises manufacture nearly 30% of all exported production in the USA. Federal financing of their export activity is carried out within the City/State program program of Export-import bank of the USA in which 29 states participate.

In the USA at the federal level, besides a rate of a corporation tax of 34% at income more than 75 thousand dollars, apply two more, lower rates to the taxation of subjects of SMB, – of 15% at income to 50 thousand dollars, and 25% at income to 75 thousand dollars. Besides, for small enterprises with sales volume less than 200 thousand dollars are provided additional deductions of the sums of income for calculation of income tax. In addition, in the USA, as well as in Europe, practice of granting a so-called "bonus of the first year" is widespread, for example, such tax benefits often reach 50%, and the state independently repays about 90% of the loans obtained small by the enterprises in commercial banks.

In a modern economic reality of **Canada** one of the major places is allocated to small business. The intensification of efforts on development of small business of the state was come from the outside for 1980-2000 when orientation to the large enterprises as the main carriers of economic and

scientific and technical progress was replaced by understanding of opportunities of small enterprises, interest in revival of culture of business.

By the beginning of the 1990th in Canada there were 885 thousand firms of which 99% made small enterprises. The enterprises reckon as small with number of the occupied no more than 100 people in Canada and with an annual turnover there aren't higher than 2 million dollars. 37% busy, and in branches of preprocessing, construction, a services sector, trade up to 80% of all busy work at small firms.

Development of small business in Canada is considerably facilitated by the help to which to him federal structures render. Financial aid is provided by the Federal National Business Development Bank (FNBDB) in the form of loans and their guarantees and also services of management, consultations, training, information. For small enterprises the low rate of federal income tax remains: 15% against 36% for other firms. Provincial income tax for small enterprises is twice lower, than for other economic subjects.

At the federal level the Aid program to scientific research to the small firms operating in the industry for the purpose of increase in national and international competitiveness of the Canadian companies is adopted. The amount of the provided help – from 15 to 350 thousand Canadian dollars for a period of 36 months.

At the regional level, in each province of Canada (in city and micro territorial cuts), there are features of activity of small enterprises and rendering support to them.

It is expedient to begin experiment of the Asian countries on development and support of SMB with the analysis of its value for economy of Japan. In 1993 99.2% of the total number of the national enterprises fell to the share of small and medium-sized enterprises, at which 80.6% all occupied worked and they provided 51.6% of total sales in manufacturing industry and 80,4% - in retail trade.

According to the legislation on SMB the enterprises with the maximum indicators of authorized capital and number of workers are carried to their number: in the industry, on transport and in construction – 100 million yens and 300 people; in wholesale trade – 30 million yens and 100 people; in retail trade – and a services sector – 10 million yens and 50 people Besides, are allocated

category of the microenterprises with a number of workers in the industry – no more than 20 people, trade and a services sector – no more 5th persons.

Basis of success of the **Japanese** economy is cooperation of the state and business which has begun from 1940th and was marked by creation of Management on small and medium-sized enterprises. Now in Japan the developed and effective infrastructure of support of small and medium business is created.

One major element of infrastructure of the state support of SMB in the developed countries is representation of information service. The most positive in this area is experiment of Japan on creation of national system of support of business. Elements of this system, interaction through the independent Organization of support of small business and innovative development of regions of Japan (Organization for SME and Regional Innovation of Japan) make the state infrastructure of support of small business of the country. In the course of her functioning monitoring of a condition of SMB of the country, complex researches, the analysis and assessment of efficiency of measures of state regulation are carried out by means of the information system J-Net21 based on crowdsourcing technologies which is the effective instrument of creation of feedback of the state and enterprise community.

Development of small economic forms in developing countries is connected with the following factors: positive experience of creation of small and medium-sized enterprises, and demonstration effect of the West; the demographic processes in developing countries aggravating a problem of employment and providing income of the main segments of the population; awareness of inadequacy of strategy of industrialization in imitating option; urbanization. Small business is historically inherent in developing countries, and industrialization has allowed them on the basis of change of structure of world economy, to create additional basis for development. From 1990th the increasing use of small forms of business by the multinational corporation in developing countries for expansion of the production and marketing networks, and as a result, the international division of labor became the typical phenomenon of globalization.

The economic reform in **China** promoted rapid growth of individual and private business ("the individual yards") though they are considered as auxiliary in relation to the state business. By 1997 28 million individual yards at which

62 million people (9% of the number of economically active population of the country) are engaged are registered. Funds of the registered yards have exceeded 590 billion yuans (3.5% of total amount of the capital of the state and collective enterprises). Investments into fixed assets of the yards for 1980-1996 1789 billion yuans (15.4%). The share in gross output of the industry has made 15.5%, in retail commodity turnover – 32%.

In China, since 2005, the number of the busy urban labor population at the enterprises of small and medium business has increased up to 75%. Up to 80% of modern production of China it is made by small enterprises, and the share of small business in the total amount of export makes more than 60%. As the basic state bodies of support of small enterprises in China the specialized agency – the Chinese center for coordination and cooperation of business – CCBCC providing creation of necessary infrastructure for technological cooperation between the national and foreign organizations in the sphere of support of business acts. Enters his functions: research of problems of small business; collection of information and development of policy in the sphere of small business; creation of complex system of rendering services for small business; organization of trade fairs, exhibitions and help in carrying out business negotiations; training and consultation of business.

Also Public foundation of development of small and medium-sized enterprises which is completely financed by the state which main task is protection of lawful revenues of small and medium-sized enterprises against encroachments of any faces and the organizations and also upholding of the rights of small business in all spheres (soft loans, taxes, etc.) is engaged in support of SMB. As well as in other countries, in China are created and public foundations of assistance to SMB development will actively be improved. Their main objective – providing guarantee certificates and mortgage providing to small business enterprises for a possibility of receiving the bank credits for business. Besides, financial support of small and average business is carried out also from regional budgets. So, the administration of the southern Chinese province of Guangdong from 2003 to 2009 invested more than 5 billion yuans (602.41 mln. dollars of the USA) in technological restructuring of SMB thanks to what the annual gain of investments of small and medium-sized enterprises into fixed capital has made 24% (Syutin, 2010, p. 8).

China is the state with success applying possibilities of national complex information systems for support of national SMB. In 2001 The government of the country with assistance of the National commission on development and reforming (The National Development and Reform Commission) has started the public non-profit information service of China – China SME Online – CSMEO which serves all regions of the country. The website of this service represents 58 main headings and 180 thematic sections containing up to 1000 various messages, more than 200 thousand visits are daily carried out. Information network provides operational information about changes in the legislation, about results of marketing of the local and foreign markets, publishes the general information on a condition of the national market of SMB, on the needs for a manpower for small enterprises in various regions and etc. (Kunin and other, 2011, p. 39).

The government of China recognizes need of support and development of all forms of private business by improvement of the legal mechanism providing equal conditions of the competition between the enterprises of various sectors, control of their activity and receipt of income. In the long term without change of the predominating role of public form of ownership the share of the private sector in GNP can grow to 30%, and a share of the individual sector and the mixed enterprises with participation of the foreign capital – to 10%.

For economic model of **Taiwan** domination of small and medium-sized enterprises is characteristic. 98% of total number of the firms covering 78% of able-bodied citizens fall to their share. By 2000 about 1/3 sales volumes and about 1/5 parts of export of the country fall to the share of SMB. The size of income gained by the budget of the country from a value added tax was 44%.

On Taiwan in SMB carry firms, different in the sizes, depending on branch: in the industry and construction – less than 200 people and the authorized capital to 60 million dollars; in other branches – less than 50 people and with annual sales volume less than 80 million dollars. Among forms there are supports: special training courses for businessmen; information databases about the markets and the competition, technologies and their profitability; construction of communication and transport infrastructures and others.

In 2000 48 business incubators uniting more than 300 small and medium-sized enterprises specializing in IT, biotechnologies, electronics, etc. operate on Taiwan.

According to OECD, 10-20% of all novelties at specific weight in expenses on innovations are the share of a share of all small and medium-sized enterprises in the world – 4-5%. The large enterprises use about 50% of the inventions made by them whereas small enterprises – more than 70%.

Owing to competition between small enterprises the quality of the made production and the rendered services increases that positively influences consumer loyalty since businessmen are closer to the consumer, than other economic subjects.

Priorities of public administration of the majority of the European countries and the USA it is connected with active policy of support, stimulation and protection of wounds and the USA it is also connected with active policy of support, stimulation and protection of SMB in the retail sector of trade.

Thus, foreign state policy on development of small and average business differs in creative development of the complex and quickly changing programs of the state support and stimulation of SMB that does it effective.

In the majority of the countries of SMB it is legislatively defined as the special subject of state regulation therefore we will consider only quantitative indices (tab. 2.).

Table 2. Comparative analysis of quantitative indices of SMB in world practice

The country	Maximum number of the busy population at the enterprise, persons	Volume revenues
The USA	the microenterprises – to 20 small enterprises – from 21 to 100 medium-sized enterprises – from 101 to 500	up to 3,5 – 14,5 mln. dollars
EU countries	microenterprise – to 10 small enterprises – from 11 to 50 medium-sized enterprises – from 51 to 250	to 427 one million euros
Japan	the industry, construction – to 300 wholesale trade – to 100 retail trade and the industry of services – to 50	isn't present restrictions

Source: Ivanov, V.V. and other, 2014, p. 26

In general, SMB development scales abroad look as follows (tab. 3). Despite close attention to the sphere of SMB and its priority allocation for national economies, development of small and medium-sized enterprises is diagnosed not in full (there is no uniform set of indicators) therefore a part of information in the provided table is absent.

Table 3. Scales of development of SMB in separate economies (the end of XX – the beginning of the 21st centuries)

The country	SMB share in total of economic entities, %	SMB share in GDP, %	SMB share in the volume of investment, %	It is engaged in the sector of SMB,	SMB share of export, %	the number of SMB on 1000 inhabitants, piece
Belgium	99,0	46,0		55,0		
Great Britain	75,8	53,0		36,0-49,0		46,0
Hungary	99,0	50,0		65,0	20,0	80,0
Germany	99,0	57,0	46,0	70,0	30,0	37,0
India	70,0-85,0					
Spain	98,0					
Italy	84,0			73,0		16,3
Canada	99,0			37,0-80,0		
Kyrgyzstan	38,3		76,0			
China			15,4	9,0		
Korea				61,0		
The USA	99,9	48,0	50,0	65,0	30,0	74,2
Taiwan	98,0			78,0	20,0	
Uzbekistan		12,6				
France	99,9		50,0	65,0		35,0
Estonia	98,6					
Japan	99,2			80,6		50,0

Guarantee support of SMB in foreign countries is characterized by the following features (Ivanov and other, 2014, p. 28):

1) a high share of guarantee support of SMB in GDP (1.2% for countries of Eastern Europe and Asia and 0.2% for countries of Western Europe) and in volume of SMB crediting (4.2% for countries of Eastern Europe and Asia and 2% for countries of Western Europe), in volume of SMB issuances of credits (4.1% for the countries of Eastern and Western Europe). At the same time the significant level of guarantee support of SMB in GDP for countries of Eastern Europe and Asia is not less than 0.5% (in Russia following the results of 2013 – 0.1% in GDP and 1% in volume of SMB crediting);

2) the developed market of financing of SMB the banking sector (the share of the loan portfolio of SMB in GDP in countries of Eastern Europe and Asia reaches 25%, in Russia - at the level of 12%) and a high share of the investment credits in SMB portfolio (76% and 48% in countries of Western Europe and countries of Eastern Europe and Asia respectively against 26% in Russia);

3) rather low cost of financing of SMB (the difference between rates for subjects of SMB and the large enterprises is in range from 0,7 items in countries of Eastern Europe up to 1.7 items in countries of Western Europe, in Russia – 2.6 items).

The directions of the state support are abroad relevant for subjects of the economic relations in the sphere of SMB:

1) legislative control of expansion of large retail chain stores in the local markets by input of restrictions of the area of shops and the ban of sales at a loss. One of the most widespread technologies – delivery of the controlling permissions to opening of shops, whose floor space shouldn't exceed the established threshold level. For example, in France, since 1973 a number of the laws limiting opening of shops more than 300 sq.m. has been adopted. Similar requirements are used in Austria (threshold level – 800 sq.m), Belgium (400 sq.m), Denmark (1000 sq.m), Finland (2000 sq.m), Germany (800 sq.m), Hungary (3000 sq.m), Italy (1500 sq.m), Poland (2000 sq.m), Portugal (500 sq.m) and Spain (2500 sq.m). In Russia for comparison there are no similar restrictions as the majority of megalopolises tries to increase an indicator of security of the population with objects of trade due to construction of large network shops, driving out of the local market small business;

2) strengthening of coordination interaction of all elements of infrastructure of support of small and medium business, creation of the

centralized body for development of SMB at the federal level with territorial offices in each region for increase in efficiency of implementation of the existing state programs, expansion of a package of the financial services provided to small business at all stages of his functioning by the state credit institutions;

Development and start of federal system of complex information service of small business for the purpose of monitoring and the analysis of efficiency of state policy in the field of support and stimulation of SMB.

Tax policy concerning SMB. The global trend consists in reduction of tax burden of SMB through formation of effective system of the taxation, the complete tax law and tax benefits that is one of prerequisites of their successful development of small business abroad.

Development of model and instruments of management of credit guarantees for support of SMB for expansion of access to cheap financial resources, risk management of return of money, stimulations of effective export-import transactions of SMB.

3. Conclusion

Basis of economic growth is the business activity of the person which is carried out on own initiative and under own responsibility. Thus, experiment of North America, Europe and number of the Asian countries on implementation of comprehensive programs of support and stimulation of small business can be adapted and used for development of this sector of business in national economies since without purposeful state and regional policy, on support and ensuring access to resources (financial, legal, material, information, human, scientific and technological and another) small and average business won't be able to develop.

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THE CONSTRUCTION PROJECTS SECTOR IN GREECE DURING THE LAST TEN YEARS

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Abstract

The crisis in the construction projects sector may become permanent. This crisis is characterized by reduced private investments, reduced public investment plans and a significant drop in the turnover of all sectors correlative to construction. Amidst negative developments and bleak future predictions for the entire economy and this sector in particular, financial analysis should be applied and conclusions should be sought with regard to the general course of the construction projects sector, in order to reveal prospects and opportunities. The objective of the current study is to present the general characteristics of the construction projects sector in Greece. The study presents the course of the construction projects activity during the last decade, emphasizing on financial figures and employment data. It includes the number of active businesses, their income and expenses, as well as their profit and damages. The study also shows the course of labor cost. The sector's prospects in Europe are recorded and conclusions are drawn. All the above can provide constructive data on the planning and future course and development of the construction projects sector in Greece.

Keywords: Construction projects, Construction, Financial figures, Employment, Construction companies, Prospects

JEL Codes: L74, M10, N64

1. Introduction

The construction projects comprise one of the main sectors of Greek economy. Inside the construction projects core sector, reside all building construction and civil engineering projects undertaken by construction and building enterprises (e.g. roads and community projects) as well as other specialized construction activities (demolitions, electrical and hydraulic installations etc.) (Mponou, 2016, pp. 1-10).

The construction projects sector plays a key role in Greek economy, especially since it has been an integral part to the country's financial development during previous years. However, its current status differs

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significantly in relation to previous years and is affected by especially adverse conditions (IOBE, 2016, pp. 3-5).

Construction projects represent a rather important share of the total added value and employment in Greek economy. There has always been a close relation between construction activity and the construction products industry where various materials used in construction are being produced. Similarly, the architectural / surveyor activities and trade, as well as the essential support provided by the implementation of investment projects in sectors such as tourism, industry, trade and the residential/ urban planning development, depict the particular importance of the Construction Projects sector, with regard to the growth of Greek economy (Association Anonymous Techniques Companies, 2016, p. 3).

2. The Construction Projects Sector in Greece

The latest statistical economic data regarding the construction projects sector are presented in the following tables for the period 2008-2013, as published by the Hellenic Statistical Authority. It is worth noting that although Hellenic Statistical Authority was researched, no available publications were found during 2014-2016, except for financial data for the year 2015, which will be discussed later in this study. The majority of companies in Greece involved with the construction projects sector are active in specialized construction activities.

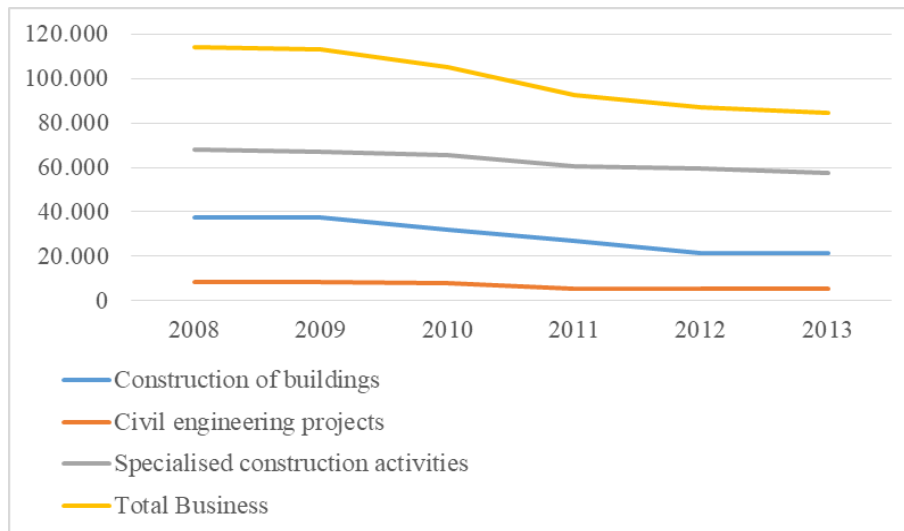
Table 1. Number of companies involved in the construction projects sector in Greece, 2008-2013

Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	37.412	37.378	32.025	26.796	21.682	21.565
Civil engineering projects	8.546	8.439	7.908	5.614	5.571	5.303
Specialized construction activities	68.194	67.135	65.365	60.290	59.620	57.754
Total Business	114.152	112.952	105.298	92.699	86.873	84.622

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

As observed in table 1 and figure 1 that follows, companies involved with specialized construction present a small decrease of 15.31% as compared to the reduction of other construction companies, active in building construction (42.36%) and in civil engineer projects (37.94%) respectively. The total reduction of companies involved in the construction projects sector from 2008 up until 2013 is estimated around 25.87%.

Figure 1. Course of the number of companies involved in the construction projects sector in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

It is becoming evident that even though there has been a significant shrinkage of construction project companies, only those dealing with specialized activity construction seem to withstand this tendency but do present a steadily low downward course.

The reduction of the construction projects activity in Greece since 2008 has been mainly the reason for the major reduction of companies active in the construction sector. It is observed that continuous demand for specialized

construction projects is responsible for the lower shrinkage observed in this line of companies.

In order to understand these tendencies, one should consider the companies' financial figures. Starting from their expenses listed in Table 2, it is noted that expenses in building construction reached a 53.46%, as compared to a 32.05% being observed for specialized projects and only 12.07% of expenses were recorded for civil engineering projects, figures that have taken into account the significantly reduced construction activity.

Table 2. Expenses of construction projects sector companies in Greece, 2008-2013

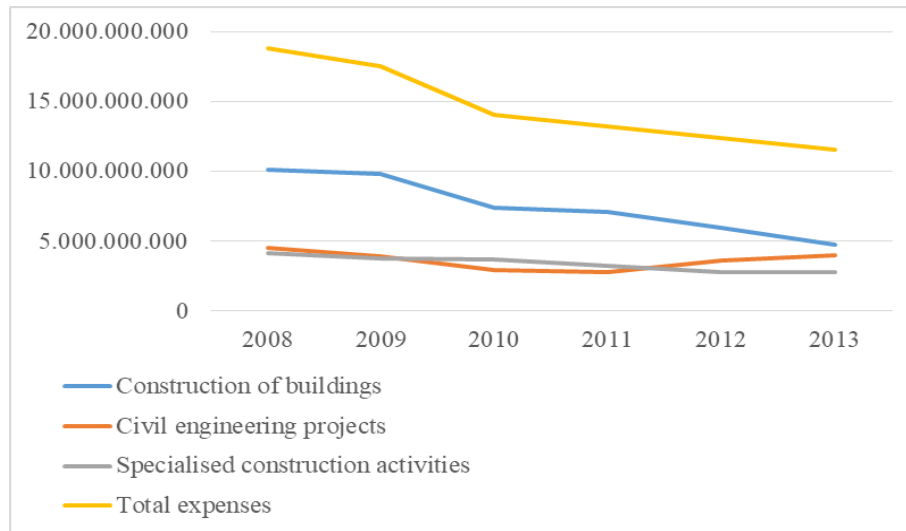
Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	10,154,94 9,813	9,856,882,6 50	7,393,713,6 32	7,100,659,9 42	5,952,389,7 24	4,726,210,0 93
Civil engineering projects	4,571,870 ,695	3,904,415,6 21	2,954,036,4 34	2,806,942,2 02	3,616,279,9 92	4,019,992,6 44
Specialized construction activities	4,130,954 ,676	3,749,486,3 60	3,718,758,4 38	3,286,163,0 30	2,801,103,5 27	2,806,801,2 00
Total expenses	18,857,77 5,184	17,510,784, 631	14,066,508, 504	13,193,765, 174	12,369,773, 243	11,553,003, 937

*VALUE IN EURO

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Bellow in figure 2, one can follow a graphic display of Greek construction companies expenses as well as total expenses, the reduction of which sums up to 38.74%. This shows that during the economic recession, Greek companies realized the needed to reduce their expenses in order to become more sustainable and the consequences of this expenses reduction has caused a chain reactions in the entire sector's financial activity (suppliers, subcontractors etc.).

Figure 2. Course of expenses of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Table 3. Income of construction projects sector companies in Greece, 2008-2013

Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	9,546,228,209	8,302,474,984	7,604,777,111	6,563,987,432	5,648,896,776	4,895,417,999
Civil engineering projects	4,698,899,046	3,875,226,727	3,089,811,771	2,176,365,438	3,391,297,701	4,255,728,072
Specialized construction activities	5,024,905,976	4,441,828,939	4,374,000,537	3,762,291,059	3,367,514,351	3,099,966,480
Total revenue	19,270,033,232	16,619,530,650	15,068,589,418	12,502,643,929	12,407,708,829	12,251,112,550

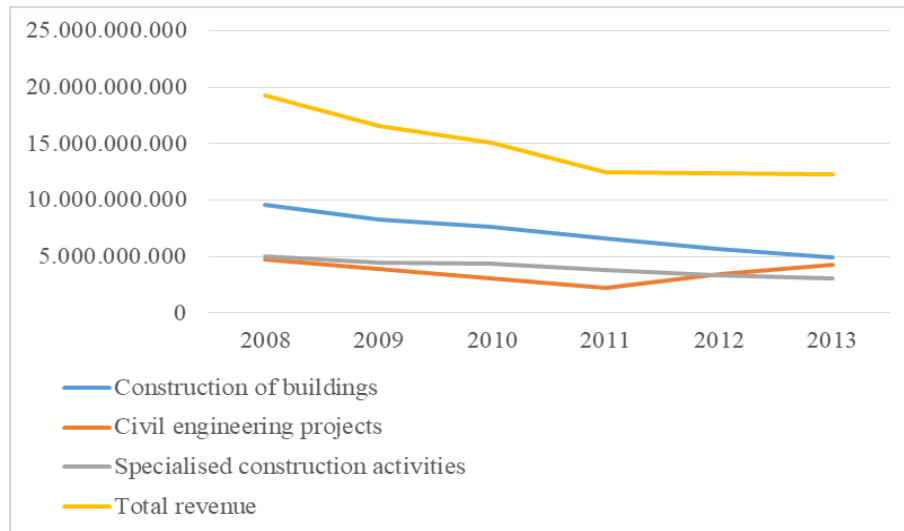
*VALUE IN EURO

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Company income documents the sector's actual activity, and that in relation to demand. Data collected over the years were analysed and presented in table 3, where a 36.42% reduction has been recorded.

Analysing the total income reduction, it is observed that the greatest reduction is recorded in building construction projects with 48.72%, followed by a 38.31% in specialized activities and last but not least, a narrow 9.43% in civil engineering projects (data presented in figure 3).

Figure 3. Course of income of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Considering the aforementioned income and expenses data, it is observed that companies active in building construction had a delayed reaction over the market entering recession and they only managed to balance their income and expenses over the period of 2011-2012. In contrast, civil engineering and specialized activity companies reacted immediately and since 2008 they managed to increase their income over their expenses. Regarding the total income and expenses of construction companies, from 2008 to 2011 the instability of the building construction sector affected these figures and caused

turbulence in the ratio of income/ expenses. From 2012 onwards, income has been stabilized in levels higher than expenses.

Following the analysis of income and expenses, the fluctuation of profit and damages presented by these companies needs to be considered.

Bellow in Table 4, the construction projects sector's profit is reported. There is an obvious reduction in profit that reaches a 42.89%. Despite the stability previously shown in the sector of specialized construction, a great deal of profit reduction is observed that account for 50.61%. Building construction companies show a 44.89% while, civil engineering projects evade with only 20.29% reduction in their profit.

Table 4. Profit of construction projects sector companies in Greece, 2008-2013

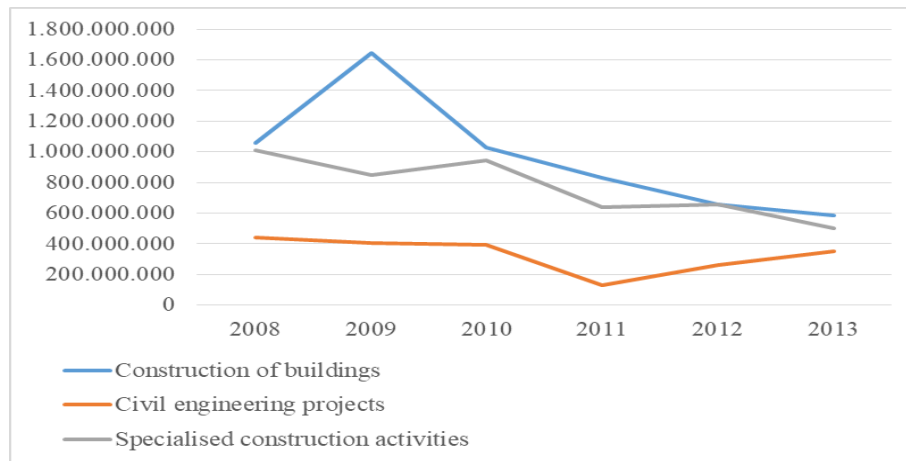
Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	1,058,667,536	1,645,639,911	1,029,840,887	827,243,446	654,972,585	583,441,295
Civil engineering projects	439,348,607	407,427,314	393,359,937	131,628,524	258,212,364	350,226,292
Specialized construction activities	1,012,577,967	850,852,789	941,668,531	639,654,638	654,378,587	500,084,471
Total profits	2,510,594,110	2,903,920,014	2,364,869,356	1,598,526,608	1,567,563,536	1,433,752,057

*VALUE IN EURO

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

A significant increase in profit for building construction in 2009, in relation to 2008 is shown in figure 4 bellow. However, this tendency was not maintained, since there was a reduction in years to come, from 2010 onwards. Specialized projects presented a profit increase in years 2010 and 2012, but significant reduction was noted in 2013. In contrast, the civil engineering projects sector showed a profit increased from 2012 onwards, which, however, did not manage to exceed the profit reduction up to 2011.

Figure 4. Course of profit of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Figure 5. Total course of profit of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

The total course of profit presented in figure 5, shows an increase for the year of 2009, which is directly related to the great increase of building construction companies' profit, and does not correlate to the overview of the sector, characterized by reduced profit.

Finally, in order to gain a complete overview of the financial situation in the construction projects sector, damages in previous years need to be considered as well. In table 5, damages recorded from 2008 up to 2013 are being presented. Damages in building construction were significantly reduced at 64.94%, in 2013, as compared to 2008, while the reduction in damages for civil engineering projects was notably smaller, at 5.56%. In contrast, specialized work projects presented a huge increase in damages, reaching up to 92.64%.

Table 5. Damages of construction projects sector companies in Greece, 2008-2013

Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	1,304,195,609	529,595,870	704,968,905	1,067,558,809	993,038,103	457,224,574
Civil engineering projects	289,457,972	167,607,846	267,123,944	819,681,733	621,530,143	273,370,275
Specialized construction activities	105,740,698	52,570,776	198,465,399	257,575,817	87,528,256	203,703,208
Total losses	1,699,394,280	749,774,492	1,170,558,248	2,144,816,359	1,702,096,503	934,298,058

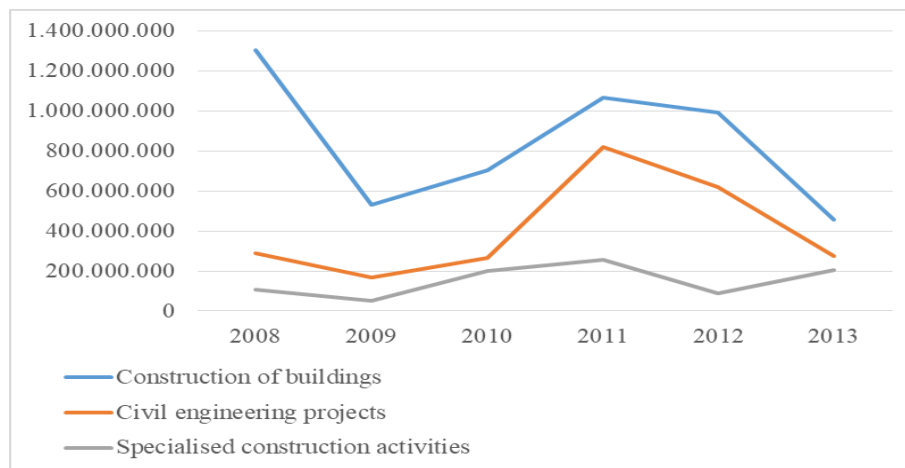
*VALUE IN EURO

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Focusing on each construction project category on a yearly basis, in figure 6, the following observations were made: during 2008 and 2011, building construction suffered significant damages, whereas smaller losses were recorded for the years 2009, 2012 and 2013. Similarly, civil engineering projects also showed reduced damages in 2009, in contrast to the increased recorded in 2010 and 2011, followed by a continuous major reduction in damages from 2012 onwards. The same fluctuation has been observed for losses

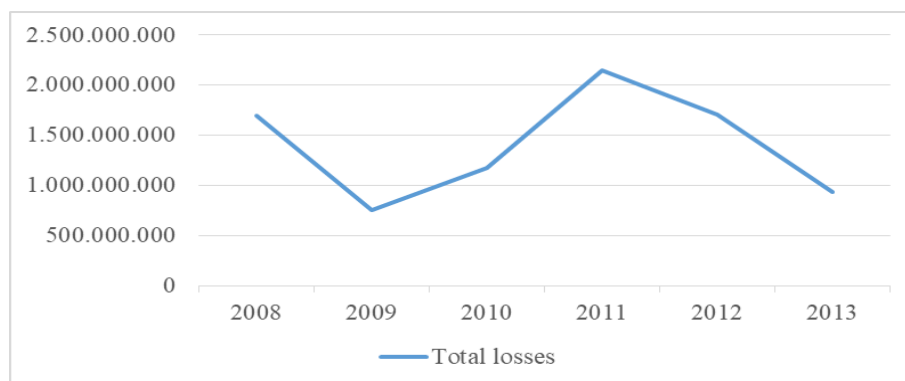
in specialized constructions, except for the year 2013, when damages accumulated to more than double, of those recorded in 2012.

Figure 6. Course of damages of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Figure7. Total course of damages of construction projects sector companies in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Figure 7 shows the total damages in the construction projects sector, which despite the fluctuation and major increase in 2011, were reduced again in 2013 by 45.02%, in relation to 2008.

The rapid development was to be blamed for that equally sudden decline of almost all economic sectors. For example, the added value within the narrow construction projects core sector had reached 16 billion Euros in 2006 or 7.8% of the GDP. In combination with other sector activities, the total direct contribution the construction projects had, was 22.5 billion Euros or 11% of the GDP. However, the participation of the construction projects in Greek economy figures, was shaken due to the economic recession and in 2015, the added value of the wider sector was estimated to be 8.1 billion Euros. This accounts approximately for 4% of the GDP, in comparison to 8.7% in 2008 and 9.2% on average during 2000-2008 (Mponou E, 2016, pp 26-30).

3. Employment

Due to the economic recession of the past few years, loss of employment was severe in 2015, with an absolute reduction of 1.06 million job positions and an increase of unemployment rates, approximating 27%. During the same period, available income was reduced by 27.7% and uncertainty was magnified, influencing dramatically investment activity (Mponou E, 2016, pp 26-30).

Table 6. Employment in construction projects sector companies in Greece, 2008-2013

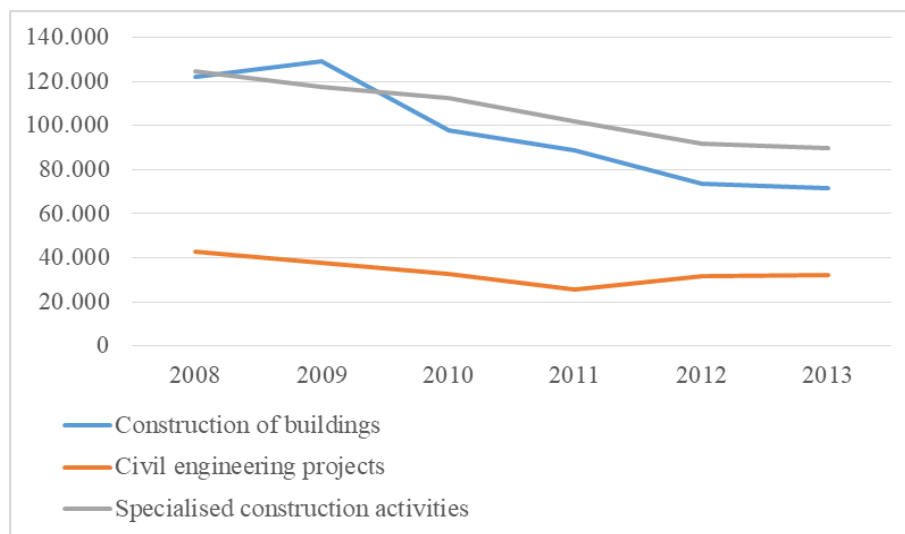
Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	122.034	129.389	97.870	88.605	73.579	71.589
Civil engineering projects	42.658	37.876	32.471	25.749	31.887	32.257
Specialized construction activities	124.828	117.455	112.370	101.650	91.896	89.786
Total Employed	289.520	284.719	242.711	216.004	197.363	193.633

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

According to Hellenic Statistical Authority data, it was observed that employment was directly affected by the reduced financial figures in the construction sector companies'. A large percentage of 41.34%, in reduced employment was shown in the building construction sector, followed by the sector of specialized construction of a 28.07% and finally, a 24.38% reduction in the civil engineering projects sector (Table 6).

Observing the curves in figure 8, it is noticed that employment in building projects was increased only in 2009 and then followed a steady reduction course. Civil engineering projects followed a steady decline course from 2008 up to 2011, and from 2012 onwards employment has been on the increase again in this sector. Specialized projects presented a steady decrease from 2008 onwards.

Figure 8. Course of employment in the construction projects sector in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions.

Total employment in figure 9 shows decrease from 2008 onwards and is reduced at 33.12% in 2013.

Figure 9. Total course of employment in the construction projects sector in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Employment is translated to financial figures for the sector's companies, which are presented in Table 7. It was expected that following employment reduction, the labour cost will also be reduced.

Table 7. Labour cost in construction projects sector companies in Greece, 2008-2013

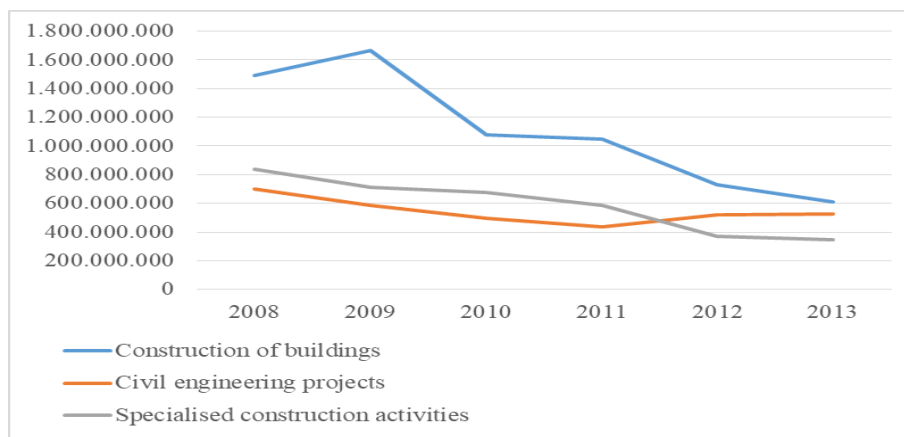
Branch of economic activity	Year					
	2008	2009	2010	2011	2012	2013
Construction of buildings	1,489,170,907	1,662,447,623	1,075,985,866	1,044,793,520	731,588,645	611,710,648
Civil engineering projects	699,603,332	586,278,122	495,166,340	433,788,571	517,094,883	528,449,647
Specialized construction activities	835,066,507	710,334,253	673,431,242	585,493,033	368,587,859	343,929,701
Total labour costs	3,023,840,746	2,959,059,998	2,244,583,448	2,064,075,124	1,617,271,388	1,484,089,996

*VALUE IN EURO

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

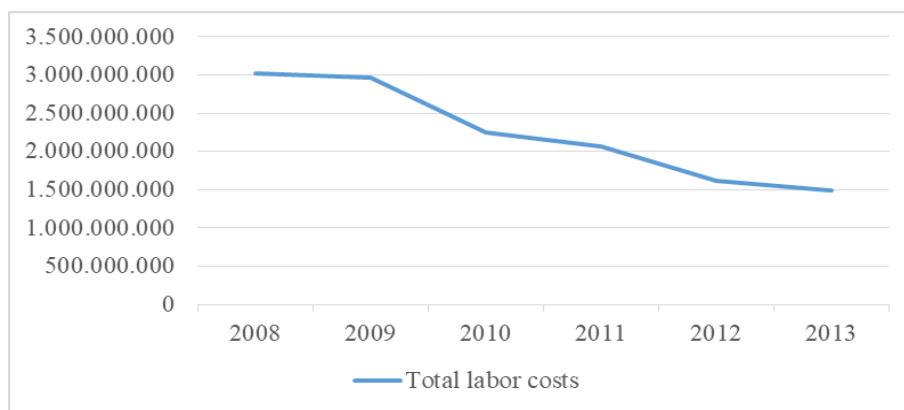
The greatest decrease is observed in labour cost in the building construction projects, at 58.92% and 58.81% for specialized structures, while the reduction in civil engineering projects is much lower, at 24.46%.

Figure 10. Course of labour cost in the construction projects sector in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

Figure 11. Total course of labour cost in the construction projects sector in Greece, 2008-2013



Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

The total cost, as observed in figure 11, is reduced by 50.92 in 2013 in relation to 2008.

Comparing employment and labour cost data, we observe that in civil engineering projects the reduction in employment was accompanied by a respective reduction of labour cost, which suggest that up until 2013, the salaries of individuals employed in this sector did not fluctuate. The same is not the case for the other two business brunches. As far as building construction is concerned, the percentage of cost reduction is greater than employment reduction, suggesting that the employees' salaries were reduced. The same situation is evident in the data drawn from specialized projects, where reduction in employment is approximately half the percentage of reduction in labour cost.

Following data mining and research it was evident that the crisis had significant impact on employment since 2013, accounting for 287 thousand individuals employed by 2018 in the construction projects sector (8.7% of total employment), as compared to 589 thousand back in 2008 (13% of total employment). It is worth noting that 46 occupation categories are active in the sector, based on the 3-digit STEP (Statistical Ranking of Occupations) ranking, in contrast to the 86 occupation categories found in the wider construction sector, including hundreds of separate occupations. It is also a fact that construction projects was irregularly influenced in comparison to the entire economy and its other sectors, both in terms of added value as well as employment. The accumulative reduction of added value in Construction during the period 2008-2015 reached 76% whereas that of employment touched 59%, exceeding by far, the reduction registered in the entire economy and other sectors (Association Anonymous Techniques Companies, 2016, pp. 35-42).

4. The Performance of the Construction Projects Sector Today

The data collected by Hellenic Statistical Authority for the construction sector are presented in Table 8, showing the number of active companies and their turnover in relation to their employees.

Table 8. Construction projects sector in Greece, 2015

	Employed Persons					Totals
	0-9	10-19	20-49	50-249	250+	
Number of Construction Projects Companies	72,797	971	425	133	11	74,337
Percentage of Business Against Total	97.93%	1.31%	0.57%	0.18%	0.01%	
Turnover of Construction Projects	4,144,331	1,218,526	1,728,754	1,615,330	1,661,073	10,368,014
Turnover rate of Construction Projects sector against the Total aggregate.	39.97%	11.75%	16.67%	15.58%	16.02%	

*VALUES IN THOUSAND EUROS

Source: <http://www.statistics.gr/el/statistics/-/publication/SIN21/->, Hellenic Statistical Authority, Constructions

In 2015, 74,337 companies were recoded to be active in Greece, and 97.93% of those employing from 0 to 9 individuals. It was observed that companies involved in the construction projects sector in Greece are mainly small business. This is considered an asset for the sector, since smaller companies are more flexible and adapt faster to new circumstances. Nevertheless, the turnover of these companies accounts for 39.97% of the sector's total aggregate. There may be only 11 companies that employ over 250 individuals, corresponding to just 0.01% of all companies, but their turnover overcomes 16.02% of the total turnover.

According to data provided by the Bank of Greece, for the year 2015, approximately 162.000 individuals and almost 74,000 businesses were active in solely construction project activities, generating over €3.1 billion of added value in the Greek economy. An equally significant contribution was also recorded in other areas of the construction projects sector. In 2015 the processing sector, which includes the main suppliers of the construction projects (production of structural, metal and other products) 14.2 thousand enterprises

employed 62 thousand individuals generating approximately €2.6 billion of added value in the Greek economy. On the other hand, in the mining sector, financial figures were less influenced, and a particularly important part of the construction sector is related to trade and architectural and surveyor services (Bank of Greece, 2017, pp. 49-52).

5. Prospects of the Sector in the European Union and Greece

The construction projects sector plays an important role in the European economy. It produces almost 10% of the GDP and provides 20 million jobs, mostly in (very small and small companies). In addition to that, the construction projects sector is an important consumer of intermediate products (raw materials, chemical substances, electrical and electronic equipment etc.), as well as related services. Due to its financial importance, the performance of the construction projects sector can significantly influence the growth of the entire economy (European Commission, 2012, p. 1). During the past few years, the construction projects sector was largely influenced by the economic recession Greece suffered, leading on to the suspension of large-scale government-funded construction, cut backs in the public investment program and reduction of private initiative regarding constructions. As a result, the sector suffered significant losses.

However, the construction projects sector also faces several structural issues, such as lack of specialized workforce in several companies, loss of interest by the younger employees, due to the unfavourable working conditions, limited innovation capacity and the issue of undocumented labour. Generally, the present status of this productive sector is characterized by three basic elements. Firstly, the construction projects sector is the one that suffered the greatest blows from the financial crisis (building and infrastructure projects were reduced by 16% between January 2008 and November 2011 in the 27 member-state EU). Secondly, there is an increasing competition by non-European companies, not only in international markets but also at a national level, mostly with regard to infrastructure projects. This external competition does not always operate in a just way. It is a fact that EU companies frequently face greater costs than non-European ones. Finally, energy and environmental issues have created a new set of dynamics among companies giving rise to

various State initiatives, which have now become fundamental competitive factors in the market (European Commission, 2012, p. 2).

In Greece, all prognostics for the period 2017-2019 regarding the sector's development are untrustworthy, given the uncertainty which prevails in Greek economy. However, based on existing conditions (expected recession, reduction of public investments for the years 2017-2019, shift towards lower budget Public Projects) it is estimated that the sector will shrink further, approximating a 15% reduction in relation to 2015. In this framework, construction companies should utilize their documented know-how and experience, as well as the skills of their advanced human resources, in order to maintain their positions in the market. Enterprises should focus on project financial management, in order to achieve a more profitable outcome (IOBE, March 2016, p. 60), (Alpha Bank, 2016, p. 17).

Focusing at the present and taken for granted the various activities in the construction projects sector, a contradictory reality emerges with regard to the social, economic, organizational, cultural and technological aspects and their adaptation to the new regulations and opportunities that govern the market. There are global challenges which mid-term can leverage sustainable development, provided that all necessary measures are applied now. This could lead into the development of a range of services dealing with health and safety issues, energy performance, green buildings, durability against disasters, internal climate conditions, reuse / repossession / recycling and proper planning. If these challenges are dealt with correctly, new opportunities in the market will emerge (European Commission, 2012, p. 4).

Last but not least, the European strategy for a sustainable competitiveness on the construction projects sector in order to response to the basic challenges described above, has already been elaborated for the following decade. Aims to complement strategies developed by the companies involved in the construction projects sector for improving their competitiveness and handling of social challenges. This strategy focuses on five main objectives: a) strengthening favourable conditions for investments; b) upgrading human resources in the construction projects sector; c) improving the effective use of resources, environmental performance and business opportunities; d) strengthening of the local construction market; e) promoting the total competitive position of the construction project companies within the EU. Each objective covers various

basic challenges, e.g. favourable investment conditions are required to revitalize development, research and innovation, as well as the economy, along with low carbon emissions. Also, a steady human resources base is fundamentally important to improve the chain value performance and seek innovative solutions, particularly in an economy with low carbon emissions. The European strategy on the one hand offers recommendations that tackle both short-term as well as mid-term the economic and employment challenges the construction projects sector is facing and, on the other hand, presents some suggestions with long-term prospects to ensure continuous results in the sector's competitiveness (European Commission, 2012, pp. 6-7).

6. Conclusions

The fiscal adjustment of economy leaves no room for improvement or support the public investments plan or provide alternative motives. However, the State's contribution should be more substantial, in order to facilitate the recovery of the construction projects sector.

In particular, there is greater need for short-term counter measures, aiming to attract foreign construction services and funds. At the same time, money flow should be strengthened, in order to balance supply and demand and reduce the unallocated reserve of residences. In the long-term, important factors for a successful representation of the construction projects in the intended new developmental standards of the country involve: improving their productivity (cost, completion time, quality, innovation), participating in the national energy upgrade programme and ensuring opportunities for inactive human resources, so that the sector will rebound.

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MODERN MARKETING APPROACHES FOR STUDYING THE MARKETING PASSENGER FREIGHTS BY LAND TRANSPORT

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Abstract

In today's conditions of dynamic market development, companies that carry out passenger freights use the concepts and methods for market research in order to improve quality, increase their competitive power and stable development, and reduce the number of risks that accompany transport activities. Marketing studies help provide information about the transport firm's environment and identify the problems related to its activity. A typical characteristic of companies that carry out passenger freights by land transport is that the approaches, methods and mechanisms they implement for the purpose of their marketing research have to be consistent with the type of transport as well as the specificity of the market. The present article reveals modern approaches for studying the transport market, in accordance with its characteristic features.

Keywords: marketing approaches, marketing research of the market for passenger freights by land transport

JEL Codes: R40, R41, R49

1. Introduction

Marketing of transport is a special system for managing transport production and providing transport services; it is a peculiar economic mechanism for transport enterprises in the conditions of globalization and dynamic economy. At the same time, the specific forms of using this mechanism's functions depend to a certain extent on the specificity of the work organization in one type of transport/transport enterprise or another.

In principle, every process, be it production or provision of services, should carry out marketing studies. If enterprises do not implement the marketing approaches for market analysis, they risk losing their current or

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potential customers. Nowadays, this is an especially topical issue because all enterprises are faced with serious competition on the market for goods and services in the conditions of dynamic economy. Therefore, they need to have a clear idea of the things people need, their quality and prices, meaning that they have to do marketing research. In order to do preliminary analysis, create plans for marketing realization and make it a reality, enterprise managers need to have at their disposal a wide variety of information on consumers, competitors, suppliers and other market participants (Tzvetkova, 2009).

Marketing studies are among the main components of marketing, along with setting marketing goals, selecting target markets, marketing organization, developing marketing strategies and plans, and marketing management. These are all elements of the planning process and include the design, price-formation, encouragement and realization of ideas, goods and services through exchange that satisfies the needs of both individuals and organizations (Tzvetkova, 2007).

Marketing research refers to systematic collection and analysis of data from various aspects of marketing activity. In-depth knowledge of consumers, as well as the peculiarities and motives for their behavior, allows companies to develop successfully in a highly competitive environment. Marketing studies are primarily aimed at analyzing the market, customers' behavior, business conditions, products or services, as well as the impact of promotions (Tzvetkova, 2018).

There are two major schools in the theory of marketing research: supporters of the formalization of studies and their results, who prefer using quantitative assessments and implementing statistical and economic models, etc., and supporters of non-formal analysis, who adhere to qualitative assessments. Each direction has its advantages and disadvantages.

Formalization makes accurate and reliable evaluations, ensures the report of multiple factors, allows the making of development prognoses, but at the same time it stipulates a labor-consuming research process which requires certain knowledge, the use of computers and specialized applications and programs which are necessary for summarizing the statistical information.

The non-formal method provides pretty reliable results, does not stipulate the use of mathematical apparatuses and models, but it does not guarantee highly accurate results, it is not always objective and it requires more experienced and qualified employees.

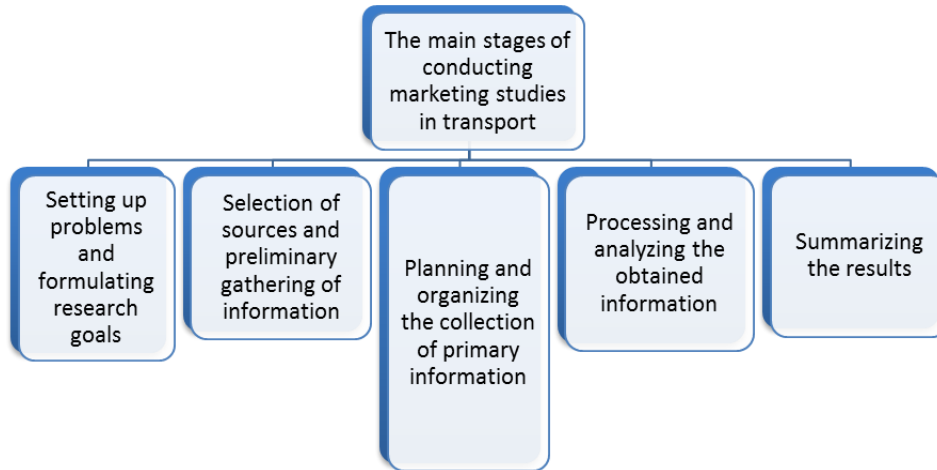
The best option is to mix these two directions, depending on the objectives and the specific circumstances. Certain marketing studies are characterized by the combination of highly formalized research processes (the use of computers, methods for statistical modeling, etc.) with non-formalization and descriptive characterization of the studied phenomena and processes, qualitative assessments, i.e. a type of market appraisal.

It should be noted that the methods for conducting marketing research in various marketing schools are diametrically opposed. One school supports the implementation of the methods of qualitative analysis, and the other, based on the opinion that identical situations are a rarity and nothing is repeated in marketing, adheres to the non-formal method of research. Many researchers believe that the specific features of marketing make the combination of these trends possible.

2. Setting Up the Problem

The effective market activity and stable development of transport enterprises that carry out passenger freights requires constant marketing studies in order to determine the degree to which the provided transport services satisfy customer demand and to adopt adequate and timely measures for defending the enterprise's market positions and increasing its competitive power if necessary. The main peculiarity of this type of studies that sets them apart from collecting and analyzing internal and external data is the target trend of solving certain problems or complexes of problems (Tzvetkova, 2014).

Figure 1. The main stages of conducting marketing studies in transport



Generally, there are five main stages of conducting marketing studies in the field of transport:

1. Setting up problems and formulating research goals.

The proper setup of problems and the correct formulation of research goals guarantee its successful conduction. Any mistakes made at this stage could lead to unjustified expenses for the conduction of the marketing study and deepen the main problem regarding the loss of time for carrying out activities in the wrong direction;

2. Selection of sources and preliminary gathering of information. This stage consists of consecutive execution of certain procedures. Depending on deadlines and the means used for the conduction of the studies, the selection of the most essential sources of information could be either consecutive or parallel;

3. Planning and organizing the collection of primary information. This is the most labor-consuming process of the marketing study, divided into two sub-stages. When planning the collection of information, the subject of study, the structure and the volume of collected data need to be determined. Determining the subject is often a necessary condition for the successful conduction of the research. The subject's properties could include one component from the marketing system or their sum. The number of subjects determines the goals and objectives of the studies carried out during the first stage;

4. Systematizing and analyzing the collected information. This is a primary stage of the study during the course of which the necessary information for the consequently made management decisions is prepared. After the obtained data has been systematized and grouped, it is then analyzed, as a rule, with the help of statistical methods. The final results of the analysis are frequently presented as recommendations or suggestions for the company's activity in the future;

5. Summarizing the obtained results and presenting them as an account of the marketing studies which allow the formation of general and partial strategies for the enterprise's marketing activity.

In principle, marketing research is a complex, hierarchically structured process, consecutively developing in time and inextricably linked with every stage of the marketing activity (Tzvetkova, 2017).

Marketing of the market for passenger freights carried out by railway and automobile transport is viewed as a complex problem of the transport process' organization, aimed primarily at satisfying the changing demand for transport services and the increased efficiency of the branches. The main objectives include:

- assessing the real volume of freights, railroads, types of trains, cars and rolling stock;
- specifying demand dissatisfaction by transport market segments and developing complex measures for mastering it;
- determining the irregularity in freight volumes by year periods;
- developing reliable prognoses;
- evaluating the used production capacity of passenger complexes and determining strategies and tactics for its development.

Transport service market research implements studies as well as field methods by polling consumers and monitoring focus groups. This explains why the marketing departments of transport enterprises can conduct quantitative studies and on-site studies whereas the organization and conduction of focus groups need experts in the field of psychology.

3. Marketing Approaches for Studying the Railway Passenger Market

Determining the interest in the use of certain types of transport is a method developed with a view to the experience in the respective type of transport, research activity and deductions in accordance with the needs that the respective type of transport faces.

1 Methods for conducting the individual types of marketing research of the population's transport needs related to the activity of railway passenger transport

Direction of Research	Target	Methods of Conduction
1. Determining the limits of activity expansion, regulating the volume of movement during passenger freights;	Size and market share	Studies based on data analysis from state statistics and local statistics; sectorial and cross-sectorial accountability
2. Determining the order of decision-making with a view to the choice of transport vehicles;	Consumer decisions	Polling and interviewing passengers in different types of transport for the purpose of determining the criteria for choosing transport types
3. Determining a plan for the formation of passenger freights; the amount of movement; appointments and plans;		Studies: <ul style="list-style-type: none"> • collection of statistical information about freight volumes with alternative types of transport; • analysis of freight demand in different train categories and car types
4. Determining the profitability level of the studied market	Pricing decisions	Polling, interviewing passengers and making decisions through the focus group method in order to spring responses when prices are changed; Studies involving the analysis of trips along identical routes

The conduction of the study and the analysis of the obtained data as a result of using the methods for evaluating the effective traffic organization and optimizing the combination of suburban freights are followed by the conduction of experiments and the planning of the management of marketing activities.

2 The mechanism for managing the elements of marketing activity in suburban complexes

According to these methods, the conduction of the study and the analysis of the obtained data as a result of using the methods for evaluating the effective traffic organization and optimizing the combination of suburban freights are followed by the conduction of experiments and the planning of the management of marketing activities.

Marketing element	Marketing goal	Mechanism for managing the elements (adapting in relation to natural resources)
Product	Determining the objective and subjective properties of transport services. Forming suggestions.	<ul style="list-style-type: none"> • determining the objective and subjective properties of transport services and using methods for the conduction of marketing studies; • determining the optimal volume of the offered service by using methods for evaluating the effectiveness of traffic organization and optimizing the variety of suburban freights; • forming optimal suggestions;
Price	Forming a correlation between price and value of transport services	<ul style="list-style-type: none"> • determining the peculiarities in the behavioral models of individual passenger groups; • forming a pricing policy in accordance with the solvency of the consumer segment;
Marketing communication	Demand management	<ul style="list-style-type: none"> • determining the additional number of passengers by using methods for evaluating

		<p>the effectiveness of traffic organization and optimizing the variety of suburban freights;</p> <ul style="list-style-type: none"> • manifestation of the reserves regarding market share growth; • work organization with regard to the increased number of passengers;
Including:		
Advertisement;	Demand management, working with potential consumers	Work organization in the field of publicity, based on systematic media planning:
Demand stimulation;	Working with active consumers	<ul style="list-style-type: none"> • bringing out active consumer segments by using methods for sociological studies; • organizing and conducting stimulating actions (competitions, campaigns, discounts, etc.)
Public realization;	Forming and strengthening the respective transport enterprise's image	<ul style="list-style-type: none"> • determining the market's specifics, choosing strategies; • organizing the interaction with mass media;
Merchandising.	Presenting the merchandise at the point of sale	<ul style="list-style-type: none"> • work organization of ticket offices; • information system for consumers;
Information channels	Choosing the optimal type of information channel	Determining the optimal marketing systems for regional suburban complexes
Staff	Training specialists who perform the main types of communication with consumers	Introducing the cycle of training at ticket offices, conducting courses on psychology and sales skills;

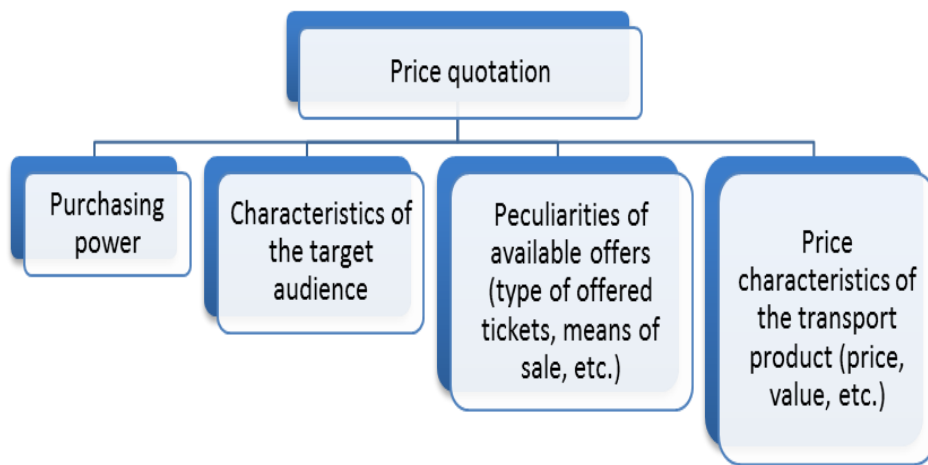
The management of the “service” element suggests the solution of problems like determining the properties of transport services and the optimal volume of offered services.

Determining the optimal volume of services is possible on the basis of consistency with the available structure and the preferences of consumer groups, satisfying the population’s needs quantitatively and qualitatively.

The necessary properties of transport services are determined with the help of the target audience’s characteristics and an additional number of passengers transported by suburban transport.

The formation of pricing policies in accordance with consumers’ solvency requires a minimum volume of information which includes population solvency, passenger preferences, etc.

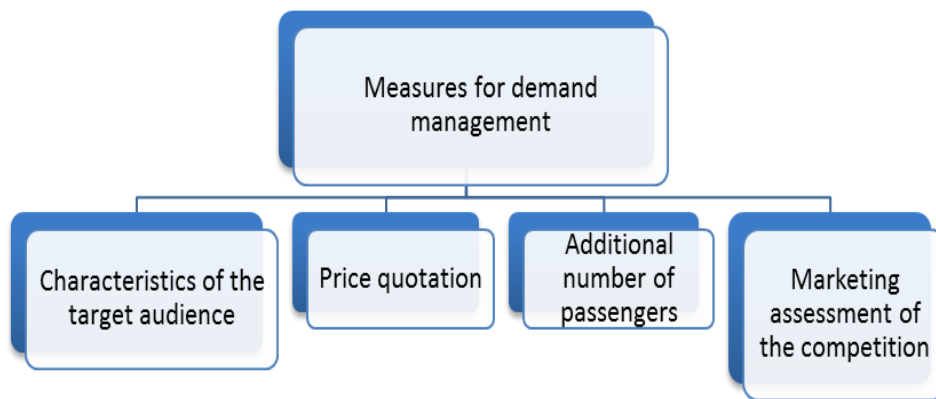
Figure 2. Forming the enterprise’s pricing policy



Demand management in suburban passenger transport is a multifunctional tool for ensuring the complex’s problem-free work.

The measures developed on the basis of marketing data should be in accordance with the new services and improve the effectiveness of already existing ones.

Figure 3. Actions which aid effective demand management



The measures intended for effective demand management should be aimed at doing an in-depth characteristic of the target audience, taking acceptable price quotations into account, guaranteeing additional number of passengers, as well as detailed analysis and marketing assessment of competitive enterprises and especially passenger freights carried out by automobile transport, which is presently the main competitor of railway transport in Bulgaria (Tzvetkova, 2018).

The qualitative implementation of marketing approaches for studying the market of railway passenger transport guarantees the success of transport enterprises, but its lack of structured basis could result in loss of time and resources.

4. Marketing Approaches for Studying the Automobile Passenger Market

Marketing studies of enterprises in automobile passenger transport are primarily aimed at providing the population with higher-quality service and improving the effective use of the rolling stock.

The quality of passenger service depends on the organization of the transport process, the constructive peculiarities and the technical condition for the use of the rolling stock, as well as the various ways of developing passenger networks and other factors.

There are several crucial criteria or quality indicators for the assessment of service quality in automobile passenger transport: comfort, awareness, accessibility, safety, reliability, rhythm and travel time.

The terms simple, complex and integral quality could be applied in relation to passenger freights.

The simple quality of passenger freights is characterized by the most essential natural indicators and their utility value – for instance, passenger freight time and level of comfort when providing service during and after the trip. The complex quality includes all primary natural properties (indicators) and their utility value.

The integral quality of passenger freights, for its part, is characterized not just by the aforementioned natural indicators and their utility value, but also by indicators related to the costs for their realization (operating, capital and set).

For the purpose of the qualitative assessment of passengers, it is appropriate that the sum of its characteristics be divided into four categories:

- safety (no risks for people's health during travel) or number of traffic accidents;
- level of organization of the traffic of transport vehicles in a temporal aspect (frequency, rhythm, regularity, precision of movement, as well as dependency on the movements of external conditions);
- loss of time during travel with a view to waiting and speed of passenger movement;
- commodities during transport use – a sum of commodities provided to passengers;

Improvement of freight quality refers to the realization of complex measures that shorten time losses for the population with a view to waiting for transport vehicles and increasing comfort during travel (Tzvetkova, 2015).

The time that passengers lose during travel is an important indicator that allows an in-depth and comprehensive characterization of the level of transport services for the population, evaluating the effective incorporation of measures related to the freight process, ringing out alterations that aid its improvement, etc.

The structure of passenger time losses during travel as a result of using passenger transport is determined by the following elements of the transport process: moving to the places for boarding transport vehicles, transportation

points, freight, boarding of passengers and moving from the places for disembarkation to the final destination.

The quality of passenger service is characterized by the coefficient (K_s), which is defined as a correlation between the time that passengers spend travelling while in the transport vehicle to the total time that passengers need to move from one location to another, which is defined as the ratio of the time that passengers spend travelling:

$$K_s = T_{\text{travel}} / T_{\text{moving}}$$

In order to ensure high quality of service, it is necessary to:

- perfect the dispatch level of managing the transport process;
- stimulate drivers' quality of work;
- control personnel work along transport lines;
- purchase new, reliable and comfortable rolling stock;
- improve the quality of information services and the organization of

the freight process.

It is important for transport companies that carry out automobile passenger freights to determine the quality of their products and services on a strategic level with a view to the need for concentrating resources in places where it is possible to achieve major results within consumption and customer satisfaction. The significance of this factor should be analyzed both in the short run and the long run. The choice should be made on the basis of a comprehensive study of passenger expectations, perceptions and behavior (Tultaev, 2008).

In the short run, the management of service quality allows the provision of bonuses or discount prices. In the long run, the attraction of new passengers and the improvement of regular customers' attitudes increase the total quantity of trips and earnings of motor transport enterprises that carry out passenger freights.

5. Conclusions and Recommendations

In order to conduct their marketing studies and transport market analyses effectively, enterprises need to collect information about the state and situation of its service market and do a careful selection of actually applicable approaches and methods for their research. Transport freighters need to be able to define

their “customers” and distinguish them from the general group of “consumers”, segment the market and identify customer needs and desires in each segment. Most importantly, they need to study the market more from the perspective of the dynamic of their development rather than their static state; they should also be able to predict future changes in the market situation and study primary consumer needs, all the while modifying the product in accordance with the altered circumstances and, most importantly, be able to make effective decisions and take specific actions regarding the route network.

The success of every research activity involves the correct setup of the problems and the formulation of the study’s goals. These activities should be done in the earliest possible stages of the study. Therefore, it is necessary to make decisions regarding the necessary data and the methods for collecting information in order to determine the individuals responsible for the analysis and the presentation of the results. It is also necessary to establish a stable plan for the immediate study and for the incorporation of the results in the work of transport enterprises. By themselves, studies that grant researchers more knowledge of the market but do not lead to adequate reactions from people are not valuable.

By itself, marketing research is an independent scientific trend which combines elements from multiple sciences. It has a complex enough methodology which, by itself, represents a unification of statistical, economic, behavioral and personal marketing methods.

The sum of this information obeys the rules of statistical surveillance, statistical methods used in the assessment of the dynamic, variations, structure of market phenomena, and manifested trends and regularities.

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THE NEW RULES OF GREEN MARKETING

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Abstract

Green products have been around since the 1970s, but it's only in recent years that they've become ubiquitous. It's not because consumers suddenly prize sustainability above all. It's because savvy green marketers are no longer trying to "sell the earth" instead they're promoting the value their products provide: better health, superior performance, good taste, cost-effectiveness, or simply convenience. This central emphasis on primary benefits the new rules is critical to winning over the mainstream consumer.

The New Rules of Green Marketing helps to understand why value-based sustainability marketing has become a critical organizational capacity and how they themselves can adopt this approach. Drawing on the latest data from leading researchers and reflecting on learnings from her corporate clients and other pioneers including GE, Nike, Method, Starbucks, Timberland, HP, NatureWorks, Procter & Gamble, Stonyfield Farm, and Wal-Mart Ottman provides practical strategies, tools, and inspiration for building every aspect of a credible value-based green marketing strategy. She covers using a proactive approach to sustainability to spur innovation, developing products that are green throughout their life cycle, communicating credibly to avoid accusations of "greenwashing," teaming up with stakeholders to maximize outreach to consumers, taking advantage of social media, and much more.

Keywords: Green Marketing, Social media, Green product, Market, Strategy, Sustainability.

JEL Codes: M31

1. Introduction

Green marketing offers business bottom line incentives and top line growth possibilities. While modification of business or production processes may involve start-up costs, it will save money in the long term. Sustainable development is one of the most serious and crucial issues of countries all across

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the globe. Green marketing is one important concept which marketers are using these days as a key strategy for sustainable development. Sustainable marketing refers to the way of marketing which incorporates needs of the customer, the organisation and the society in general over a long term. It means designing and marketing products that can be used universally by all the consumers across the world over extended periods, without causing harm to either the consumers or the environment. This paper explains the way for achieving sustainable development through green marketing.

Sustainability is emerging as a market driver with the potential to grow profits and present opportunities for value creation a dramatic evolution from its traditional focus on efficiency, cost, and supply chain risk. Marketing is both a discipline and a set of practices to appeal to consumers and entails the operations organized around a product or service, from concept to sales and through the design, price setting, promotion and availability. Green marketing subsumes greening products as well as greening firms. In addition to manipulating the 4Ps (product, price, place and promotion) of the traditional marketing mix, it requires a careful understanding of public policy processes. Sustainability represents an important consumer need, and is now an integral aspect of product quality. Green is no longer simply a market position. Products need to be green. Brands need to be socially responsible period.

The term “green marketing” first surfaced in the late 1980s as an extension of what the American Marketing Association referred to in 1975 as “ecological marketing” (Pride and Ferrell, 1993). Green marketing, also alternatively known as environmental marketing and sustainable marketing, refers to an organization's efforts at designing, promoting, pricing and distributing products that will not harm the environment.

2. Literature review

There is no single definition accepted universally, but in 1994 Polonsky stated: “Green or environmental marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.” The United Nations Environment Programme defines it as “a marketing which encompasses all communication operations undertaken to promote a product on the basis of its

environmental properties or of its social qualities. It is about selling products on an ethical platform.” Green marketing refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in it or produced and/or packaged in an environmentally friendly way. The distinctive features of green marketing are its commercial dimension coupled with the reference to the values of consumers who want to act in an environmentally conscious and socially responsible manner with the purchases they make. As per Brundtland Commission (1987), —Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Federal Office for Spatial Development ARE).

3. Methodology

Green marketing offers business bottom line incentives and top line growth possibilities. While modification of business or production processes may involve start-up costs, it will save money in the long term. For example the cost of installing solar energy is an investment in future energy cost savings. When looking through the literature there are several suggested reasons for firms increased use of Green Marketing. Five possible reasons are as follows:

1. An organization perceives environmental marketing to be an opportunity that can be used to achieve its objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.
4. Competitors' environmental activities pressure firms to change their environmental marketing activities.
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behaviour.

4. Analysis and discussion

1. **Green is main stream:** Not too long ago, just a small group of deep green consumers existed.
2. **Green is cool:** Once a faddish preoccupation of the fringe, green is not only mains tream, it's chic. In fact, green consumers are early adopters and leaders who influence

3. Greener products work equally or better and are often worth a premium price: Thanks to advances in technology, we've come a long way since the days when greener products gathered dust on health food store shelves because they didn't work as well and were not a good value. Organics, hybrid cars, and safer cleaning products now command a price premium.

4. Green inspires innovative products and services that can result in better consumer value, enhanced brands, and a stronger company: Savvy managers no longer consider the environment to be a burden that represents added cost and overhead – but an investment that can pay back handsomely.

5. The greenest products represent new concepts with business models with significantly less impact: If we simply keep greening up the same old "brown" products we've been using forever, we're never going to get to sustainability. With time running out, we've got to "leap" to service replacements for products, and adopt entirely new ways of doing business. Consumers don't necessarily need to own products; services can meet their needs, perhaps even better.

6. Keep it simple: Plato was an environmentalist: "Simplicity is elegance." Today's consumers are cutting out the needless purchases, and getting rid of the gadgets and gizmos that don't add value to their lives.

7. Green consumers don't expect perfection: Just like there's no more whitest whites, there's no greenest of the green. Consumers expect that you'll set high goals (i.e., perform beyond mere compliance), keep improving, and report on progress.

8. Environmentalists are no longer the enemy: Recognizing the power of the marketplace to effect change, many environmental advocates willingly partner with industry, offering useful guidance and expertise.

5. Conclusion

Green marketing is a tool for protecting the environment for the future generation. It has a positive impact on environmental safety. Because of the growing concern of environmental protection, there is an emergence of a new market which is the green market. If we think customers are not concerned about environmental issues or will not pay a premium for products that are more eco-responsible, then we should think again. We must find an opportunity to enhance your product's performance and strengthen your customer's loyalty and

command a higher price. Green marketing is still in its infancy and a lot of research is to be done on green marketing to fully explore its potential. Marketers also have the responsibility to make the consumers understand the need for and benefits of green products as compared to non-green ones. In green marketing, consumers are willing to pay more to maintain a cleaner and greener environment.

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ARTIFICIAL INTELLIGENCE AND MARKETING

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Abstract

The application of Artificial intelligence (AI) in marketing is in order to continuously follow and predict the next purchasing decisions of the target consumers and to improve their consumer "journey". The power of AI is reflected in its core elements: big data, machine learning and powerful solutions. The concept of "big data" means that marketers have ability to aggregate and segment huge amounts of data with minimal manual work. By using this data, they will be sure that they would deliver the right message to the right people at the right time, via the channel of choice. Machine learning (deep learning) allows marketers to understand and draw logical conclusions from large data collections. They can predict consumption trends, track and analyze consumer purchases, predict the next consumer behavior. Making powerful solutions means that we are living in an era when machines truly understand the world in the same way as humans. Machines can easily identify concepts and themes across a range of data, interpret emotions and human communications, and generate adequate responses to consumers. They can easily predict the behavior and decisions of buyers and use that data to solve issues in future.

In the following years, marketers can expect greater AI impact, through more intelligent searches, smarter ads, refined content delivery, relying on bots, continued learning, preventing fraud and data breaches, sentiment analysis, image and voice recognition, sales forecast, language recognition, predictive customer service, customer segmentation, etc. This paper attempts to discover the future relationship between marketers and artificial intelligence machines.

Key words: Artificial intelligence, marketers, marketing, machine learning, big data, powerful solutions, bots

JEL Codes: M31

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1. Introduction

Nowadays, companies use and appreciate the values of business intelligence. Business data are analyzed for multiple purposes: system log analysis, analysis of comments and opinions published on social media, risk assessment, consumer retention, brand management, etc. (Tjepkema, 2017). These different tasks can be performed by different, separate systems. However, separate systems do it in an expensive and slow way. There is a need of a large infrastructure that will manage all heterogeneous large data of separate multi-systems.

The “big data” changes the way people live and work, from doing business to shopping in the store and buying movie tickets. Each piece of information is segmented and used to analyze the way consumers think and make purchasing decisions. In order to take advantage of this opportunity, one has to forget the existing outdated and non-innovative solutions. We live in an era when using new technologies can easily identify future consumer trends and more deeply analyze the way consumers decide about purchases.

Developed economies increasingly use data-intensive technologies. There are 4.6 billion subscribers to mobile phones worldwide and between 1 and 2 billion people using the Internet (Schulterbraucks, 2017). This means that modern technology and artificial intelligence are increasingly used. Artificial intelligence is a subset of computer science in which computers can undertake reasoning and common sense tasks, such as vision and knowledge, which were formerly only undertaken by humans. It includes tasks such as learning, watching, observing, understanding, talking, socializing, planning, reasoning, creativity and problem solving. It is thought that 63% of companies already use artificial intelligence tools without knowing it. 47% of consumers, however, use bots that communicate when buying online products. 40% of consumers do not mind if they get an answer to their questions from an artificial intelligence tool, as long as they receive a satisfactory, quick, helpful and simple answer. But what does all this mean for marketers? Thanks to the bots, consumers can receive personalized shopping recommendations and for them there is always available consumer care.

2. Big data

The term "big data" denotes an explosion in the quantity and diversity of high-frequency digital data. In a company, large amounts of data come from everywhere: posts and comments on social networks, digital images and videos, electronic catalogues, reports on cash and consumer transactions, GPS signals from mobile phones, etc. These data are very large and complex which traditional data processing software can not process. The main challenges associated with large data are their collection, storage, analysis, search, sharing, transfer, visualization, updating and their privacy. With the exponential increase in the amount of data, the current technologies become obsolete. Big data processing requires complex coding skills, domain knowledge, and statistical knowledge.

Big data can be explained by the 3V dimensions - Volume, Velocity, Variety (Laney, 2001).

Volume: Companies produce terabytes of data every day! With the increase in the volume of data, while using the traditional ways to process them, many data remains unprocessed. Although the company has all the information about what consumers are doing and want, they can not answer them accordingly. This is a sure alarm for the company to change something.

Variety: the volume of data is only an initial problem. The real problem for traditional tools is the diversity of data. Traditional processing tools are best used for structured data. They process only data that is well structured and formatted. But today's data collected from various sources, e-mails, consumer comments, social media, consumer web site experiences and call centers are unstructured or semi-structured.

Velocity: the speed at which data is generated is critical as the previous two factors. The speed at which the company analyzes data can be its comparative advantage.

Each of these V-dimensions can be achieved with traditional solutions. For example, if in the company most data is structured, it can achieve 80-90% of the business value through traditional tools. But if the company faces all 3V dimensions at once, then it has a problem of "big data". Accordingly, the "big data" technologies can be described as a new generation of technologies and architecture designed to economically draw value from large amounts of diverse data with high speed and deep analysis. These data are so large that current or

traditional technologies can not cope with them (to collect, store, manage and analyze it efficiently and in a shorter time).

3. Machine learning

Machine learning is used to predict or provide calculated suggestions that are based on analyzing large amounts of data (Tjepkema, 2017). The best examples are Netflix algorithms that offer suggestions for watching movies to consumers based on movies they have seen in the past or Amazon's algorithms that recommend books to consumers based on purchased books in the past. Machine learning is an advanced area of artificial intelligence that allows programs to absorb large amounts of data and create predictable algorithms that improve over time. With the use of machine learning, marketers can provide customized content to consumers, as well as suggestions for products that they could buy. Marketers have data that guarantee success for offering consumers what they want to buy.

Machine learning algorithms are divided into three major categories: supervised learning, unsupervised learning and reinforcement learning (Sterne, 2017). Supervised learning is used in cases where a particular set of data lacks certain data and it should be adequately predicted. Unsupervised learning is used when the connection between unrelated, diversified data is to be discovered in a huge set of data. Reinforcement learning is located between these two extremes, i.e it predicts what will happen if there is a connection between two or more events or data.

Machine learning is interdisciplinary in nature and involves techniques from various fields, such as computer science, statistics, mathematics, artificial intelligence, etc. The main feature of machine learning is to obtain experience data by applying algorithms that rely on computer vision, artificial intelligence and data mining.

4. Powerful solutions

Decision making consists of two main tasks: tree introduction and tree pruning (Davis, 2016). Tree introduction and creation of a "tree" of data is a task when a multitude of data is segmented by characteristics, then selects, separates and categorizes it. The goal is that the data tree consists of the purest minimal data that is split across the entire set of data. The purity is measured according to the concept of information that shows how well one needs to know

about the particular topic. The complete data tree can be too complicated and contains unnecessary structures, it is difficult to understand and difficult to interpret. Tree pruning is the process of removing unnecessary structures from the decision tree so that people can make more efficient, more accurate and more understandable decisions.

5. The future of artificial intelligence marketing

In future, marketers can expect the following impacts from artificial intelligence marketing (Tjepkema, 2017):

A) More intelligent searches: As technology solutions become wiser and more perfect, it's important to keep in mind that the public becomes more sophisticated in their requirements. Thanks to social media and fast search engines like Google, people find what they need in a very short time. Artificial intelligence and big data can analyze these search models and help marketers identify the key areas they need to focus their efforts on.

B) Smarter Ads: Marketers are still trying to attract consumers with smart advertisements today, but with using artificial intelligence, they can do it faster and more efficiently. With big data, online ads are becoming smarter and more effective. Artificial intelligence can dig deeper into the data, social networks, profiles, and other online content for human solutions.

C) Refined Content Delivery: With the help of artificial intelligence, marketers will be able to target consumers to a completely different level. By analyzing the targeted consumers, marketers, besides the demographic characteristics, will understand the consumers on an individual basis. Now, marketers can use artificial intelligence on two levels: identify potential customers more easily and deliver the ideal content that is most relevant to them. This is achieved through big data, machine learning and their combination.

D) Relying on Bots: Consumer care and retention is another area where artificial intelligence can play a significant role in the future. Very soon, the conversation functions and other direct-to-consumer engagement will be carried out by artificial intelligence bots. In this way, companies will save time for employees and reduce costs. The artificial intelligence bots will have access to the entire internet of data, information, a search history so that they become more effective than humans.

E) Continued Learning: With the help of artificial intelligence, not only will it reveal some hidden data, but it will teach them and incorporate them into new promotional campaigns and optimize the messages to the most relevant users. Over time, the artificial intelligence solutions will become more intelligent, effective and will promote decision making in real time.

6. Conclusion

Artificial intelligence, through big data, machine learning and perfect solutions, are already transforming the technological landscape of the companies. Companies change the way they do business by making it more responsive, more productive, and more competitive. The technological advances have always created new opportunities for marketing. Just as the advent of TV brought an era of truly mass advertising and reach, and the Internet and mobile phones brought a new level of targeting and context, so artificial intelligence will change how people interact with information, technology, brands and services.

Artificial intelligence is a study of how to make machines intelligent or capable of solving problems as well as people can. At its core, machine learning is a new way of creating those problem-solving systems. For decades, programmers manually coded computer programs to provide outputs when given a certain input. With machine learning, we teach computers to learn without having to program them with a rigid set of rules (Sterne, 2017).

What does this mean for marketers? The further integration of technology into the physical, real world, new interactions are created with consumers that are simpler and instantaneous. High customer expectations will be higher than ever. This will pose a new challenge, a new opportunity for companies and marketers. Artificial Intelligence helps marketers to realize full personalization and relevance. With platforms like Search, Facebook, YouTube, Google reaching billions of people every day, and with digital ad platforms, it will finally achieve communication at scale. This scale combined with a customization possible through artificial intelligence means that companies will soon be able to tailor personalized campaigns in real time. The world of the future is in the application of artificial intelligence.

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APPROACHES FOR SEGMENTATION OF THE CARGO FREIGHT MARKET

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Abstract

In order to be competitive, cargo freight enterprises should always strive to fully satisfy consumer demands and react adequately and in a timely fashion to market changes. This stipulates the use of marketing approaches for market segmentation in accordance with its specificity and the type of transport. The present article substantiates the necessity for segmenting the cargo freight market and indicates specific approaches for that. They should include: analysis and grouping of customers according to their differences and demands about their criteria for the quality of transport services, which stipulates the use of a certain type of rolling stock, the creation of optimal freight conditions, payment conditions, requirements regarding the time and deadline of delivery, the provision of additional services, as well as guaranteed retention of the cargo's utility value.

Keywords: *approaches for segmenting the transport market, cargo freight market*

JEL Codes: *R40, R41, R49*

1. Introduction and Setting Up the Problem

Transport market segmentation is an essential element of the marketing concept, which allows transport enterprises to choose those target segments on the transport market that are the most convenient and effective for them, and guarantee optimized expenses at the cost of the purpose of their actions in the development and use of equipment, technology and marketing efforts. Cargo freighters should constantly strive to provide high-quality transport services, under acceptable conditions for consignors and at good prices. Market segmentation gives opportunities for reducing the escalation of competitive

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struggles and guaranteed advantages in the quality of transport services, compared to other types of transport or competitive enterprises. For example, the most effective transport market segments for railways are fuel freights, raw material freights and other medium-distance and long-distance massive load freights, especially for cargo owners who have their own railway offices. For motor vehicle transport, short-distance and, on separate occasions, medium-distance freights are more advisable. Long-distance passenger freights are more effective for air transport, etc. Transport market segmentation also stipulates a deeper grouping of customers with identical demands toward transport services: cargo and passenger, including by cargo types, by means of transportation, by qualitative delivery parameters, mixed freights; passenger – long-distance and short-distance, express and company trains and motor transport lines. The segmentation principle also determines the monopolistic and competitive market segments of certain types of transport (Parvanov, Tzvetkova, 2017).

Transport market segmentation approaches could vary and a universally accepted pan for all types of transport, such as criteria, stages and methods does not exist. Their composition always varies, depending on the type of transport, the specificity of the transport market, freight type and conditions, and the qualifications and perspective of the experts who will handle this activity. However, some of the most frequently used criteria include: regional demography, aspects of the population's demography, consumers' lifestyle, economic and technological indicators.

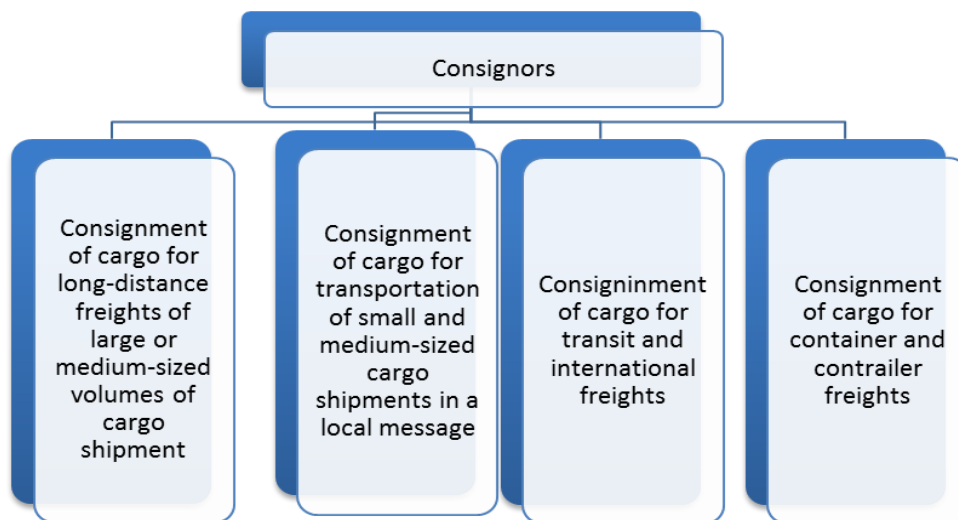
The practical execution of the segmentation of company customers is not an easy task due to the fact that the most important customer groups, according to marketing specialists, are differentiated on the basis of studying the structure of transported cargo and the peculiarities of enterprise activities, determined as a result of marketing studies of the transport enterprise's region of attraction. On one hand, the selection of segmentation criteria depends on the region's economic and geographical peculiarities and the development of transport infrastructure, and the peculiarities of the management, the specificity of transport services and the transport enterprise's capabilities on the other (Tzvetkova, 2014).

2. Approaches for Segmenting the Cargo Freight Market

There should be two stages of the segmentation of the cargo freight market:

The first stage of the segmentation involves the differentiation of all cargo owners by cargo volume and freight distance and according to transit and international freights in a separate sub-group. From the perspective of receiving a high profit from the freight, the biggest point of interest for the transport firm is the relative share of consignors in the total cargo turnover for the planning period. Therefore, it is advisable that marketing specialists differentiate the following segments during the first stage:

Figure 1. Consignor segmentation on the transport market



There are principle differences in the approaches for working with the four given groups of segments:

a) The individual approach is more appropriate for the segment of large and medium-sized consignors with large relative shares. As a rule, they work with market specialists and shipping agents. This approach is based on the long-term mutual cooperation between transport firms and such enterprises. After

that, depending on the practical situation, it is advisable to carry out the second version of the segmentation, where large and medium-sized consignors are divided into smaller sub-groups. The segmentation criterion is primarily the cargo's designation in accordance with the merchandise nomenclature (coal, liquids, iron ore and ferrous metals, manure, chemicals, containers, cement, wood, paper, industrial raw materials, etc.) that transport firms have adopted. When a more complete report of the demands of cargo owners is required, and to save up on the necessary marketing actions, it is acceptable to divide consignors into even smaller segments by one or several of the following factors:

- regularity of freights;
- special requirements with regard to the rolling stock;
- term of delivery;
- conditions of payment or customer reliability;
- contract peculiarities;
- requirements for cargo preservation, etc.

The methods for collecting data and conducting analytical work in the segment of large consignors include: polling, personal communication between market specialists assigned to the given enterprise or their group with the management of the consigning enterprise; analysis of the economic condition, the consignor's business and financial issues, the situation in the sector they work in, investment naturalization, integration of new technology in transport enterprises; studying the geography of sales; monitoring the consignor's production prices in its places of realization and calculating the transport components in the price;

b) For the segment of consignors of small and medium-sized shipments, primarily in a local message on behalf of the firm, the work is conducted by market specialists from regional agencies, transportation hubs, and by employees from transport-shipping organizations.

The given market segment could be divided into:

- type of rolling stock;
- conditions of payment;
- delivery deadlines;
- "door-to-door" service;
- cargo preservation;

- payment for additional services, etc.

When studying these segments, in addition to analyzing the allocation of cargo by type and designation, the elasticity of the demand for freights by price and by a number of quality indicators, such as speed and observation of delivery deadlines, simplicity and efficiency in document preparation, etc. should be analyzed as well. Furthermore, the coefficient of elasticity should be calculated for each individual group of consignors;

c) The analysis of the segment for transit and international freights comes down to clarifying their allocation by volumes, types, points of consignment, points and countries of destination, degree of regularity, consignor demands in terms of delivery deadlines, retention of the cargo's utility value and other indicators of quality. A more detailed segmentation is not mandatory here, excluding international freights, where the conditions of delivery require various approaches to the time and conditions of cargo delivery. That way, a currently new topical work trend, which Bulgarian transport enterprises can now take part in as well, is taking responsibility for organizing the delivery of cargo shipments not just "door-to-door" but by solving all problems regarding formation, customs inspection, receiving transport permit, tracking the cargo's route, including transfer and delivery with all types of transport. For transit cargo, especially in the field of international freights, this work trend is too perspective (Parvanov, Tzvetkova, 2007).

The second stage of transport market segmentation is done in accordance with the conditions for the quality of freights and transport service.

For this purpose, it is advisable to divide all transported cargo into four groups and segments:

- cargo for even, regular delivery under universal freight conditions (primarily raw materials and fuels);
- cargo with guaranteed delivery within a certain deadline (primarily component products, machines and equipment);
- cargo which requires speedy delivery (quickly deteriorating goods, deficit, scarce production);
- cargo which requires special (individual) freight conditions (off-gauge, toxic, explosive or other cargo).

Such grouping of cargo takes place after an in-depth development of marketing actions for improving the quality of transport services for customers. Marketing actions should stipulate a differentiated approach to tariff policies, the means of forming demand and stimulating the quality of customer service by reporting the peculiarities of cargo freights for each segment. It is possible to develop special marketing programs for each segment – for example, along the group of speedy cargo delivery (building high-speed trains, developing refrigerated transport, etc.). The overall approach to market segmentation should not be formal. Its depth and breadth depend on the goals and capabilities for studying and developing the market. As it is known, groupings by types of consumers, types of production and types of competitors are classic criteria or signs of market segmentation (Tzvetkova, 2009). Geographic, technological, behavioral and other indicators are differentiated. At the same time, due to economic reasons, it is not advisable to create an excessive amount of segments to avoid unnecessary growth in expenses for the creation and realization of complex marketing for each of the numerous segments. What is advisable is the development of a flexible and differentiated ad products and means of demand stimulation only with regard to the most important small group of segments on the transport market.

In order to fully utilize the transport firm's capabilities and to create strategic, organizational, economic and technical measures, it is necessary to study the working conditions of the competitive types of transport in the transport firm's region of attraction and reveal the bases of the competition, i.e. those consignor segments which cause other freighters and other types of transport to compete heavily with the transport enterprise. In order to solve the presented problem, the use of the famous SWOT-analysis (strengths, weaknesses, capabilities and risks) is recommended; it should be conducted until a marketing strategy for each individual consignor segments is chosen (Parvanov, Tzvetkova, 2007, p. 72).

For each segment, several (3-5) crucial requirements toward the quality and peculiarities of freights, which are key factors for their successful servicing, have been differentiated on the basis of the studies conducted for them.

The most important requirements for the transport enterprise include:

- speed of delivery;
- retention of the cargo's utility value;

- “door-to-door” delivery;
- easy cargo processing;
- tariff discounts.

These requirements could be selected as key factors for the quality of the provided service.

Based on expert assessments or factual data, the degree of availability of each key factor in transport enterprises should be compared to that of their primary competitors within the given segment.

The general assessment in SWOT-analyses is calculated as a sum of the conducted assessments of the key factors of their relative weight in parts of the unit. As a rule, the relative weight of the factors is determined on the basis of consignor polls.

For example, according to experts, the total weighted score of transport enterprises could be estimated on a 10-scale system, as follows (see Table 1):

Table 1

Key factors	Weight	Railway	Motor transport
Speed of delivery for a distance of 200 km	0,20	7	6
Retention of the cargo's utility value	0,30	6	7
“Door-to-door” delivery	0,20	7	10
Easy cargo processing	0,20	6	8
Tariff discounts	0, 10	7	6
Total	1,00		
Weighted score	-	6,5	7,5

- **Railway transport:**

$$7 \cdot 0,20 + 6 \cdot 0,30 + 7 \cdot 0,20 + 6 \cdot 0,20 + 7 \cdot 10 = 6,5$$

- **Automobile transport:**

$$6 \cdot 0,20 + 7 \cdot 0,30 + 10 \cdot 0,20 + 8 \cdot 0,20 + 6 \cdot 0,10 = 7,5$$

That way, the SWOT-analysis of strengths, weaknesses, capabilities and flaws shows that, in relation to most key indicators and the weighted score of the firm, motor transport enterprises in the given segment fall short. In order to

gain specific advantages, they need to adopt measures for guaranteeing better cargo preservation, give more attention to “door-to-door” deliveries and simplify the order of forming and approving cargo for consignment. The economic assessment of the effectiveness of these measures requires the use of methodical recommendations for determining the effectiveness of innovational projects, i.e. purchasing special rolling stock, high-speed locomotives, road reinforcement, motor transport acquisition, etc. (Parvanov, Tzvetkova, 2007)

Transport market segmentation stipulates the differentiation of international and domestic cargo freights, as well as intermodal and multimodal freights in a direct mixed message.

Transport market segmentation takes place in the process of conditioning materials for the marketing study. However, the main segmentation criteria should be formulated prior to developing the research poll. In segmentation, the cargo freight volume, the cargo turnover, the earnings, the costs, the profits and the profitability of each segment are determined. The prime cost of freights, which depends on the size of the transport section, is differentiated in order to determine the highest possible discount value. It is also advisable to determine the segment’s geographical scale.

The segmentation of the cargo freight market stipulates paying attention to the grouping of cargo by the tariff classes of the flexible tariff policy. This circumstance should be taken into account when developing marketing actions for stimulating freight demand.

The segmentation of the transport market ends with the selection of the most effective target segments that the transport firm will service.

The target segments which emerge as a result of the segmentation of the transport market should:

- Be uniform - they need to have a clear and identical set of needs for transport services and react in a similar fashion to the marketing influence of transport companies;
- Be significantly large in volume, in order to justify additional losses for the realization of marketing strategies in accordance with the requirements of the given group of cargo owners;
- Be accessible for effective marketing;
- Have a quantitative dimension;
- Be available on the market for extended periods of time.

If the selected market segments ultimately fail to satisfy the uniformity criteria for reactions and the other requirements, the segmentation process should be continued by including new criteria in the analysis. Therefore, the segmentation of the cargo freight market is interactive in nature (Parvanov, Tzvetkova, 2007, p. 72).

As a rule, the main segments for transport companies are branches of material production: coal mining, oil processing, metallurgical industry, chemical industry, forest industry and woodworking, mechanical engineering and the agricultural complex. It is also vital to determine the relative weight of freight volumes and the earnings of each transport market segment.

3. Deductions and Conclusions

The segmentation of cargo consignors makes it possible to study their main requirements and problems in more detail and, on the basis of the individual approach, fully satisfy existing customer needs so that transport enterprises can retain them in the future. At the same time, transport enterprises economize on expenses, supplying customer groups with identical, acceptable for them set and quality of services. It is evident that each type of transport has customers who traditionally make use of its services. Another part of cargo consignors is defined as the so-called “field of competition” for several types of transport or a number of enterprises from the same type of transport. Therefore, it is essential that the management of transport enterprises determine the consignor segments it intends to work with. That way, automobile transport enterprises could specialize in transporting cargo in containers, in local cargo freights within the city, the district, etc. Furthermore, depending on their size, automobile enterprises aim toward demanding one or several target segments. Unlike commercial enterprises, railway companies and some automobile firms cannot choose to service only the most lucrative customers, turning down a number of other segments on the transport market. This requires the availability of certain transport resource reserves, which involves a significant part of conditionally-permanent railway transport expenses and the necessity for the largest possible growth of freight volumes in order to increase profits from the main activity. Additionally, in some remote regions railway transport is the only accessible type of message, and even in cases of low profitability of the railway line, customers cannot be denied service. Therefore, transport companies should always maintain a certain excess of the level of available transport resources

over the demand for transport service. However, even without taking into account the impossibility for a selective approach toward customers, it is advisable to segment the consignor market in order to improve their quality of service, attract new customers and conserve resources when servicing them.

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THE LABOR COST AND THE INCOME SATISFACTION

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Abstract

The labor cost as income earned by the worker must provide the means for the workers existence and his family's sustenance. Life support is a variable that is influenced by a number of factors, and whether the workers are satisfied with what they receive can be seen from the answers to the questions from the survey conducted with them.

Keywords: salary, labor cost, labor market, labor force

JEL Codes: J2, J3, M54

The salary as an economic category is undoubtedly related to the labor market, the mechanisms of its functioning and the specificity of the relationships between the established labor relations entities - employers and employees. The labor market is a specific market sector in which there are daily meetings and transactions between:

- entities (organizations, individuals) wishing to hire for work, functioning labor force;
- entities (natural persons) wishing to provide their labor force against payment for a specified period of time.

Entities seeking and employing a functioning workforce are usually referred to as employers and those who offer their workforce for a certain period of time - hirers (employees) or, more generally, hired staff (Georgiev, 2009).

Most often, the labor cost is identified with the labor remuneration - the working salary negotiated between the employer and the employee at the conclusion of the contract. It is a contradictory economic category - on the one hand, it is an income for the employee and on the other - an expense for the employer (Dimov, Maderova, Usheva, Zlateva, Yaneva, 2011). But besides the

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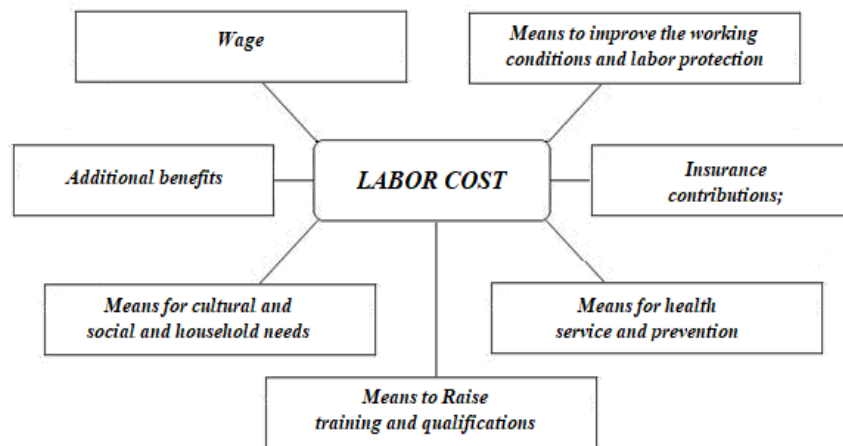
remuneration from the salary, the labor costs include additional payments to it. That is why the price of the labor must not be deducted or linked only to the salary that workers receive under a labor contract (Stefanov, Dulevski, 2007).

The costs that employers are making or are willing to make to assure their work and the incomes they receive or against which they are willing to provide their workforce the hire employees, determine the concept the cost of labor. The labor cost is the monetary amount against which the employer receives the right to use the labor force of his employees. It has a dual character (Shopov, Stefanov, Paunov, Dulevski, 2002), that is, it can be considered from two sides:

- in the narrow sense, on the part of the worker - the cost of labor is the income he receives for his work. The concept of labor costs as a salary agreed between the worker and the employer at the time of conclusion of the contract and paid at its full size is typical of the beginning of the twentieth century. This is a narrow sense of the cost of labor as a reward awarded to the worker under an employment contract (Stefanov, 2010). It is also reflected in our labor legislation, according to the Labor Code Art. 242, paragraph 1, the labour according to the employment contract is remunerated as agreed between the employer and the employee in the employment contract (Vuchkova, 2001);

- in the broad sense, on the part of the employer, the labor cost includes all the costs he makes for the recruitment and maintenance of the labor force and includes, besides the salary under an employment contract and all other funds in accordance with legislation, collective bargaining or according to the company's own desire, as additional benefits, social security contributions, current health care and prophylaxis, the means of vocational training and qualification, means of improving working conditions and labor protection, cf. for social, household and cultural needs - these are also the elements of labor costs in the broad sense (shown in Figure 1). It is apparent that the actual labor cost is greater than the salary for the employer, because all the costs he does are not received by the worker but they are significantly above the salary limit (Shopov, Stefanov, Paunov, Dulevski, 2002).

Figure 1. Elements of the labor cost



Source: Shopov, D. and others

The salary is a structuring component of the labor cost. At a microeconomic level, it is the remuneration established by agreement or by national legislation which the employer pays under a contract. From a macroeconomic point of view, the workers receive remuneration in accordance with the work done.

There are also exist the so-called additional benefits - this includes cash payments or natural wages outside the salary that are provided to workers at the initiative of the employer or under an agreement included in the employment contract. Their determination should not be based on wages, as is sometimes the case in practice. They complement the wages and contribute to maintaining a higher standard of living for the worker. The additional benefits depend on the company's financial capabilities and aim to create better conditions for the reproduction of the workforce, to motivate workers to integrate them into the organization's goals and culture, to help stabilize the company. In this regard D.Yaneva notes that not only the basic wage but also the other elements - the additional remuneration and the incentive supplements, lead to the satisfaction of varied needs and give more self-esteem and satisfaction to the employed (Yaneva, 2006).

Additional benefits include:

- additional paid annual leave when the person has not worked;

- additional family allowances over the statutory ones;
- free or discounted food in the company's canteen;
- reduced prices of products in the stores of the company;
- preferential prices of goods produced in the establishment;
- free clothing, transport;
- free of charge or at reduced prices use of nurseries, gardens;
- free or discounted use of holiday homes, sports facilities, etc. ;
- granting of aid or loans at a reduced interest rate;
- providing different cash (for Christmas, Easter, like the 13th salary, etc.).

In the recent years there has been a tendency to increase the share of the additional benefits within the company's labor costs. The reason for their assertion is the strive for the earnings of the employees to be set according to the financial condition of the company and thus to motivate them to integrate into the organization (Georgiev, 2009).

The employers' contributions to employees are statutory contributions to the Social Security Fund, voluntary contributions to this fund, or to social security and social insurance organizations for the various insurance cases, the compulsory contributions to unemployment insurance and health insurance.

The current healthcare and prophylaxis includes the costs that the employer makes to ensure the health and fitness of workers in accordance with the requirements of the law. The Labor Code obliges the employer to provide conditions for sanitary and healthcare to the workers in accordance with the sanitary norms and requirements, to take preventive measures to prevent and reduce the general and occupational diseases.

The funds for social, household and cultural needs are the funds that the employer spends in accordance with the requirements of the law. According to the Labor Code, the employer must provide workers with: food, according to rational norms and specific working conditions, commercial and household services, transport services, recreation facilities, sports facilities, etc., cultural activities, clubs, caretakers, housing assistance for workers and their families, etc.

The costs of improving the training and professional qualification of the workers made by the employer are not obligatory, as they do not derive directly from the legal framework. It is especially important for the employer to provide

highly qualified workers to carry out activities that are characteristic of its production only. The funds that the company makes in this case are returning to the higher productivity of these workers. This labor cost element is related to the company's policy of investing in human capital and improving the quality of work to maintain the company's competitive ability.

The costs to improve the conditions and the protection of the labor or to ensure safe and healthy working conditions are mandatory. They stem from the legislation and the requirements of the Labor Code, according to which the employer is obliged to provide such working conditions so that the dangers to the workers' lives are eliminated, reduced or reduced. Employers' resources must ensure that any danger to the life and health of workers is avoided. Therefore, too many resources are sometimes needed, which are not always in the hands of the individual company. Thus the labor costs are high and unprofitable for the employer.

The labor elements that are not legally established or so-called specific costs are the subject of collective bargaining at the national, sectoral and company level between employers and workers.

The conflicting interests of the employer and the employee are manifested on the labor market when negotiating. When workers offer their labor, they seek to negotiate a higher remuneration that meets:

- the quality of the workforce, the investments made for its formation;
- the means of reproducing it, supporting the family and maintaining a higher standard of living;
- the workplace safety conditions, work-related risks;
- the requirements for professional realization (Shopov, Stefanov, Paunov, Dulevski, 2002).

When negotiating the labor costs, the employer is guided by the rule of minimizing the labor costs and maximizing the benefits. They increase the labor demand to the point at which the marginal cost of the last employed worker equals the marginal income created by him. The labor price offered by the employer is predetermined by:

- the worker's education, qualifications and occupational skills;
- the expected contribution of the worker to productivity and profit;
- the possibilities of interchangeability of labor with capital and others.

When the labor demand exceeds the supply in some industries and production, the proposed remuneration is growing. If labor costs increase, the employer seeks to reduce workers by releasing part of them or trying to reduce the remuneration of employees, with inequality in working life increasing in old age (Ivanova, 2017).

When labor costs are reduced, companies increase labor demand or strive to retain employees (Vladimirova, 2009).

The cost of the workforce has three main functions - reproductive, stabilizing and motivating:

- the reproductive function of labor costs stems from its role as an essential source of income for the worker and his family. It has to provide for the labor that it has done to maintain the standard of living according to the usual way of life for the time and the country. Thus, the reproduction function of labor costs is dominated by economic considerations;

- the stabilizing function of labor costs is conditioned by the role of workers' earnings in the currency of the country. When the economy is in equilibrium, the population's income system, or aggregate searchable demand, is balanced by the supply of goods and services. If, for one reason or another, it breaks down, in order to suppress inflation and stabilize the economy, the state takes measures, including labor cost control. Restrictive measures by the government are considered to be of central importance in curbing inflation, stabilizing employment and reducing unemployment;

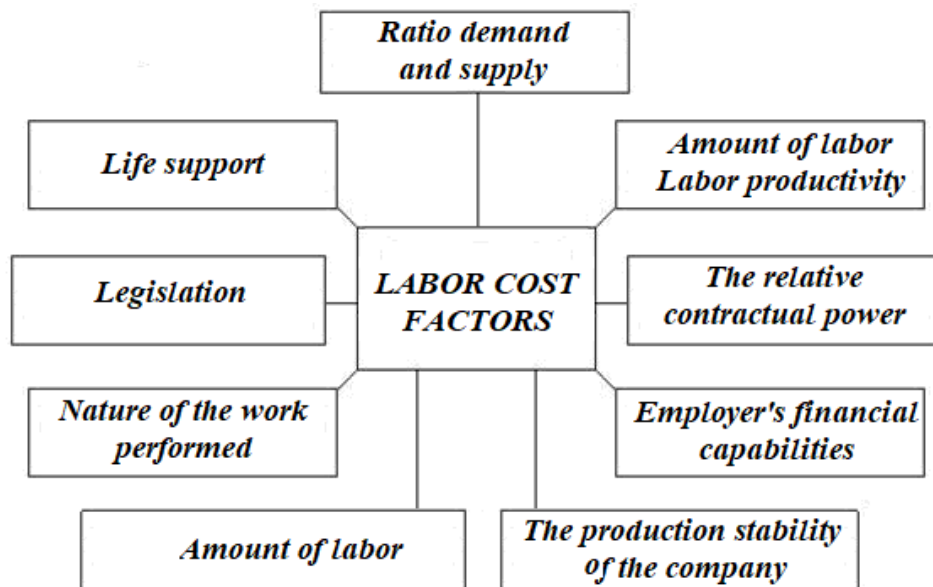
- the motivating function is related to the link between labor costs and the level of income to influence the workforce to invest in more quality and productive labor in the company. The higher the labor cost, the higher the incomes and the opportunities for a better life for the worker and his family, the stronger the incentive to increase the qualification, education and work activity. For the employer, the motivating function is expressed in the efforts to form one or the other motivation, in order to obtain a certain production result from the manpower it employs, allowing it to secure a profit.

Recently, there also has been mentioned a specific function of the labor cost - social, which appears as a derivative of the three main functions (Stefanov, Dulevski, 2007).

There is a close relationship and interdependence between the functions of labor costs that depend on the specific conditions, and contradictions sometimes arise between the different functions.

The formation of labor costs is influenced by various factors (shown in Figure 2). To the most important of them, the ratio between the labor demand and supply, the cost of living, the laws and regulations concerning the labor cost, the nature of the job - the work performed, the amount of labor, the labor productivity, the relative contract power of the agreement, the financial capacity of the employer, the production and technological stability of the company, etc. (Shopov, Stefanov, Paunov, Dulevski, 2002).

Figure 2. Main factors, defining the labor cost



Source: Shopov, D. and others

In the neoclassical theory, the labor cost is determined by the market forces of labor supply and demand. In a perfectly competitive labor market, wages are higher where demand is greater than supply, and vice versa. When the workers are directed to industries and higher remuneration industries, this will lead to a reduction and trigger a reverse process - reducing the demand and

the balancing market forces. In this way, the market mechanism will form a labor price that will ensure optimal employment and productivity of the labor force (Ustapetkova, 2007).

The impact of the supply and the demand on the labor costs is influenced by all those forces that contract the free competition and disorder the market equilibrium in the labor market, which results in the price of labor. One of the reasons for the equilibrium and the deviation in labor supply is the limited mobility of the workforce due to lack of housing, unwillingness to change the social environment or to the qualification, etc. Deforming effects on labor costs may also be attributed to the actions of some of the employers or trade unions, state interference, and the principle of equal pay for equal pay.

The labor cost as income earned by the worker must provide the means for his existence and his family's subsistence. The living standard is a variable that is influenced by a number of economic and social factors, natural and climatic conditions, customs and traditions, demographic factors, the state of the economy, the level of prices and taxes and other types of charges, etc. This is the reason for the differences in the content that the economists place in the notion of the living standard.

It is obvious that in order to achieve better results in the company it is good to observe some basic motivational rules regarding the personnel such as: complex satisfaction of the material, social and psychological needs; timely application of motivational impacts; objectivity in the evaluation of the motivation results; review, evaluation and correction of the motivation complex, etc. (Yaneva, 2006). According to their specificity, the factors influencing the labor costs can be broadly grouped as:

- economic factors;
- socio-demographic factors;
- institutional factors (related to the State interference and to the industrial relations entities - employers and trade unions) (Georgiev, 2012).

In some of the countries of the transition, there is a labor cost close to, or around the amount of, the funds that provide only the physical existence of the workers. The reasons for this are the deep economic crisis, low labor productivity and production efficiency. Under these conditions, the labor market is characterized by high supply and low labor demand, which reduces the labor market price. The factors on which labor costs depend interact, are supposed

and complementary. They act simultaneously, albeit with different strength and intensity, which implies using the complex approach in their research and reporting (Shopov, Stefanov, Paunov, Dulevski, 2002).

Every employee or worker has a clear attitude to the income he receives for his work. On the question "are you satisfied with the income you receive," the different categories of employees respond differently, depending on the education they have, the length of service in the company, the opportunities and the desire to increase their qualification and retraining, of the social benefits provided to them and others. From the survey conducted with 176 people working in different companies in the Blagoevgrad region and the one-dimensional and two-dimensional frequency analysis, we can summarize:

- Regarding the educational level of respondents and income satisfaction, three groups are formed, with relative percentages of speakers:
 - 28.9% dissatisfied, 33.6% are satisfied, and 37.5% are satisfied;
 - of the graduates, only 12.1% are dissatisfied with their income, while those with secondary and lower education are dissatisfied with 42.7%, partially satisfied with 31.6% and 25.7% with their income.

The results of the two-dimensional analysis show that education has a statistically significant impact on income satisfaction.

- Every company employs people with different work experience:
 - naturally the most inexperienced workers start working at lower pay and most of them are not satisfied with their income - 45.1%;
 - 40.2% of respondents are partially satisfied;
 - many of the most experienced workers (those with an internship over 10 years) are also not happy with their salaries - 42.1%;
 - more than half of those with work experience of 6 to 10 years approve their remuneration for work - 53.6%.
- The development of technology requires the workers to raise their level of qualification and sometimes retrain. Unfortunately:
 - a small proportion of respondents - 19.8% understand that increasing their qualification depends on getting higher incomes;
 - more than half - 56.8% do not wish to increase their qualification;
 - 23.2% fluctuate, with about 1/3 of the respondents satisfied with their income;

- the percentage of those who do not want to retrain is higher - 69.3%, with a balance between the satisfied and dissatisfied with the salaries they receive;
- those who want categorically only 12.5%, naturally most of them are not satisfied with the earnings.
- The opportunities for raising the income through the social benefits provided by the company should not be overlooked:
 - 39.3% are not satisfied with social benefits, half of them are not satisfied with their total income;
 - the fluctuating group is the largest - 42.3%, with the satisfied and in part satisfied with their income more than 60%.

Workers with higher education and those with an experience of 6-10 years are most satisfied with their income. The need for upgrading and retraining is still not sufficiently understood by most people and is not associated with higher earnings, which is why more than half of respondents do not want to be further qualified and retrained, as there is a balance between satisfied and dissatisfied with the wages earned. Relatively few are satisfied with the social benefits they receive, most of them are not satisfied with their total income.

The labor-need-to-supply ratio compares the labor costs with salary rates, respectively. Different schools and theories determine differently the impact of this factor on the pay of labor. Depending on the specific situation of the labor market (labor shortage or surplus), the behavior, the employers' strategy regarding the labor cost is different. Usually, in the case of insufficient labor supply, they tend to offer higher prices or wages, and vice versa; in the case of oversupply, they tend to pay salaries that are in line with the minimum salary set by the government.

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TOURISM EDUCATION – AN IMPORTANT INVESTMENT FOR THE STAFF DEVELOPMENT

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Abstract

Tourism specialty is a broad-profiled specialty, as it offers specialization in different fields. Most schools in Europe offer the largest and most sought-after specialization - Hotel and Hospitality Management or Leisure and Tourism Management. Bulgaria's competitiveness on the tourist market and its establishment as a whole year destination has always been connected with the quality of the services offered. Our country has a good multilevel system of training centers at different levels, centers that should provide good language and professional training, but it seems that the graduates are not competitive on the market, which has led to the search for and attraction of labor staff from smaller and not so developed neighboring countries. Where does the reason lie - in the education system, in the discrepancy between theory and practice, in the wrong selection of staff or in the management of the tourist companies, employers and managers? The author of the following paper has tried to explain these reasons and to give answers to some of these questions.

Keywords: tourist market, tourism specialty, language and professional training, qualified workers

JEL Codes: Z 32, A20, A22, A23

1. Introduction

The issue of education and qualified workforce in the tourism system is still particularly relevant. In spite of the traditions that the specialized educational institutions in Bulgaria have for the training of cadres in the field of tourism, there is the fact that in the tourist sites there are employees with insufficient or, in most cases, absolutely no professional training for practicing a certain profession or occupation, or a particular position.

Until recently, the positions of the bartender, the waiter or the chamber maid, that were considered to be completely unskilled jobs, now experience hunger that does not go away even the positions that are considered to be more

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qualified - manager, receptionist or front office, where also there are no cadres with good preliminary theoretical knowledge or an acceptable level of language proficiency. Our country has a good multilevel system of training centers at different levels, centers that should provide good language and professional training, but it seems that the graduates are not competitive on the market, which has led to the search for and attraction of labor staff from smaller and not so developed neighboring countries. Where does the reason lie - in the education system, in the discrepancy between theory and practice, in the wrong selection of staff or in the management of the tourist companies, employers and managers.

The vocational training should prepare the students for inclusion in public production by creating optimal conditions for personality development in different types of learning and work activities, promoting the development of such qualities as the creative thinking and the entrepreneurship (Stefanova, Bogdanska, Karakova, 2017).

In the recent years, the labor market data show, that there is a shortage of qualified staff for the tourism industry, including the hotel sector, in two directions: both staff and executives. Even not long ago in the press there was written, that some famous hotel chains in Bulgaria are planning to bring qualified staff from abroad. This is, at first glance, a paradox considering the large number of colleges in tourism that are called upon to prepare middle-level specialists for the tourism industry, including hotel and restaurant management, and high schools offering bachelor's and master's programs in tourism.

The mention of the word tourism is always associated with a trip, a new experience, a visit to a new location, or in short, with something pleasant. Few people, however, are thinking about the long way to develop and how much work this profession requires, the practice of which requires solid, durable, exceptional personalities that require good language and professional skills. The advantage of these skills can lead to the success of every young person who has decided to embark on the study of Tourism at the university. The specialty is attractive because globally, 7.6% of the workforce is engaged in the travel and tourism sector, that is, about 220 million jobs are related to the industry. The World Trade Organization (The World Trade Organization, data from 2015) expects every 11th person to be engaged in the sector by 2020, and almost 10% of world exports are due to tourism.

2. Why to choose tourism?

Studying or choosing a university career in one's life is one of the most important decisions that will determine how the rest of his life will be. The world is becoming more globalized and competitive, and this requires professionals to be better prepared and trained. But first we need to clarify the reasons that will turn out to be decisive in choosing the academic specialty that we not only like but also to which we have an inner need to study.

Tourism specialty is a broad-profiled specialty, as it offers specialization in different fields. Most schools in Europe offer the largest and most sought-after specialization - Hotel and Hospitality Management or Leisure and Tourism Management. However, there are also narrow profiled programs designed for professionals in areas such as Restaurant Management, Tourism Management, Event Management, Sports Management. The Master Degrees offer training in even narrower specializations in different types of tourism, such as spa tourism, ecotourism, aviation tourism, cruise tourism, health tourism, golf tourism and others. The specialty is usually part of the business schools / faculties of higher education institutions. There are, of course, also higher education institutions offering training only in this area.

At the same time, however, a review of the curricula and the programs of the educational establishments in Bulgaria preparing managers for the hospitality industry (tourism, hotel and restaurant), shows that they largely fail to meet the labor market needs of this industry, which is developing very dynamically and is constantly posing new challenges and problems to the training institutions.

Regardless of the difference in the name of the chosen specialty, there are also compulsory disciplines, such as: Tourism management - management of tourism services, Management – Marketing, Social sciences - communication skills, Business Sciences, Fundamentals of finance and accounting, Tourist policy, Human resource Management, Tourism and international tourism, science for the different cultures around the world.

According to the requirements of the school or the desire of the respective student, more specialized modules, such as Food and beverages, Transport, Event management, Ethics and Responsible Behavior, Health, Spa, Eco, etc., can be studied. There are also Innovation in tourism, Cruise management, Casino management (<https://studyabroad.bg/statii/turizm>).

The problem of finding qualified workers at the seasonal and small hotels outside of the sea resorts is serious and is due to the following reasons:

The difference in the payment of the workers and the length of the season, existing between the winter and sea tourist sites. It should not be forgotten that the labor price offered by the employer is predetermined by:

- the worker's education, qualifications and occupational skills;
- the expected contribution of the worker to productivity and profit.

The average pay levels in the tourism sector in Bulgaria range from around BGN 700 (JobTiger.bg data). According to various comments, the level of payment for the average managerial staff in the Bulgarian 4 and 5-star hotels amounts to at least 2 - 3 000 leva, and higher managers are also commented on and considerably higher levels of payment.

The presence of more specialized schools with traditions close to the sea resorts of the country compared to the rest. More qualified staff lives permanently in the areas where there is sea tourism. Smaller hotels often have to combine more than one function of the staff, requiring the presence of cadres with more specific knowledge and skills.

There is almost no contractual relationship between universities and employers for organizing internships during their studies. Rarely the universities mediate between the students and the employers in the field of tourism, in terms of finding traineeships or jobs.

As a result, employers give quite a negative assessment to the vocational schools in tourism. The main problem of the training is the lack of practice and obsolete programs and equipment for students' training.

The legislative changes made it possible in 2017 to provide staff for the sector from third countries. Will it solve the problem of attracting cadres through this short-term solution. This has led to the initiation of joint initiatives of the Ministry of Tourism with the Ministry of Education and Science to establish a Center for Qualification and Re-Qualification of Personnel in Tourism for which the experience of other countries (<http://www.tourism.government.bg>).

There are always pros and cons in all professions but the subject of this article is to prove that the need for good qualification in tourism is pressing. First of all, anyone who has decided to study tourism has to clarify why he has chosen this specialty.

According to Entorno Turístico (<https://www.entornoturistico.com>), there are 10 reasons why tourism should be taught:

1. It gives you the *opportunity to meet people from all over the world*. Work in every hotel, meet foreign people with different cultures and this will allow you to practice and learn new languages.

2. *To practice different professions*. There is an opportunity to work in restaurants, cruises, as tourist guides, in many other areas where you will always interact with people from different nations.

3. *To have the self-confidence* that you are among the most enjoyable students at university during your training. If something characterizes students in tourism, it is their attitude to life. They need to know the world and enjoy new experiences, want to travel, travel for exchange aims, know new cultures and so on. These young people are fun, charismatic, restless, cheerful, talented, narrators. Be ready to enjoy your time while you work.

4. *Know people with different criteria*. In general, the students (and not just in tourism) develop a wider capacity for adopting different ways of thinking and acting, even the clash with people with different sexual preferences should be considered to be completely normal. They meet with individuals of all kinds, different cultures and countries; with different tastes, desires, dreams, motivations, etc. This diversity can be achieved by expanding consciousness by entering new horizons with the aim of the individual development of the personality that helps to look differently in the world.

5. *Language learning*. Everyone who practices tourism should be aware that in order to excel in the rest of the sector, you must know at least two languages other than your native one. English has not long been a priority in the tourist market, at least one more language is required. The Chinese, French, German, Portuguese or Japanese Mandarin have also been imposed. Every prestigious academic institution must have two or even three different languages in its academic curriculum.

6. *Try to expand your knowledge in any way*. The curriculum in tourism is perhaps one of the most extensive, going through the main subjects such as economics, administration, human resources and information technologies, to specialists in culture, archeology, art history, gastronomy, psychology, marketing.

7. *Develop respect for nature and culture.* The natural and the cultural resources are the most valuable thing the tourist destinations can offer to their visitors. They are the main tourist attraction that motivates the tourists to visit a country. The tourist resources are responsibility of everyone. Especially the tourism service providers have to take care of them and protect them.

8. *The labor market is abundant in job offers.* Various of jobs are offered by hotels, restaurants, travel agencies, cruise ships, bars, government agencies, specialized magazines, congresses, banquets, in short, the opportunities to work are not a problem.

9. *It is a great source of income for the country's economy.* The gross domestic product of one country depends on tourism activities. For everyone who works in the tourism sphere, must be proud that he is engaged in one of the most important economic sectors in Bulgaria and in the world.

10. *A wonderful opportunity to develop by traveling.* No doubt this will depend on your desire to travel. It is essential to take the internships that your lecturers or some travel agencies (which are doing pretty much) can offer, where you can apply some of the acquired knowledge or just know and learn from cities, history, people and the culture in these places.

3. What are the possible reasons most of the graduates not to come into the field of tourism?

1. *They believe that what is being studied in class is enough.* Most students are happy with what they see in the lessons and do not go further into the information. But it turns out to be a serious mistake. Because it is more important for a student to face what is happening in the real world. The current situation in the sector will allow you to understand it much better, but you need regular consultations with newspapers, magazines, radio or television programs that will expand your knowledge of the subject.

2. *Professional practice or finding a job related to tourism.* The ideal combination is to study simultaneously with work, but it is difficult for any institution to offer work to someone without experience. For this reason, after graduating, to get a good job, you have to practice. Surely, your responsibility will be less than that of a farm worker because the work in tourism provokes,

gives experience, and most importantly, it will be that, being a specialist you will have the opportunity to train the others.

3. *The need to know what skills to develop in order to be competitive.* A good piece of advice is to take advantage of the resources the university gives us. Most of the universities have a library, a language lab, a computer center, an archive of graduate papers and articles, and a number of scientific sources that will allow you to increase your knowledge and professional skills. A serious mistake is the lack of interest in scientific developments and the current state of tourism that will guide us appropriately, how we need to think forward and to prepare ourselves in the best possible way.

4. *Learning a second or third language.* If the world of different professions requires more, better professionals with greater skills, the demand for the tourist sector is double. The second language becomes mandatory from the moment you leave the university.

5. *The students have to attend the classes and believe that the teacher always tells the truth.* There are several reasons why students do not attend lectures. This may be due to a lack of motivation to follow, apathy because we do not like the teacher, a lack of interest for the material, unwillingness to communicate, and inactivity for learning, but simply to account our presence or having meaningless conversations with friends and colleagues.

These deficiencies lead to one very important mistake - not to build a critical sense and an opportunity to analyze ourselves, which is important in the real world. To take for granted that what the teacher says is true, which is another serious mistake - everyone can be wrong because he or she is not prepared or is prepared only theoretically but has no practice. To criticize, you have to be prepared, to read, to have an opinion. "There is no stupid question, there are fools who do not ask" (Dian Griesel, 2012 p. 2).

6. *To read.* There above it was mentioned in the article, that it is important to know what is happening in the tourist world; to read everything about tourism, hospitality, travel, and so on. This additional knowledge will build you up professionally, so you will be able to distinguish false information; to develop understanding and analysis skills that awakens your imagination and helps you create new ideas and do new things.

7. *Have a clear goal.* From here begins the clarification and the answer to the question "Why to study tourism?". To answer, you must have built up a

theoretical idea of what tourism means and what chances of realization you would have.

If you have already studied, explore yourself and determine what your vocation is and how your life will develop further and especially in tourism. So you will find the right way and resources to develop to get what you want.

8. *You do attend events and participate in trips to exchange abroad or in Bulgaria.* There is no better experience in the lives of students in tourism than to visit another country, to get to know another culture, another way of thinking and probably another language. The journeys with the aim of exchange offer another experience, growth, experience for at least 5 months of your life. For that purpose, the Erasmus training programs plays the biggest role for Bulgarian students.

9. *Do not put the fun to knowledge.* One should not forget the duties and responsibilities that each student has. This does not mean that students should be deprived of their student life.

It is a good opportunity to take part in the trips organized by some lecturers. Through them you can expand your cultural knowledge, which is ultimately the most important, not just a visit to beaches in the season where cultural events are limited to discos, drinking and dancing. This can be done daily, but in order to acquire knowledge, of great importance, is the visit of an expert (the teacher) to a specific destination.

10. *Try to be entrepreneurs.* Take time to invent, plan, implement innovations. Be different from the others, try to start a project. The world of tourism is too broad to think of just getting to the position of a regular employee. A question of time is to realize your possibilities and to believe in yourself.

11. *Do attend conferences and congresses.* In many universities, an Entrepreneur's Week is organized, and on the occasion of the International Day of Tourism, conferences, workshops, conferences and conferences are always held. Many students prefer not to attend such events, because they think it is a waste of time or they will not be interesting and have nothing to learn. It is during these events that you can learn the most, even more, than in the lessons.

No effort is required to try not to stay away from the learning process. It is not the most appropriate decision to mislead your lecturers just to get a better score, to leave half the job done, believing the teacher will not check it out, to

study only one night or a day, to copy at exams, to leave the lessons in half, and a number of other things, since the only one you are misleading and who is losing, this is you.

According to World Travel and Tourism Council data in 2015, the number of people directly employed in tourism in Bulgaria is just over 92,000, which is 10% less than in 2014. Also last year, the total number of jobs directly or indirectly related to tourism, are about 340 thousand, which again drops by 6.5% compared to 2014 (<http://www.akgb.bg/>).

The table below shows general information about the types of tourism organizations experiencing staff shortages, which sites, what cadres they need and how they attract the necessary staff.

Types of tourist organizations	Searched specialists	Ways to find staff	The turnover of the cadres
<i>Business, city hotels and tourist sites working in the field of congress tourism</i>	Narrow specialists / administrators / management staff	Own ads and competitions / Vocational schools and universities	
<i>Seasonal hotels and tourist sites</i>	Chefs, bartenders, waiters, administrators	Professional schools and universities	High turnover of lower positions
<i>Small family hotels and accommodation houses</i>	Chefs, waiters, chambermaids	Close friends, acquaintances, neighbours	Average turnover
<i>Spa hotels, balneological and rehabilitation centers</i>	Rehabilitators, medical staff, specialized chefs / bartenders, waiters	Professional schools and universities	Medium for the sector

<i>Tour operators and tour agencies</i>	Administration of agencies, organizers of tourist activities, guides	Professional schools and universities	High
<i>Restaurants and food chains</i>	Chefs, bartenders, waiters	Professional schools	Medium for the sector

Source: <http://www.referati.org/choveshki-resursi-v-turizma/64832/ref/p12>

Many tourism employers see skill gaps in sustainability-related areas for both staff and management positions (www.trainingaid.org). The field of tourism is one of those areas where *personal qualities* are crucial for the professional realization in every field, regardless of the academic level achieved. The good schools should emphasize the improvement of each student's personal behavior so that he or she can be prepared for the needs of the labor market. Among the most frequently asked personal qualities are: communication; ability to work in a team; good organization skills; ethics; problem solving skills; viewing skills in the details; customer service skills; adaptability; sales skills; skills to work with different nationalities and cultures; excellent computer skills;

Among the valued qualities in the sector are the international experience and the rapid adaptability. There is no way a manager to develop himself, if he manages from a place, in his own office and country. Trips are needed, as well as observations of the international situation in the development of tourist services. It would be good for any candidate student or current student to have this in mind if he is motivated to develop his/ her skills in the tourism industry or seeks a high position in hotel management.

Undoubtedly, perhaps the best opportunity for each student to get, this is the one, related to the entry and the first steps in the practice - the internship during the training. There is no way to get started right away in some hotel chains or tour operator with great development, without a preliminary basis, namely the practice through which experience is gained. In Europe, it is not possible for a school to be elite, if it does not provide an internship for its students. Elite is any university that has signed contracts with leading hotel

chains or has its own hotels and/or restaurants where students can spend their traineeship. According to the European standards, a minimum of 6 months of internship is required, but very often students have to work for at least 1 year in order to obtain a Bachelor's degree. Tourism is a business science, but unlike other sciences, the professional traineeship here must be mandatory during the Bachelor's degree.

4. Conclusions and recommendations

Bulgaria's competitiveness on the tourist market and its establishment as a whole year destination is always connected with the quality of the services offered. The service received by the end-user can add value to the tourist brand Bulgaria (www.tourism.government.bg/bg/kategorii). Because the image of our country in the world depends on the quality and the professional service. The Ministry of Tourism is in continuous dialogue with the branch and in our regular meetings with representatives of the sector. One of the most discussed topics is the **sustainable provision of sufficient and highly qualified professional staff**. All initiatives should be directed to tourism services that are professional and world-standard.

Immediate actions must be taken on one of the main problems - **the lack of guaranteed full-year employment of professionals** in the sector.

Another key point on which to emphasize is **the importance of internships and practices in tourism. To provide more hours of practical training** in the training material and more opportunities for specialization during training through the organization of internship programs.

Periodically to update the study material to track and cover new trends in the tourism business development.

To establish closer links between education and business in order to adequately meet the needs of the labor market. In this respect, we must recall the old training system for training of tourism staff operating in Bulgaria, of course we also appreciate the good foreign practices from Germany, Switzerland and other countries with experience in dual learning. The system should focus on recruiting high school students to practice and specialize in line with the possibilities of their school curriculum (<http://www.akgb.bg>).

Every future cadre in tourism must establish for himself whether he has the ability to socialize in a completely different environment than his own one,

whether he has knowledge on psychology and the traditions of other cultures. Does he have the patience and the sense of tolerance towards other cultures, religions, races and nationalities. With a positive look and faith for a continuous development forward.

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