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PUBLIC ADMINISTRATION

DEMOCRACY AND NATIONAL DEVELOPMENT IN NIGERIA'S FOURTH REPUBLIC: AN EMPIRICAL STUDY

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Abstract: *As a theory that sets some basic principles according to which a good government, whatever its form, must be run, democracy offers good prospect for achieving national development of especially heterogeneous societies. The common feature of democratic governance is its emphasis on improving the socio-economic welfare of the people and this is synonymous with the idea of national development. All over the world, democracy is prioritized because it is assumed to have the magic wand to effectively deal with inter and intra group conflicts arising from the democratic method. But the Nigerian experience with democracy is not very pleasant. The people's votes in most cases have refused to count. While ethno-religious violence is rife in the polity, the economy remain on its knees with abject poverty as a recurring decimal among the people. The popular expectations, that democracy will resolve all these challenges have largely been unattained. Therefore, it is against this backdrop, that this study explored the effect of democracy on national development in Nigeria's Fourth Republic. A descriptive method was adopted and cross-sectional data were collected across the twenty five Local Government Areas in Delta State with the aid of a structured questionnaire. Non-probabilistic sampling techniques comprising of purposeful and convenience techniques were used to elicit information via questionnaire from 400 respondents. Data were analysed using Pearson product moment correlation and regression analysis. The result of the study revealed that there is a positive and significant relationship between democracy and national development in Nigeria's fourth republic. Thus, the study recommends among others that the political leaders should adhere to the basic tenets of democracy and constitutionalism to promote good governance and foster national development.*

Keywords: *Democracy, National Development, Good Governance, Nigeria*

1. INTRODUCTION

The issue of democracy and national development in Nigeria's fourth republic will continue to dominate political discourse by both academics and non-academics because democracy is at the crossroads in Nigeria and national development also has altogether, only materialized in the inscrutable imaginations of Nigeria's national development planners (Okeke, 2014). Since independence, the country has been in search of democracy that works. What this entail should be the concern of all peace loving Nigerians. Democracy is a contested concept, it is not a given. Countries should find ways of making it meaningful to their peculiar circumstances. The way forward is to find

out ways of adapting democracy to the country's pluralism. This may require the pursuit of some kind of consociational arrangement that will allow for the sharing of power among competing groups and political interests in the country. According to Achebe (1984), political leadership has been one of the main obstacles to democracy and development in Africa. Post-independence political leadership has been everything but productive. They have been distributive rather than productive in orientation, wasteful, and corrupt in political and economic management. This argument is still forceful today. Given the character of the country's leaders, it is not surprising that there are threats to human security. This is not unrelated to the schism in the ranks of the political elite who lack the hegemony and discipline to engender socio-economic and political stability (Igbodalo, 2012).

Despite all social and economic policies that have been implemented by successive administrations, Nigeria has remained a laggard in social, economic and political developments. Subsequently, political instability, abject poverty, acute youth unemployment, heightened crime rate, poor health prospects, widespread malnourishment have been the main features of Nigeria's political economy. One of the major explanations for the failure of all development programmes in Nigeria has been the absence of democracy and the intermittent military intervention in politics (Ogundiya, 2010). Faulty development policies pursued since independence have left the people pauperized and decimated. Also, failure to play by the rules of the game of party politics brings the country close to the state of nature. This are manifested in increasing poverty, diseases, youth unemployment, poor medical care, poor housing facilities, lack of portable water, epileptic power supply, lack of access to power and resources by minority groups and their exclusion from policy making (Egharevba & Chiazor, 2013). Meanwhile, it is not an overstatement to contend that the return of the country to electoral democracy in 1999 has not made significant impact on the economic and social well-being of the people.

However, as a theory that sets some basic principles according to which a good government, whatever its form, must be run, democracy offers good prospect for achieving national development of especially heterogeneous societies. The relationship between democracy and national development is widely appreciated. This is because democracy plays a very important and crucial role in promoting good governance and fostering national development. The common feature of democratic governance is its emphasis on improving the socio-economic welfare of the people and this is synonymous with the idea of national development. Thus, the individual and his quality of life must be the centre of conception of national development (Amucheazi, 1980; Gibert & Ubani, 2015). All over the world, democracy is prioritized because it is assumed to have the magic wand to effectively deal with inter and intra group conflicts arising from the democratic method. But the Nigerian experience with democracy is not very pleasant. The people's votes in most cases have refused to count. While ethno- religious violence is rife in the polity, the economy remain on its knees with abject poverty as a recurring decimal among the people. The popular expectations, that democracy will resolve all these challenges have largely been unattained. Therefore, it is against this backdrop that

this study explored the effect of democracy on national development in Nigeria's fourth republic.

2. STATEMENT OF THE PROBLEM

In Nigeria, years of economic exploitation, mal-development and bad governance have continued to fan the ember of conflict and crises in the country. Since gaining political independence, Nigeria has continued to meander the path befitting failed, weak and juvenile states. A state that had very great prospects at independence and was touted to lead Africa out of the backwoods of underdevelopment and economic dependency, Nigeria is still stuck in the league of very poor, corrupt, under developed, infrastructural decaying, crises-ridden, morally bankrupt and leadership-deficient countries of the south. Rather than become an exemplar for transformational leadership, modern bureaucracy, national development, national integration and innovation, Nigeria seems to be infamous for whatever is mediocre, corrupt, insanely violent and morally untoward (Imhonopi & Ugochukwu, 2013). This supports the assertion of Okeke (2014) who posits that democracy is at the crossroads in Nigeria and that national development also has altogether, only materialized in the inscrutable imaginations of Nigeria's national development planners. Gilbert and Ubani (2015) allude to electoral malpractices and corruption as the greatest challenges of democracy and national development in Nigeria. One of the major explanations for the failure of all development programmes in Nigeria's fourth republic has been the absence of democracy and democratic principles which include the rule of law, transparency, accountability, participation and responsiveness to the needs of the poor, marginalized and underrepresented group.

Indeed, a plethora of studies exist on the nexus of democracy and national development in Nigeria (Achebe, 1983; Joseph, 1987; Oyovbaire, 1987; Osaghae, 1998; Iboror, 2004; Joseph & Gilies, 2010; Ogundiya, 2010; Akwen & geve, 2012; Lawal & Olukayode, 2012; Nwanegbo & Odigbo, 2013; Omodia, 2013; Okeke, 2014; Gilbert & Ubani, 2015; Ijere, 2015; Okeke, 2017). There is therefore, ostensibly in existence, a humongous volume of panacea on the possibilities of establishing an empirical nexus between democracy and national development in Nigeria's fourth republic. Against the aforementioned backdrops, this study seeks to achieve the following objectives: (1) to examine the effect of democracy on national development in Nigeria's fourth republic, (2) to verify the extent to which there is democracy without national development in Nigeria's fourth republic, (3) to examine the relationship between democracy and national development in Nigeria's fourth republic, and (4) to recommend ways of making Nigeria's democracy to engender good governance and foster national development.

3. CONCEPTUAL EXPLICATION

3.1. DEMOCRACY

Democracy, adequately understood, is a theory that sets some basic principles according to which a good governance, whatever its form, must be run (Oluwole, 2003). Such principles include justice, equity, freedom, liberty, accountability, openness and

transparency in government (Adagbabiri & Okolie, 2015a). The Athenians of the ancient Greece defined democracy as the government of the people by the people for the people. This simply means the government people freely put up to serve them without any discrimination on the basis of social status. Euripides, a Greek philosopher long before Plato, share the above view when he described a democratic state as one governed by people's representatives and for the many who have neither property nor birth (Sabine & Thorson, 1993) cited in (Adagbabiri & Okolie, 2015a). Plato, another Greek philosopher, had a similar view of democracy when he defined a democratic state in his book, the Republic, as a state governed by the philosopher kings, who neither marry nor have personal property, but live together in the barracks (that is, equivalent to government house today) and enunciate policies for the general welfare of the people. However, Plato, in his second and third books, the statesman and the laws, respectively modified his definition when he defined democracy as the government of the people in which law is supreme, rulers and subjects' alike being subject to it. Essentially, a basis assumption of democracy is that it should guarantee the welfare of the citizens. In Nigeria however, Ojakorotu and Allen (2009); Okeke (2014); Gilbert and Ubani (2015); Ijere (2015) have noted that democracy neglects the welfare of the citizens.

In recent times, democracy is increasingly becoming a disoriented political philosophy. Hence, in global perspectives, democracy is currently in decline. Strong men in emerging democracies, populists and demagogues (in the other cases) have succeeded in unleashing such governance attacks on this system of government, so much that its natural movement has become the reverse gear (Willige, 2017). Consequently, it is becoming increasingly difficult to define democracy. However, Giddens (1996) defined democracy as a political system that allows the citizens to participate in political decision-making or to elect representatives to government bodies. This supports the assertion of Gilbert and Ubani (2015) who posits that democracy is a form of government which lays emphasis on active participation by the citizenry and on popular sovereignty.

In the view of Przeworski, Alvarez, Cheibub and Limongi (2000), democracy is a system where political office is filled through regular, free and fair election between competing parties with the possibility of a winner freely assuming office. According to Huntington (1991), the modern usage of the term democracy as a form of government is defined in terms of sources of authority of government, purpose served by government and procedures for constituting government. The central procedure of democracy as noted by Huntington is selection of leaders through competitive elections by the people they govern. Okeke (2017) sees democracy as a people-centered system of government. This centrality is however often misconceived by misguided politicians (mainly in emerging democracies) as being election-supremacy. Once the elections are over, the strong-men politicians would begin to greedily personify democracy and chose to dictate what happens in the polity and in their shenanigans, succeed in dominating the political space in the name of democracy. However, a democratic system of government according to Egharevba and Chiazor (2013:18), ideally ensures that "the government in power is accountable to the people and that such a regime and its personnel obey the laws of the land".

In contrast, Ober (2008) asserts that the original meaning of democracy is the capacity to do things, not majority rule. This is instructive within our context of democracy and national development in Nigeria. This is because; any system of government that fails to guarantee the welfare of the citizenry will be difficult to market as democracy. It may be more germane to call such a system ceremonial democracy (Okeke, 2014). The current democratic governance in Nigeria has continued to witness repeated abuses of state power that has manifested in different forms and guises. No doubt, the political elites still see policies or state power as an avenue for primitive accumulation of wealth. This conclusion which has been reached by scholars like Ake (1989); Ikpe (2000); Ogundiya (2010); Adagbabiri and Okolie (2015b), etc., is still the order of the day today.

Democracy has thus been recognized as the only moral and legitimate way through which a society can be administered. However, there has been no universally agreed definition of the concept. Despite the seemingly divergent views, democracy with social, economic and political development will engender good governance and foster national development. Therefore, democracy is regarded as the best form of government that can be adopted in a country because democracy offers good prospect for achieving national development of especially heterogeneous societies.

3.2. NATIONAL DEVELOPMENT

Development is the act or process of growth, progress and improvement within a physical setting. According to Martinussen (1997), the various conceptions of development include economic growth, increased welfare and human development, modernization, elimination of dependency, dialectical transformation and capacity building. To the United National (1986), development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting there from. In its strong sense, development means using the productive resources of society to improve the living conditions of the poorest people (Peet & Hartwick, 1999). In essence, development involves improvement in the totality of the individual in his/her economic, political, psychological, social and cultural relations, among others. The ultimate purpose of development therefore, is sustainable positive change in the quality of life of citizens who inhabit a certain social space, usually a nation state (Ajaebili, 2013).

The focus of this study is national development. According to Balogun (1972), national development entails producing more and better food to eat, healthier and happier individuals, better living accommodation, improved transportation and communications system, sound education and enlightenment among the populace and generally more money floating around. Adagbabiri and Okolie (2016) assert that national development involves sustainable improvement in both material and spiritual life of a nation, and which must be realizable in ways consistent with the protection of human dignity. National development must involve the aggregation of national resources of the country for the general well-being of the citizenry in terms of their economic, social, political and

technological advancement. Reasoning along similar line, Idike (2014) holds that national development is a nationwide development in a nation-state. It implies the well-being of a covert majority of the citizens in material terms and decrease in inequality levels. Above all, national development implies the guarantee of security of live and property in the nation state. In addition, Okeke and Idike (2016) posits that national development implies the elimination of inter-ethnic bitterness and antagonisms in the inter-group and interpersonal relationships in a nation-state. National development in the context of this study therefore refers to the progressive changes and transformation in the economic, social, political, demographic, scientific, ecological as well as technological life of a nation today, without jeopardizing the development of tomorrow.

4. THEORETICAL FRAMEWORK

While there are several theories which might prove appropriate for a discourse of this nature, the political economy approach and the structure-agency theory present us with a heuristic tool for interrogating the central issues of this study. The political economy approach is derived from Karl Marx's theory of social production. In essence, the political economy approach studies the society in it's entirely but through the existing relations within it, and especially within the umbrella of social production. Production becomes very important both in understanding of the development of the society and the analysis of dynamics within it. Here, our concern is basically on how the mode of production determines the behaviour and character of man and his society. Given Marx's dialectical materialism, this emphasizes on the primary of 'mater', especially economic conditions to social existence. In order words, its emphasis is on the primary of material condition of life. This is known as economic determinism, the emphasis of political economy approach is tripartite in nature. That is, the primacy of material conditions, the dynamic character of reality and the relatedness of different elements of society (Ake, 1981; Gilbert & Ubani, 2015). The relevance of the political economy approach is based on its ability to justify how democracy as a system of government can engender and facilitate national development by improving the living standard of the citizens. Also, the structure-agency theory contends that agents such as politicians and state managers engage in politicking to get their interests promoted. But they have to operate within structure(s) that constraint or support their actions. For example, actions of ministers and governments officers produce the structure that constrain junior civil servants and state functionaries, the effect of whose actions similarly constrain the rest of us (Hay, 1988). This theory does indicate a unilinear determinism as the argument seems to suggest. While structure determines the actions of agents, agents also condition the structure in the process of carrying out their roles or simply to realize their parochial interest. Following the structure- agency theorist line of thought, Osaghae (1999) argued that African States operated a misguided development paradigm which emphasized esoteric and aesthetic needs. This created stagnation, or stunted growth and brought poverty to many Africa countries. Following the failure of the pursuit of modernization as development, a new paradigm of development that prioritizes the people as its centre piece is being propagated, especially in the global south. This model aims at promoting the welfare and

well-being of the citizenry. In this perspective to development, public policies are directed at solving challenges of hunger; disease, education, unemployment, environmental safety, medical care, etc. yet, more than three decades of experimenting with democracy in Nigeria, the expected gains of multiparty elections have failed to be registered in the lives of average Nigerians. Instead, crises of underdevelopment still persists nay in greater dimensions. Multiparty elections which are supposed to be the cure for national development and insecurity in the country have actually exacerbated them. Leftwich (1996) affirms that what matters for development is not the system of government or regime type but the type of state and the politics of the state managers. Crucially for him, it is not the technical and administrative arrangements which determine the character and competence of the state but the politics which both generates and sustains the state, irrespective of whether the state is democratic or not. This argument is still forceful today in Nigeria's polity.

5. DEMOCRACY AND NATIONAL DEVELOPMENT: NIGERIA'S DILEMMA

Despite all social and economic policies that have been implemented by successive administrations, Nigeria has remained a laggard in social, economic and political developments. Subsequently, political instability, abject poverty, acute youth unemployment, heightened crime rate, poor health prospects, widespread malnourishment have been the main features of Nigeria's political economy. One of the major explanations of the failure of all development programmes in Nigeria has been the absence of democracy and the intermittent military intervention in politics (Ogundiya, 2010). Similarly, Okeke (2017) holds that despite all the development plans by the Nigerian government, a lot of setbacks have been encountered in the developmental process. Faulty development policies pursued since independence have left the people pauperized and decimated. Also, failure to play by the rules of the game of party politics brings the country close to the state of nature. These are manifested in increasing poverty, diseases, unemployment, poor medical care, poor housing facilities, lack of portable water, epileptic power supply, lack of access to power and resources by minority groups and their exclusion from policy making (Ake, 2000; Ighodalo, 2012; Okeke, 2014; Gilbert & Ubani, 2015).

It is accepted that democracy has some universal values such as freedom, liberty, civil and political rights, free press, respect for the rule of law and constitutionalism (Osaghae, 1999). Yet, processually, the social conditions in Nigeria demands that, socio-economic, environmental and cultural rights should be given the attention they deserve at this stage of the nation's development. Democracy may mean little to a people that are hungry, poverty stricken, unemployed and illiterate. Votes can only be meaningful in the hands of those who know their meanings and relevance. Also, environmental and other abuses are going on in the midst of poverty, thereby depriving the people of access to life sustaining resources (Ighodalo, 2012). He further argued that political leadership has been one of the main obstacles to democracy and development in Africa. According to Sklar, Onwudike and Kew (2006), the leadership pattern in Nigeria lacks the necessary

focus capable of instilling national stability. Rather, Nigerian leaders are preoccupied with their desires for the appropriation and privatization of the Nigerian state. Because of political instability, the focus of the leadership became parochial with the overriding consideration for personal survival rather than national development. Given the character of the country's leaders, it is not surprising that there are threats to human security. This is not unrelated to the schism in the ranks of the political leaders who lack the hegemony and discipline to engender socio-economic and political stability (Ighodalo, 2012; Ijere, 2015).

Others like Ejubekpokpo (2012); Enwegbara (2013); Onyisi and Eme (2013) also observe that excessive cost of governance in Nigeria militates against national development. Nigeria is perceived to be running the costliest democracy in the world. According to Enwegbara (2013), government after government in Nigeria, since the return to democracy in 1999, has talked about reducing the country's high cost of governance. The irony is that rather than reducing, every new government seems to be increasing it further than it inherited from its predecessor. The Nigeria's dilemma of democracy and national development is the dilemma of democratic capitalism. If 'we, the people', jettison their market justice theory at these points, under the ambition of reinstating democracy, the people will be accused of torpedoing the process of development. Alternatively, the long-suffering citizens will continue to bear the weight of the contradictions of capitalist democracy. Parenthetically, if the victims of market justice ('we, the people') fail to act, they do grave injustice to democracy, as their social and political rights are trampled upon (Okeke, 2014).

Commenting on the factors militates against democracy and national development in Nigeria's fourth republic, Gilbert and Ubani (2015) alludes to electoral malpractices and corruption. In Nigeria, elections have always been hotly contested under party politics that is intemperate and violence rite-large. Electoral malpractices in Nigeria's fourth republic ranges from snatching of ballot boxes, falsification of election results, imposition of candidates by political parties, victimization and inducement of electorates, arson, kidnapping and assassination of political opponents, unlawful disqualification of aspirants and candidates by both political parties and electoral commission, long litigation in court, mobilization of religious sentiments, use of militant groups, political propaganda, among others. In more extreme cases, violent politics ensues such as youth restiveness and bombing. All of these constitutes serious challenges to a healthy democratic practice, hence good governance will be lacking at the expense of national development. It would seem the behavioural pattern among the political and economic elites is not in consonance with the core democratic values which conduce for stability and national development in the polity. Politics of give and take and respect for the unwritten rules of the game of politics are what makes for sustainable democracy that could offer good prospect for achieving national development. In so far as these ingredients of the democratic method are lacking, in so much the country would continue to have the orgy of violence and crises in the polity. Tied to these issues is the distributive framework in the political structure of the country. Therefore, there must be attitudinal transformation on the part of the political elite, the absence of which good governance and national development will continue to be a mirage.

As Ighodalo (2012:168) has rightly noted, the state managers continues to dish handout in form of funds to groups and nationalities making it too attractive for there to be consensual politics. In this context politics invariably becomes a zero-sum game or winner takes all. Politicians are apt to ignore constitutive rules in the political processes because emphasis is on the sharing of the national cake rather than how it is baked. Devolution of resources to state and local governments would appear to be a more productive way of bringing about national development and efficient use of resources. But unless other forms of constitutional sanctions are evolved against abuse of power and resources of the state, the same behavioural pattern that has rendered national politics corrupt and unproductive will find expression at other levels". Also, it would seem, the state is involved in too many things with little of them being done effectively. Over the years statist approach to development has led to the state chewing more than it can swallow, thus leading to inefficiency and mal-development. The orthodox Nigerian imagination of the connection between democracy and national development, intriguingly borders on what Achebe (1983:10) describes as "a tendency among the Nigerian ruling elite to live in a world of make-believe and unrealistic expectations". According to Achebe, this is the cargo cult mentality that anthropologists sometimes speak about- a belief by backward people that someday without any exertion whatsoever on their own part, a fairy ship will dock in their harbor, laden with every good they have always dreamed of possessing. This argument is still forceful today in the Nigerian state. The capacity of democracy to lead to national development has become bedeviled by the cargo cult orthodoxy.

6. THE NEXUS OF DEMOCRACY AND NATIONAL DEVELOPMENT

Credible elections are necessary to stem the tide of political decay and renewal in the country. This is because in the view of apologists of liberal democracy, once elections are gotten right, democracy is on its way to being consolidated and in consequence enduring peace and security will be instituted in the country. In essence, credible elections produce security, political stability and national development. Election is part of the democratic framework in the society that if properly put to use, will produce socio-economic and political development. Credible elections put the right people in government, manage conflict effectively and allocate resources efficiently. But the nature and type of democracy necessary for national development has been an issue in Africa. The mal-integration of African States into the international capitalist order has seen African States playing subservient roles to the advanced capitalist countries. Within this contraption, African States have lost any autochthonous means of addressing challenges of development that was forced down the throat of Africans in form of modernization and in contemporary times, globalization. The aesthetic values in western development paradigm see development as mere transition from 'traditional' African ways of interaction to 'modernity' conceived of as westernization. These development models are mainly concerned with stimulating economic growth in form of increase per capital income, import substitution, industrialization, etc. while human or social security is given scout attention by African leaders (Ighodalo, 2012).

Democracy and national development are implicitly related and mutually complementary compatible. Indeed it would be difficult, if not impossible, to conceive of national development under a non-democratic system. As democracy foster national development, so also does national development facilitate the practice of democracy (Siegle, Weinstein & Halperin, 2005). Chatker (1991); Sen (1999); Ijere (2015) claim that democratic good governance is not an outcome or consequence of development but a necessary condition of national development and improved income. Proponents of democracy and development are of the view that democracy have the institutional advantage to perform more than non-democracies and democratizing countries have outperformed their authoritarian counterparts on a full range of indicators like life expectancy, literacy, access to clean drinking water, agricultural productivity and infant mortality (Siegle *et al.*, 2004). In addition, Sen (1999) succinctly sees development as freedom-an integrated process of expansion of substantive freedoms. Economic growth, technological advancement and political change therefore are all to be judged in the light of their contributions to the expansion of human freedom. Among the most important of these freedoms, he argue, are freedom from famine and malnutrition, freedom from poverty, access to health care and freedom from premature mortality. In the Nigerian context however, these freedoms must specifically include freedom from hunger and starvation, freedom from malnutrition, freedom from curable diseases, and high rate of infant mortality, material mortality and freedom from political gangsterism masquerading as democracy. It must include freedom to fully participate in the process of democracy in the country (Okeke, 2017). But how would these lofty conditions materialize for national development to become feasible in the country, in the face of dwindling internally generated revenues and undulating corruption?

Democracy is a sham if meaningful decisions, leading to significant public outcomes are not made by free citizens, secure in their dignity, acting as political equals (Ober, 2013) Raaflaub and Wallace (2007) argued that democracy is constituted through institutions, practices, mentalities and eventually, ideologies. Farrar (2007) holds that revolutionary democratizing change can occur only once the citizenry as a whole become aware of its own potential power and collective identity. In positioning Nigeria's democracy for national development, it is noteworthy that the rule of the game must be anchored on justice, fairness and equity. To achieve these virtues, the rule of law becomes highly imperative; the promotion and enjoyment of fundamental freedom becomes indispensable; and accountability, transparency and due process must be the guiding principles in the conduct of public affairs (Gilber & Uban, 2015). They further affirm that no other form of government is capable of guaranteeing these virtues other than a democratic government because of its lofty prospects in the achievement of national development. In addition, Sen (1999) adds that national development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as a systematic social deprivation, neglect of social facilities as well as intolerance or over activity of repressive states. Sen's thoughts are in line with the Human Development Index (HDI) which bring to fore an increased awareness that the commonly used economic measures of development are too limited. The emphasis for the Human Development Index (HDI) is that people and their capabilities should be the

ultimate criteria for judging or assessing the development of a country and not economic growth levels alone.

In line with the literature review, the following objectives and hypotheses were formulated for the study:

To evaluate whether democracy guarantee national development in Nigeria's fourth republic.

To examine whether democracy in Nigeria's fourth republic neglects the welfare of the citizens.

To examine the relationship between democracy and national development in Nigeria's fourth republic.

To assess the effect of democracy on national development in Nigeria's fourth republic.

7. HYPOTHESES OF THE STUDY

H₁: There is no significant relationship between democracy and national development in Nigeria.

H₂: Democracy does not have a significant effect on national development in Nigeria.

This study adopted the cross-sectional research design, hence the choice of data collection across the twenty five (25) Local Government Areas in the State. Non-probabilistic sampling techniques comprising the purposeful and convenience techniques were used in reaching respondents. The target populations were the electorates in the state. According to independence National Electoral Commission (INEC), the total number of voting population in Delta State was 2470264 in the third quarter of 2018 (INEC, 2018). The selection of the sample numbering 400 was determined from the population of 2470264 using the Taro Yamane's formula as shown below:

$$n = \frac{N}{1 + Ne^2}$$

Where N = The population size,

n = Sample size,

e = Sampling error

$$n = \frac{2470264}{1 + 2470264 (0.05)^2}$$

$$n = 399.93$$

$$n = 400 \text{ Appr.}$$

Consequently, a sample size of four hundred (400) was used. Electorates in each of the Local Government Areas were randomly selected to ensure fair representative from each local Government Area that make up the sample size.

The research instrument for the study was the structured questionnaire. This was a modified form of the instrument used by Siegle, Weinstein and Halperin (2004 & 2005). This was necessary to better address the new respondents in a different environment. Data analysis was performed using Pearson product moment correlation and regression analysis.

8. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This study examined the relationship between democracy and national development in Nigeria's fourth republic. To achieve this, four hundred (400) questionnaire were distributed across the twenty five (25) Local Government Areas in Delta State. Out of the 400 copies of the questionnaire administered, 313 were retrieved, giving us a response rate of 78.25% as shown in the table below.

Table 1 Distribution of Questionnaire and Response Rate

S/N	Local Government Areas	Questionnaire Distributed	Questionnaire Retrieved	Percentage (%)
1	Aniocha North	16	11	2.75
2	Aniocha South	16	13	3.25
3	Bomadi	16	14	3.50
4	Burutu	16	11	2.75
5	Ethiope East	16	13	3.25
6	Ethiope West	16	14	3.50
7	Ika North East	16	12	3.00
8	Ika South	16	14	3.50
9	Isoko North	16	13	3.25
10	Isoko South	16	14	3.50
11	Ndokwa East	16	12	3.00
12	Ndokwa West	16	10	2.50
13	Okpe	16	13	3.25
14	Oshimili North	16	10	2.50
15	Oshimili South	16	14	3.50
16	Patani	16	10	2.50
17	Sapele	16	11	2.75
18	Udu	16	13	3.25
19	Ughelli North	16	12	3.00
20	Ughelli South	16	14	3.50
21	Ukwuani	16	14	3.50
22	Uvwie	16	13	3.25
23	Warri North	16	12	3.00
24	Warri South	16	14	3.50
25	Warri South-West	16	12	3.00
	Total	400	313	78.25

Source: Researchers' fieldwork, 2018

Table 2 Electorates' Responses on Whether Democracy Guarantee National Development in Nigeria

Category	Percentage (%)
Strongly Agreed	67.5
Agreed	21.8
Neither Agreed nor Disagreed	10.7

Source: From the Questionnaires Administered

Table 2 shows that democracy guarantee national development in Nigeria's Fourth Republic. Out of the total respondents, it was observed that 67.5% strongly agreed and 21.8% agreed while only 10.7% of the respondents neither agreed nor disagreed.

Without doubt, democracy has a magic wand in promoting good governance and fostering national development in Nigeria’s Fourth Republic if our political leaders adhere to the basic tenants of democracy and constitutionalism.

Table 3 Electorates’ Responses on Whether Democratic Practice in Nigeria’s Fourth Republic Neglects the Welfare of the Citizens

Category	Percentage (%)
Strongly Disagreed	5.7
Disagreed	13.2
Neither Agreed nor Disagreed	-
Agreed	19.5
Strongly Agreed	61.6

Source: From the Questionnaires Administered

Table 3 revealed that democratic practice in Nigeria’s Fourth Republic neglects the welfare of the citizens. Out of the total respondents, it was observed that 61.6% strongly agreed and 19.5% agreed while only 18.9% of the respondents disagreed and strongly disagreed. This finding supports the assertion of Adagbabiri and Okolie (2015a) who posit that it is worrisome however, that almost two decades after the “third wave” of democracy has blown across the continent of Africa, democratization has not produced the expected result. Rather than engender development and good governance, it has led to anarchy, civil wars, genocide and general political instabilities as have been seen in Kenya, Sierra Leone, Ivory Coast, Zimbabwe, Uganda, Rwanda, Liberia, Democratic Republic of Congo and Nigeria. In Nigeria’s Fourth Republic for example, political assassinations, abject poverty, acute youth unemployment, arson, mobilization of religious sentiments, ethno-religious conflicts, bombing and general economic and political decay have been the major dividends of democracy since 1999 when the country returned to democracy.

Table 4 Correlation Matrix

Variables		Democracy	National Development
Democracy	Pearson Correlation Sig. (2-tailed)	1	.874**
	N	313	313
National Development	Pearson Correlation Sig. (2-tailed)	.874**	1
	N	313	313

** Correlation is significant at 0.01 level (2-tailed)

Source: Field Survey, 2018

Table 4 shows the correlation between democracy and national development in Nigeria. There exists a significant positive high correlation between democracy and national development ($r = .874$, $n = 313$, & $P < 0.01$). This implies that democracy has a strong and positive relationship with national development in Nigeria. This finding supports the assertion of Diamond (1992) who posits that democracy is not an outcome or consequence of development but a necessary condition of national development and improved income and also economic, social and political development leads to-and are

necessary pre-condition for democracy. He argue further that when development is inclusive in so far that it reshapes class structure, political culture, state-society relations and civil society, it facilitates and deepen democracy.

Table 5 Regression Analysis

Moderated Regression Analysis showing the Effects of Independent Variable on the Dependent Variable							
Dependent variable	Independent variable	F	R	R ²	Adj-R ²	Beta	T-value
National Development	Democracy	43.211	.386	.148	.135	.399	5.780

Source: Field Survey, 2018

In relation to the second hypothesis which states that democracy does not have a significant effect on national development in Nigeria, the results show that the correlation coefficient (0.386) indicates a positive and statistically significant relationship between the predictor (democracy) and the response variable (national development). The R-squared statistic as explained by the fitted model implies that about 14.8% of the total variation in national development is explained by variations in democracy. The ANOVA results for democracy as predictor of national development in Nigeria is statistically significant with F-value of 43.211 and p-value of 0.000. The regression coefficient, t-statistic and p-value for the model implies that democracy ($\beta = 0.399$, $t = 5.780$, $p = 0.00$) exerts a positive and statistically significant effect on national development in Nigeria. Therefore, the null hypothesis is rejected. It can thus be concluded that there is a significant effect of democracy on national development in Nigeria’s Fourth Republic.

9. DISCUSSION OF FINDINGS

The results amongst others showed that there is positive and significant relationship between democracy and national development in Nigeria. The findings is in agreement with Evan and Ferguson’s (2013) view that elections alone has no evidence or significant impact on development, but deeper measures of political inclusion-including political competition, issues-based political parties and competitive recruitment to these parties are significant. The findings of this study also agree with Diamond (1992) study that revealed the relationship between democracy and national development. The result also showed that democracy does have a significant effect on national development in Nigeria. This finding is in agreement with Gilbert and Ubani’s (2015) views that democracy plays a very important and crucial role in promoting good governance and fostering national development. The findings of this study also agree with Siegle *et al.* (2004 & 2005) studies that democracy has a strong influence on national development. They argued further that putting checks on the power of the executive, separating the party from state decision-making, establishing a merit based civil service, fostering an independent and embedded private sector, facilitating the free flow of ideas and creating expectations of adherence to the rule of law are complementary factors for socio-economic development in democratic societies. To improve and drive national

development, strong democratic political institutions, the rule of law and inclusive economic institutions must accompany democracy.

10. CONCLUSION AND RECOMMENDATIONS

The return of multiparty democracy raised hope as to the arrival of the solution of Nigeria's crises of governance- good governance, the rule of law, freedom as well as institutional, infrastructural and national development. However, political assassinations, abject poverty, acute youth unemployment, arson, mobilization of religious sentiments, ethno-religious conflicts, bombing and general economic, and political decay have been the major dividends of democracy since 1999 when the country returned to democracy. The studies have revealed through its perceived findings that democratic practice in Nigeria's fourth republic neglects the welfare of the citizens. Summarily, Ijere (2015) argues that democratic political institutions may be better than authoritarian regimes but how democracy improves development and the quality of life of the populace requires more than just democratic structures of governance, periodic elections, freedom-free press and free speech. It is obvious from the foregoing that governance issues are the bane of national development and political instability in Nigeria. Faulty development policies pursued since independence have left the people pauperized and decimated. Based on the empirical and theoretical findings of this study, the following recommendations were made:

- Winner- takes all politics that defines the liberal democratic model is not ideal in our democratic project because it is willfull, elite based, unethical, discriminatory, violent breeding and parochial. All these have huge implication for political social and economic development.
- To improve and drive national development in Nigeria, strong democratic political institutions, adherence to the rule of law and inclusive economic institutions must accompany democracy.
- The political leaders should adhere to the basic tenets of democracy and constitutionalism to promote good governance and foster national development.
- The judiciary is a critical organ in the sustenance of democracy and maintenance of law and order in the society. The judiciary should be consistent and transparent in the discharge of its constitutional roles. It should be shielded from the rampaging scourge of corruption eating deep into the entire polity. In this regard, government must continue to emphasize merit in the appointment of judges.
- The political space should continually be expanded to give the people more opportunities to participate in the democratization processes going on the country as this has made it difficult for some socio-economic policies and programmes of government to achieve their goal and target.
- The Nigeria government should be more proactive in ensuring that the anti-corruption agencies are more effective and efficient and not mere appendage of the presidency for witch-hunting perceived political opponents.

INEC should rise up to their constitutional responsibility of monitoring activities of political parties so as to enthrone internal democracy in the political parties with strict

adherence to their respective constitutions. An organization like the electoral commission cannot be tied to the apronstring of the executive arm of government. It must be liberated from its strangle-hold through better funding and institutional autonomy to enable it run its affairs effectively and efficiently. The civil society groups should be more vigilant and more proactive in challenging the obnoxious policies of government.

A new political culture of tolerance and accommodation, bargaining and compromise, conflict and consensus should be embraced by stakeholders in the political system. The much needed peace for national development will evolve as investor (both indigenous and foreign) will begin to develop faith and confidence in the system.

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THE PERFORMANCE PARADOX IN THE PUBLIC SECTOR IN EU MEMBER STATES. KEY FACTS AND CHALLENGES

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Abstract: *The aim of the paper is to investigate to what extent public strategies and specific key performance indicators (KPI) explain differences regarding achieved public performance across European Union (EU) member countries. It is supposed that after almost twenty years, the organizational renewal of public administration should improve countries that are faced with low customer satisfaction, tight fiscal space and administrative constraints and achieve stability, distribution, and economic performance. Our findings provide empirical evidence for the need of developing systems capable to handle contested and multiple performance indicators, striking a balance in the degree of 'measure pressure' and minimizing dysfunctional effects.*

Keywords: *Performance management, public administration, performance indicators*

JEL Classification: *H0, H50, C14*

1. INTRODUCTION

Literature and practice, in this historical moment, seem to focus on Performance Management systems as valid tools to promote productivity also in the public sector. However, the experiences gained in the countries most oriented towards this approach do not seem to offer univocal indications. Three critical aspects - of an institutional nature (the logic for formal procedures), technical (limits for measuring outcomes) and management (difficulties in applying rational evaluation models) - seem to complicate the applicability of these systems in the public context. Based on the experiences analysed and of authoritative scientific contributions, some interesting indications are obtained to promote their diffusion in favour of a better accountability of the Public Administration and it seems that during the past ten years has increased the concerns for the productivity in the public sector, the main components of this concept started to be analysed and debated. Starting from the point of management, motivation, measurement and the entire process of organizational improvement, the paradox of public performance continue with some mechanisms to eliminate the common barriers to productivity improvement in central and local government.

The concept of performance paradox is analysed according to some authors as a result of a discrepancy between the policy objectives set by politicians and the goals of executive agents (Frederickson, H. George, et al. 2017; Sandra and Frans, 2002; Smith,

1995ab) or as a weak correlation between performance indicators and performance itself (Meyer & Gupta, 1994; Meyer & O' Shaughnessy, 1993; Harvey, Edward, and Russell Mills. 1970). But even if no one can guarantee the performance of a public service program, in order to ensure with a certainty this desiderate, and to help countries which are faced with low customer satisfaction, tight fiscal space and administrative constraints, contemporary period bring us back to issues raised by the special characteristics of the public sector and develop systems that can handle contested and multiple performance indicators, striking a balance in different metrics to track public sector objectives and minimizing dysfunctional effects. The practitioner theory underlying that politicians and Public Sector are the principal actors in macro socio-economic policy, the major advantage of support the vectors of public management is that they have ability to improve infrastructure and to make an architect of an enabling environment for national development (Mayne, 2017; LÊgreid, Van Dooren, 2016).

Empirical research into the size and development of the performance measurement in the public sector has grown rapidly; some authors have discussed the history of performance measurement and the value of performance measurement (Bouckaert 1992; Newcomer 1997; Wholey 1999). We find some empirical evidence regarding the obstacles to performance measurement (Ammons 1992; Kravchuk and Schack 1996; Mann 1986) and in line with above, Bowden (1996); Marshall (1996); Newcomer and Wright (1997); Greiling (2005), highlights the experiences of public organizations with performance. To extensively evaluate and discuss the itinerary of this concept, regarding estimation methods Halachmi (1998); Hatry (1999); Newcomer (1997) and Wholey (1999) relate some methods for promoting continuous improvement through performance measurement.

The contemporary periods point out the significance of management strategies as a driver of the place of economic undertaking. As well, The European Union, with the Europe 2020 strategy, has also adopted a strategy for sustainable and inclusive growth which also implies that Policy Makers decisions to be capable to improve their performance across all facets to better deliver the outcomes of their respective governments. As far as over many years, across many countries, we find a little improvement in the perception that employee performance is effectively managed in the public sector, it is required that these policies to address some key characteristics such as: efficiency, effectiveness, economy. In line with this, literature highlight the implications of challenges in the provision of adequate feedback, establishment of realistic performance expectations, recognition of the contribution of public private partnership, and a clear recognition of the role of the public manager in optimizing public sector performance (Armstrong et al. 2013; Becker, 2013; Mannheim, 2013; Blackman et al. 2013). In the context of a grow number of researches on the subject of performance measurement, we can suppose that it claims about its effectiveness and we can talk about a movement toward its universal acceptance in support of better government. Instead, the literature shows that performance measurement is still not being used in many public organizations, sometimes for good reasons and sometimes not (Hatry et al. 1990; Perrin 1998, Brujin, 2003, Mayne, 2017).

This paper aims to analyse the performance paradox in the public sector, more exactly to illuminate the paradoxes of introducing different performance management systems with specific KPIs - key performance indicators used in the literature and to correlate their implication with the statute of progress in public sector performance. At the beginning of this theoretical approach some questions were asked: at what point is, after almost twenty years, the organizational renewal of public administration and what judgment can be given, what is or has not been done?

2. METHODOLOGY

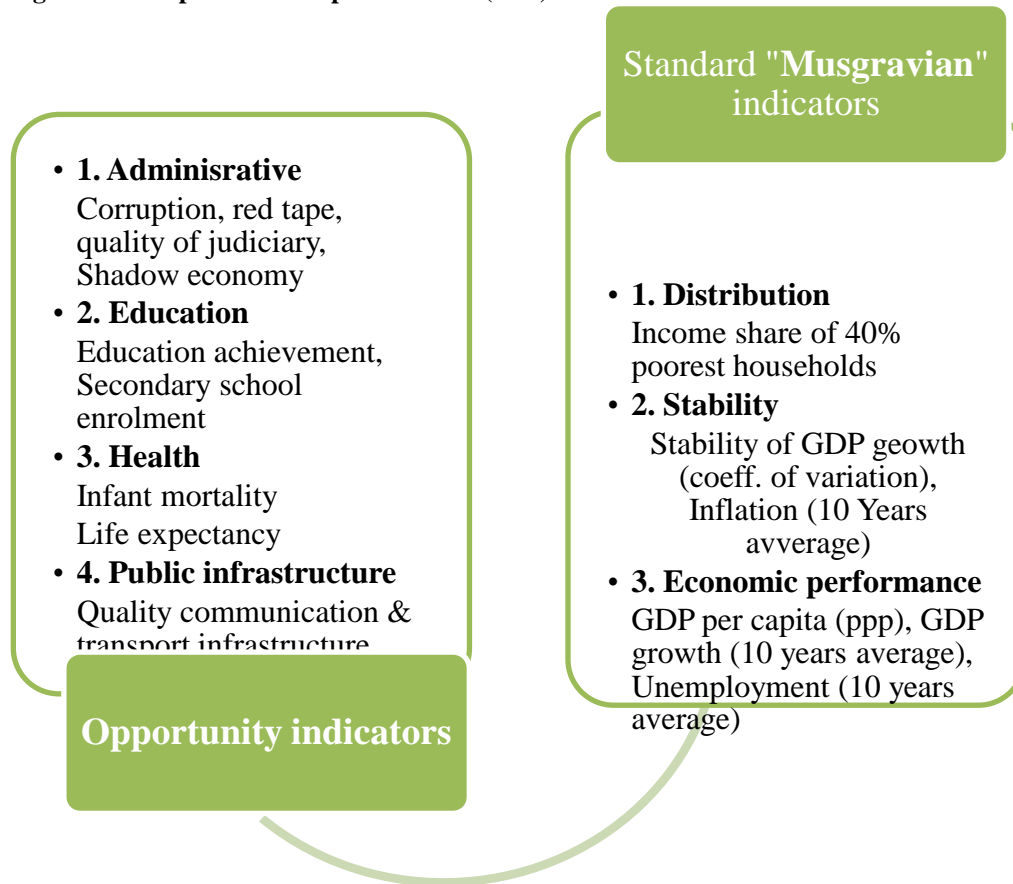
The mechanism of scientific research is based on the use of qualitative research methods, referring to the fundamental and applicative investigation of the situation of public management strategies and the procedure for the selection of performance indicators (KPIs). The paper will also be carried out with the help of documentary analysis, referring to the national and international literature and comparative analysis. Starting with public performance indicators used in the literature and continuing with a comparative overview of public administration characteristics and performance in EU28, the paper illustrates that public administrations deficiency it could not be that the system of P.A. moved, to his internal, not homogeneously, at different speeds. Too many variables intervene to influence the outcome of a change management process, and these variables they also take on very different characteristics from one entity to another. Waiting for research capable of confirming or denying it, the most plausible hypothesis on which it is it could be betting is precisely that of an extremely panorama differentiated, made up of entities that have changed substantially and others who are there, they have tried succeeding only marginally, from entities that are only themselves "Changed clothes" and others who have totally missed the appeal.

3. RESULTS AND DISCUSSION

3.1. THE MAIN INDICATORS OF PUBLIC SECTOR PERFORMANCE AND THEIR IMPLICATIONS AT THE EUS COUNTRIES

Starting with public performance indicators used in the literature, we first analysed the overview picture of public sector performance (PSP) indicators. Considering the elements found in the literature - with reference to (Afonso, Schuknecht, & Tanzi, 2005) work and the implications of the economic doctrine, we have established the main components for measuring the public performance. Thus, as can be seen in figure no.1, in literature it has been established four sub-opportunity indicators: the performance indicators in education, health, public infrastructure, administrative performance of the government, and others three sub-indicators took from Musgrave, which reflect the goals which should be pursued by any government: stability, distribution, economic performance. The main idea is that the most paper analyse in different manner these indicators and sometimes, at local level, too many variables intervene to influence the outcome of a change management process, and other variables they also take on very different characteristics from one entity to another.

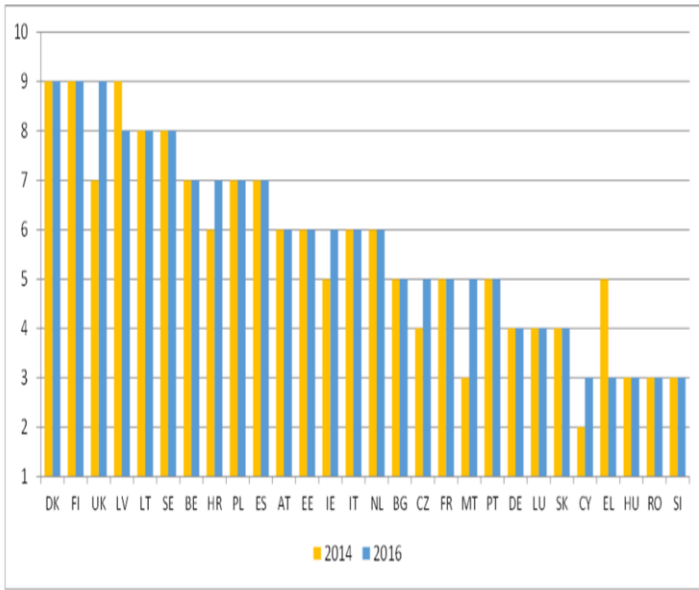
Figure 1 Total public sector performance (PSP) indicators



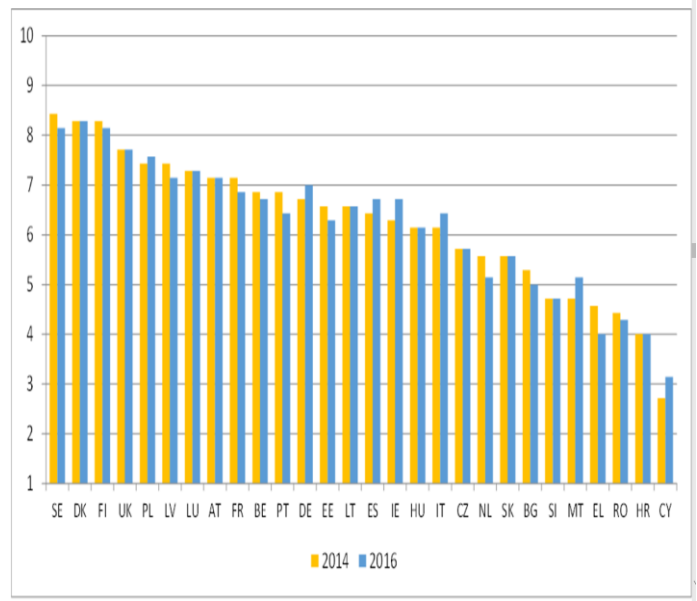
Source: Afonso A., Schuknecht L., Tanzi V., (2005): *Public sector efficiency: An international comparison*, European Central Bank, *Public Choice* (2005) 123: 321–347.

Following the overview of public administration characteristics and performance goals in EU28, it is found that strategic planning units and bodies, correlate with the implementation capacity have a direct influence on government decision-making, so it is really important to include this indicator when we measure total public sector performance, because it is the mirror of sustainable governance and public performance should achieve this objective. On the other hand, as can be seen in figure no. 2, this indicator really reflects the situation of Eu level from the point of management capacity, with low level on the profile of country like Romania, Hungary or Cyprus's, the idea being supported also by the result related in figure no.3.

Figure 2 Strategic planning capacity (1) and Implementation capacity (2) (1-10)



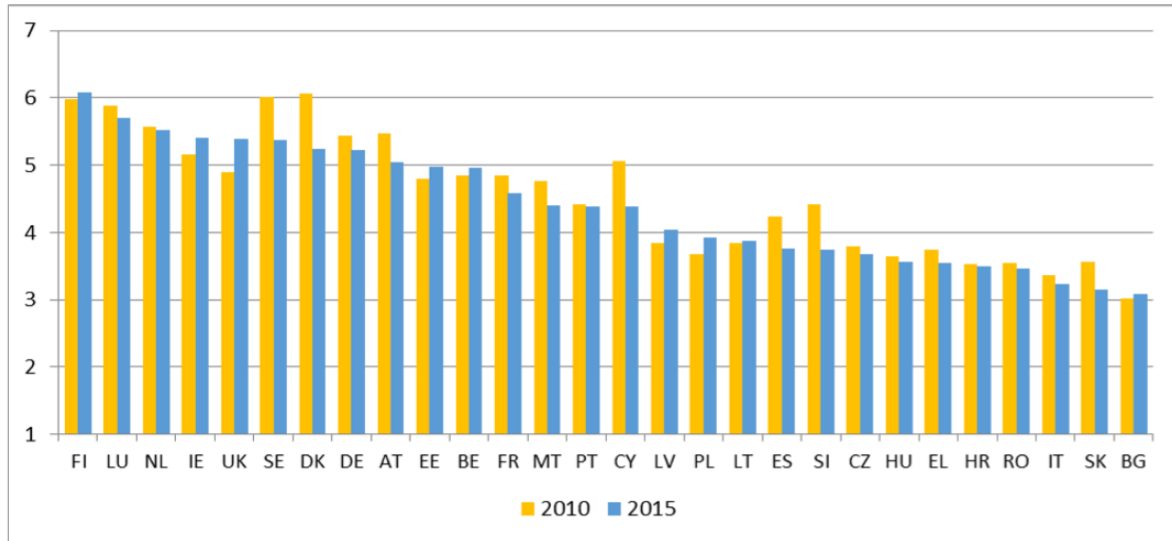
(1)



(2)

Source: Bertelsmann Stiftung; Sustainable Governance Indicators

Figure 3 Public sector performances (1-7)

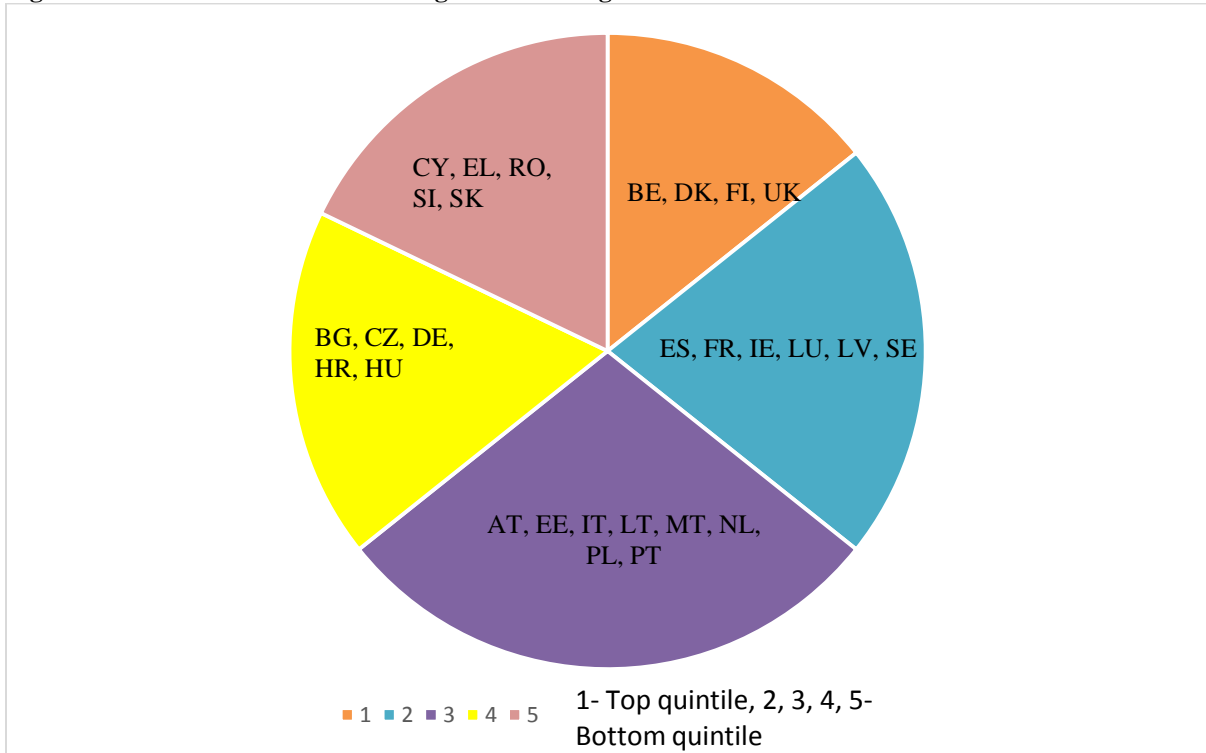


Source: World Economic Forum (Global Competitiveness Index)

Following the dimension used in EUPACK, through 4 comparative indicators, figure no. 4, relate the overall assessment of management and organisation in EUs countries. As can be seen, starting with Belgium and Denmark, the performing group is joined by the Finland and United Kingdom. Analysing this data in correlation with the results of public performance related by World Economic Forum (figure no.3), it is clear that that the system of P.A. moved, to his internal, not homogeneously, at different

speeds and there are too many variables intervene to influence the outcome of a change management process, and these variables they also take on very different characteristics from one entity to another. As a part of public sector performance, the overall assessment of management and organisation put four countries on the top, but only two can be found in top five best public sector performance results (FI and UK).

Figure 4 Overall assessments of management and organisation



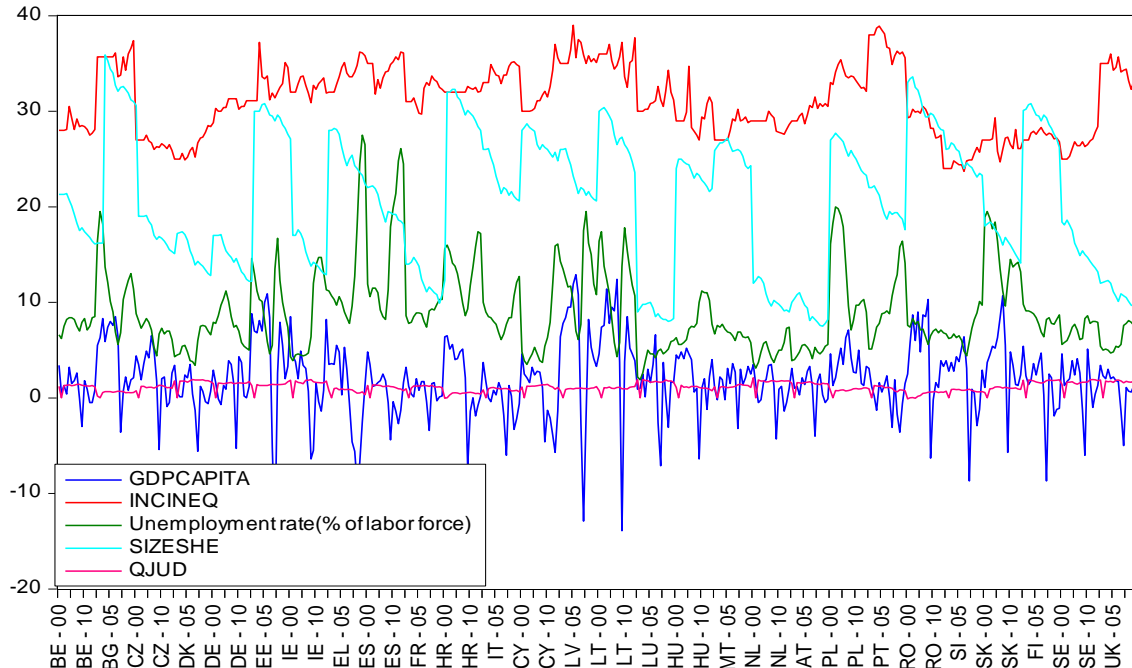
Source: EUPACK project (European Public Administration Country Knowledge)

As expected, Performance Management systems as valid tools to promote productivity in the public sector show that experiences gained in the countries most oriented towards this approach do not seem to offer univocal indications. There isn't a common line regarding the variables that intervene to influence the outcome of a change management process, and most of the variables are taken on very different characteristics from one entity to another, this may be the reason why the performance paradox in the public sector is deepening and in almost 5 years, the evolution of public sector performance is little yet (as can be seen in figure 3).

Figure 5 reveals a brief retrospective of three main dimensions of public sector performance previously listed in figure 1. Alike figure 3 and 4, there is causality between the three dimensions of public performance. The administrative one, in which case we have the GDP percentage of underground economy (size shadow economy-SIZESHE) and Regulatory quality (QJUD) it is in a long run causality relation with economic performance indicators (GDP per capita and unemployment). Thus, observing that countries with a strong economic performance, namely high GDP values and a downward

trend in unemployment, also record positive values for quality of judiciary and size shadow economy. As can be seen, in countries such as Bulgaria, Spain, Cyprus, Romania, the lower and the GDP per capita, the biggest the social disparities. The high recorded unemployment or underground economy, then the lowest are the regulatory quality values. This consolidate that we can't talk about stability, distribution or economic performance and public performance need to be improved, being faced with many challenges.

Figure 5 The evolution of three main dimensions regarding public sector performance in EU countries



Source: Authors' work, using the data provided by World Doing Business, World Economic Forum, European Commission, World Data Atlas.

3.2. PERFORMANCE MANAGEMENT CHALLENGES IN PUBLIC IN SECTOR

Contemporary period, with the process of globalization and main administrative reforms, highlight that policy makers have little idea of what it means to apply public performance management to real functioning public organizations. As in private itinerary (referring to the implications of companies), the public system plays a major role in consolidate economic environment and serve as an engine in the global economy's transition toward sustainable development.

If we started from the point of recommended models and tools in public administration, some challenges appear in the context of *consolidate specific strategies capable to succeed in achieving their missions*. Even if they're using recommended models and tools, often applying them in the wrong way or wrong context and therefore not seeing the results they would hope for. In line with above, we can judge that a first

step regarding challenges move to the motivation, morale and behaviour of human resources. It is very important to emphasize the *appropriate motivation, to consider the elimination of the prejudices*, and as far as the change comes from the inside, need to continue with the judicious justification of the itinerary of the activity, considering the size of the above-mentioned indicators (those of opportunity and Musgravian indicators). Given that NPM can improve the low level of managerial culture, we can say that the reduction of bureaucracy can't be possible without a *consolidation of the audit society and, in the same time, of independent institutions* capable to responsibly decisions makers. On the other hand, following that the policy design and implementation intensity of NPM varies between countries, it is necessary to recognize a system capable to consolidate a *value system and a benchmarking model* against common indicators. More specifically, referring to the indicators mentioned in the previous paragraphs, it is necessary to refer to the use of the same measurement unit in the public sector performance dimensioning. If the component of the economic performance, part of the Musgravian indicators, is GDP per capita, then this it should be used, not another proxy. In this way will be included the idea of a *global measure of performance*. This point of view is validated in the literature and following Abrahamson, 1996, Arndt et al, 2000; Arnaboldi et al. 2008; Pollitt, C. 2009; Arndt et al. 2000, it is required that NPM approach to rely to the introduction of Benchmarking, the Balanced Scorecard model and Lean Management into many public services, with mixed results. In this way will give a special attention and linearity of the indicators used and the latest managerial fads and fashions.

There is much consensus that while public service organisations are not in competition and therefore open to sharing performance information, the management of public resources is an important determinant of performance. Focussing on performance and embracing the concept of benchmarking it will be necessary *to consolidate solid mechanisms capable to reduce the implications of political stakes to the detriment of judicious management of public finance mechanisms*. The final output being the satisfaction of the citizen's interest and create a favourable environment for development that positively affects the standard of living and reduce social inequalities. Overall, performance management is a big challenge facing public services and this lead of course to the identifications of some *vulnerabilities*: the low level of managerial culture in a sector which experiences many political influences, the pressures for social change, the implication of public reforms.

4. CONCLUSIONS

The present paper examines the implications of extent public strategies and specific key performance indicators (KPI) on the status of achieved public performance across European Union (EU) member countries. Our findings provide empirical evidence for the need of developing systems capable to handle contested and multiple performance indicators, striking a balance in the degree of 'measure pressure' and minimizing dysfunctional effects.

As expected, Performance Management systems as valid tools to promote productivity in the public sector show that experiences gained in the countries most oriented towards this approach do not seem to offer univocal indications. There isn't a common line regarding the variables that intervene to influence the outcome of a change management process, and most of the variables are taken on very different characteristics from one entity to another. This may be the reason why the performance paradox in the public sector is deepening and in almost 5 years, the evolution of public sector performance is little yet.

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NEEDS FOR TAX STAFF QUALIFICATIONS AND THE BENEFITS OF THIS PROCESS

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Abstract: *The Tax Administration's activity and performance are important to be considered and studied to understand the factors that promote the performance improvement of this key institution in achieving the strategic objectives of the governance of each country. The objectives of the Tax Administration are the realization and administration of tax revenues for national taxes, public payments and collection of social security contributions. A majority activity of the Tax Administration has to do with the review of the data obtained from the financial statements and tax returns of the entities, and the use of this information to identify the highest risk subjects to carry out tax evasion. Initially, the study focuses on discovering the degree of recognition and use of financial ratios by tax inspectors in identifying high-risk tax evaders. Further, using statistical analysis, the paper identifies which are the most important financial ratios that can help tax inspectors in their daily work. From the analysis of the paper we find that a significant part of the tax evasion is revealed by the controls proposed by the tax inspectors and that the level of recognition and use of financial ratios on their part is neither appropriate nor adequate. The study is of practical value because it is the first of its kind and is intended to provide valuable recommendations to related parties such as the extension of using financial analysis and ratios in determining tax risk of various subjects. In this context, this paper focuses on identifying the impact that financial analysis may have on improving the performance of the tax administration.*

Keywords: *Tax Administration, financial analysis, tax risk.*

JEL classification: *M41*

1. INTRODUCTION

The relationship between tax authorities and taxpayers is a relation which, like all relationships described in the theory of principal and agent (Jensen and Meckling, 1976), is characterized by conflict of interest, information asymmetry, and moral hazard problem. According to this theory, because taxpayers are responsible to pay taxes to tax authorities, the latter can almost be considered shareholders of the entities, either small or large. "The state, by virtue of the rights it enjoys over the cash flows of entities, is de facto the largest minority shareholder in almost all corporations" (Desai et al., 2007: 592).

The need to prepare financial statements for tax purposes arises from the obligations that the entity has to pay taxes to the tax authorities and the latter's need for information in order to determine, with a reasonable level of accuracy, the entities'

correct taxable annual income. In small entities that rely on little or no external financing, it is likely that the tax authorities will be the primary agents to whom the owner and / or administrator of the entity is responsible.

And indeed, for most small private enterprises, the primary function of financial reporting can actually be entirely fiscal. In such cases, the reliability and the accuracy of the financial information represents a major issue for tax authorities. However, it should be borne in mind that tax authorities do not have as a primary purpose of their activity and existence to improve the quality of financial reporting of the controlled entities per se. Indeed, the positive and improving effect on the quality of financial reporting is only a by-product of the tax authorities' interest in accurate reporting of taxable income (Hanlon et al., 2014: 138). However, the tax authorities' monitoring role and the factors related to the reliability of financial reporting from the tax authorities' perspective provide an opportunity to explore the behavior that entities demonstrate regarding financial and fiscal reporting.

On the other hand, in this reciprocal principal / agent relationship, it is also interesting to examine the behavior of tax authorities in relation to their approach to selecting entities that will be subject to tax audits. Tax audit procedures include the investigation, review and the audit of an entity's accounting records and other sources of information in order to determine whether tax liabilities calculation and tax payment on behalf of the audited company has been accurate and based on complete and accurate information.

Tax liabilities calculation is based on information provided and declared by taxpayers and other sources; therefore, if during the tax audit there are discrepancies between the reported information and the verified situation, the amount of tax liability should be adjusted, and so a probable tax evasion or avoidance the entity has made could be discovered. Tax avoidances are generally recognized as tax liabilities that are not accounted for or paid on a timely basis, due to reporting of false amounts. Because the entities in themselves either have strong incentives to evade taxes or simply are not able to accurately calculate the amount of tax payable, the Tax Administration regularly and systematically carries out tax audits on economic entities.

Tax audits are often costly and therefore tax authorities should carefully choose which entities will be subject to a tax audit. It is important to target those entities that actually have the highest risk of having significant tax evasion. Therefore, defining effective and efficient methods and models for selecting entities that will undergo a tax audit is an important and priority task for tax authorities and as such has recently attracted the interest of the academics and empirical research in general.

From the perspective of the situation in Albania, the reform of tax audit procedures is one of the aspects of the administrative reorganization of the Tax Authorities which has taken place systematically in the recent years. These administrative reforms have focused on tackling topics such as the responsibility and the accountability of the public administration in general, including the Tax Administration, and the purpose of achieving reconciliation between expenditure responsibility and administration responsibility. To improve the performance and public accountability of the Tax Administration it is necessary to broaden the scope of research and engage in the analysis

of both current work practices and recommendations for new practices and methods in the future.

A particular focus of the paper will be on the procedures followed by the Tax Authorities for the selection of entities that will be subject to tax audit. Currently, the selection protocol mainly relates to identifying the profile of those entities which are most likely to declare inaccurate data and to be involved in tax evasion. This is achieved by calculating the level of tax risk for each entity, based on the entity profile, industry, sector and other pre-determined variables. The selection protocol is initiated by the Intelligence System of the Tax Authorities, based on all the factors mentioned above and beyond that, and to a certain extent, also the tax inspectors have a role in selecting certain entities for control. They may select companies for control based on risk indicators and procedures as well as priorities decided internally in the Institution. It is in this context that this paper tries to make a contribution towards the most important risk indicators that tax inspectors may use during their work in order to better identify the riskiest entities. The tax inspector is a regular observer of the entity, so he reviews monthly VAT (Value Added Tax) statements, social security payments, income tax declaration and payments, etc., and he is also able to read and verify the Financial Statements. If the inspector, based on his experience and his familiarity with the company, notices certain deviances or suspicious activity on behalf of the monitored company, he may propose to perform an in depth operational control of that entity. But to perform this in a professional and objective manner, and to avoid the mistake of performing costly tax audits on companies which are not really risky or tax evading, a high degree of professional qualification is required on behalf of the tax inspector. If an entity is wrongly selected to be subject to a tax audit, that would be a waste of valuable audit resources, hours of work spent without productivity, increased dissatisfaction on the part of the audited entity and, what is the biggest risk, the probability that another entity which is really risky and tax evading, will not be subjected to tax audits, because “the system just did not selected it” to be audited.

2. METHODOLOGY OF THE STUDY

To analyze the current situation and the use of financial analysis by the Tax Authorities as well as to test its impact on improving the performance of the tax inspectors we have designed the methodology of this study around a main research question which is supported by three hypotheses. The general context and viewpoint of the following research question and hypothesis is that logically having a qualified tax staff increases disclosures and reporting quality on behalf of the reporting entities and consequently increases tax revenues. Increasing tax revenues directly has an impact on the state budget, state expenditures and probably future economic growth.

In general, there exists the belief that a qualified and trained Tax Administration staff is expected to reduce the tax evasion, as the audited subjects will be more exposed to qualitative and careful examinations from tax inspectors. Also, ethical and integrity of the tax auditors is highly evaluated. The qualities that a tax inspector must possess are; honesty, ethical conduct, fairness in law enforcement as well as professional competence and skills in the execution of duties. Tax inspectors should avoid any conflicts of interest

when performing their tasks of tax auditing. They shall not offer advice, exert influence nor have any other type of connections with the taxpayer and are required to declare in advance those cases where they are directly or indirectly related to the audited subject.

On the other hand employees of the Tax Administration, specifically the employees of the Operational Control and Back Office Control have the obligation to respect the rights of the taxpayers and subjects that they control. Every taxpaying company has the right to be subjected to reasonable controls; the right to confidentiality of his tax and financial records; the right to information; the right to be heard and the right to complain for the preliminary tax audit results. For failure to conduct their functional duties on a timely and reasonable manner, for unfair and / or biased treatment of taxpayers, as well as for other unlawful actions, employees of tax audit authority, are responsible according to law no.9920 dt. 19.05.2008 “On Tax Procedures in the Republic of Albania” and Law no.152/2013 “On the Civil Servant”.

Back to our main research question and the hypothesis more specifically will focus on the adequacy of use and importance financial analysis ratios as risk indicators by the tax Administration to accurately select the tax audit subjects.

Research question: Are financial analysis ratios important for using by the Tax Administration? That is, do financial analysis ratios discriminate between risky and non-risky tax audit subjects?

Hypothesis 1: The training and education level of tax inspectors have an impact on their performance within the Tax Administration.

Hypothesis 2: The comprehensive professional trainings of tax inspectors help them to correctly distinguish and select the tax audit risky subjects.

Hypothesis 3: Use of financial analysis ratios by tax inspectors improves their performance by helping them to correctly focus on the more risky subjects.

The testing of the hypothesis and therefore having an answer for the main research question will be achieved through the analysis of the data collected from questionnaires. Questionnaires with closed and partially open questions were prepared and distributed to the tax inspectors in the Regional Directorates of Tax Authority in Albania via email. Contacts of these tax inspectors were provided by the author from internal resources. In total 460 questionnaires were sent to the targeted group of tax inspectors in the period from October to December of 2018 and 115 were received back, resulting in a 25 percent response rate, which is an acceptable response rate for questionnaires performed via electronic means.

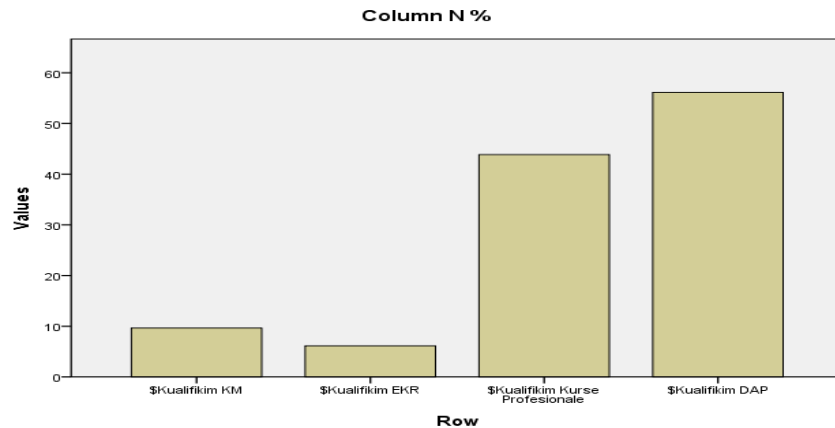
The questionnaire is divided into 3 sections which are organized in such a way as to relate to each of the three hypotheses. The first section of the questionnaire which tests the first hypothesis (The training and education level of tax inspectors have an impact on their performance within the Tax Administration (focuses on gathering data related to sample characteristics (such as gender, age, education level, professional qualifications in Finance and/or Accounting, position in the Tax Authority Directorate, and job experience).

The data from the questionnaire showed that 45% of all respondents were female and 56% were male. Of the female inspectors, approximately 79% were *back office control* tax inspectors (that is, they monitor subjects via system from their offices, based on declarations and reports submitted by the companies themselves) and the rest were *operational control* tax inspectors (that is, they perform the tax audit on site and premises of the audited companies).

3. ANALYSIS AND MAIN FINDINGS

In this section of the paper we will present the main findings and analysis derived from the data gathered through questionnaires conducted with Tax Inspectors in Albania. One of the hypothesis of the study was that the level of qualifications and trainings of the tax inspectors had an impact on their performance. In the following chart no 1 we present the summarized findings on the analyzed respondents.

Figure 1 The level of trainings and qualification of Tax Inspectors

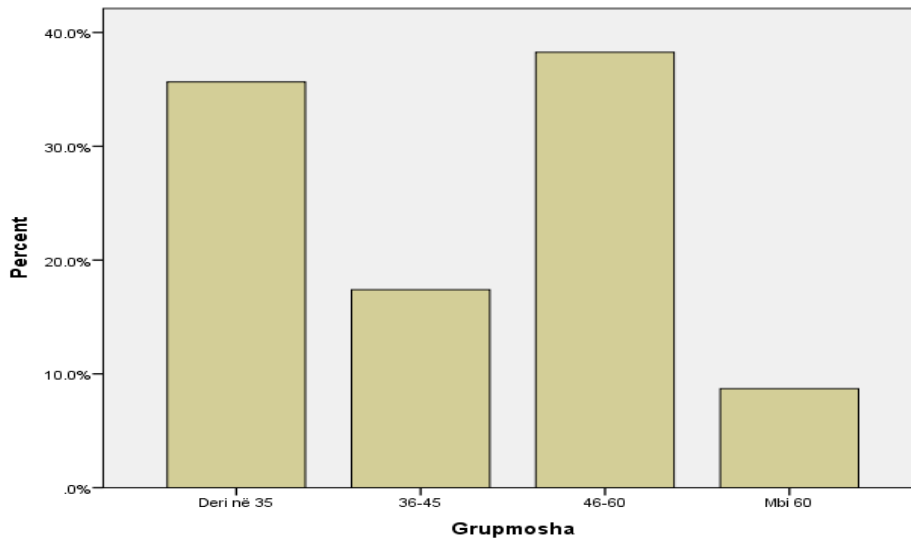


Source: Analysis of primary data gathered through questionnaires

What we see from chart 1 is that the majority of the inspectors do possess professional qualifications as well as qualifications and trainings undertaken by the Tax Authority where they are employed and the Department of Public Administration. Only a small fraction of the respondents possess the Auditor or Certified Accountant Certification (7 of the respondents are Auditors and 11 are Certified Accountants).

The next section of the questionnaire was focused on age of the respondents and the results are depicted in chart no.2.

Figure 2 Age of Tax Inspectors

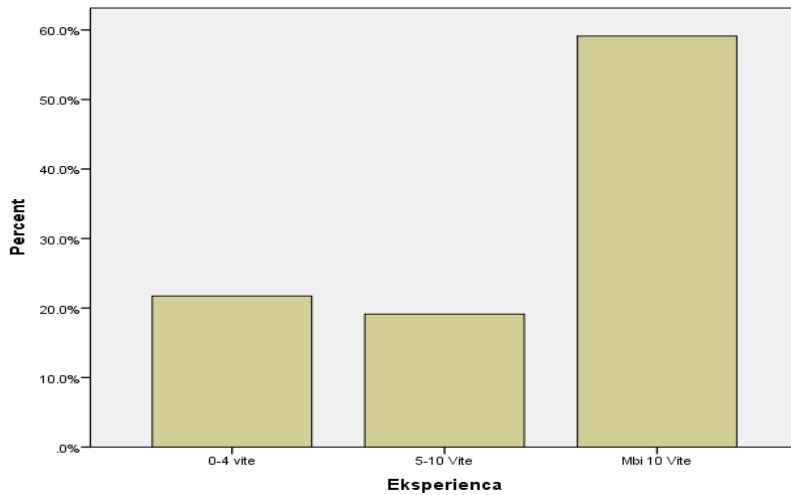


Source: Analysis of primary data gathered through questionnaires

As seen from chart 2, 36% of the respondents are younger than 35 years old, 18% of them are between 36 and 45 years old, 38% of them are between 46 and 60 years old and only 8% are older than 60 years. If we look at it in a deeper sub-categorization of data which relates the percentage of inspectors by position with the percentage by gender we see that approximately 71% of the back office control inspectors are female and the rest (29%) are male, whereas the operational control tax inspectors are categorized 19% female and 81% male. This is an interesting finding that may represent the common view point in Albania that operational control positions are widely considered to be “men job positions”.

Further analyzing of the data showed that about 22% of inspectors had up to 4 years of experience, 19% of them had 5-10 years of experience and the majority (59%) had over 10 years of experience (Chart 3). This indicates that in the recent years, the Taxation Authority has employed a lot of young staff (about 40% of the staff is recruited during the last 10 year) and therefore they have little experience in this area and lack qualification and trainings.

Figure 3 Job Experiences of Tax Inspectors



Source: Analysis of primary data gathered through questionnaires

Section 2 of the questionnaire focuses on revealing the professional aspects of the tax inspector's work. Section 2 is designed around the second hypothesis of this study, namely that: *The comprehensive professional trainings of tax inspectors help them to correctly distinguish and select the tax audit risky subjects*. In this section the interviewed tax auditors/tax inspectors are presented with a list of 11 statements and for each of them the inspectors should respond according a Likert scale from 1 to 5 (from totally contrary to the statement to fully agree with the statement). The purpose of this section is to ask for the tax inspectors' opinion as which were the main sources of information they usually rely upon and which informative signals they commonly take in consideration during their everyday job.

From the inspectors' responses, the factors that serve as a risk signal are widely found in the declared Financial Statements, so it is very important to read them carefully, analyze them and keep them in continuous focus. In addition, the inspector considers that other factors, not included in the Financial Statements, but relevant to the Company's going concern are also relevant. One should not overlook an immediate decrease in the profit rate, an immediate decrease in the turnover of inventory, a continuous increase in the credit balance of VAT. The immediate suspension of the activity of the company constitutes a risk factor, and must be verified by physical on site controls.

The third section of the questionnaire developed with tax inspectors focuses on identifying those financial analysis ratios that are perceived as important by tax inspectors for use in their work. This section links to the third hypothesis: Use of financial analysis ratios by tax inspectors improves their performance by helping them to correctly focus on the more risky subjects. 16 financial ratios are listed in this section of the questionnaire and the tax inspectors were asked to declare if they had, or if they did not have prior knowledge about each specific ratio. The results (shown in table no 4) reveal that most of the tax auditors/inspectors do possess a somewhat thorough knowledge

about these ratios and they are of the opinion that these ratios would be useful if used in their daily work. This suggests that according to the tax auditors' opinion these financial ratios should be probably included in the protocols and the procedures they are asked to follow in their job description.

Table 4 Knowledge of the financial ratios by Tax Inspectors

Financial Analysis Ratio	Possess knowledge of the ratio	Do not possess knowledge of the ratio
Current Ratio	97.4	2.6
Quick Ratio	85.2	14.8
Debt Ratio	92.2	7.8
Times interest earned Ratio	86.1	13.9
Return on Equity ROE	84.3	15.7
Return on Assets ROA	71.3	28.7
Net Marginal Profit Ratio	85.2	14.8
Profit Margin	98.3	1.7
Total Sales to Administrative Expenses Ratio	91.3	8.7
Fixed Assets to Total Assets Ratio (Investment ratio)	93.9	6.1
Total Inventory to Total Assets Ratio (Inventory ratio)	94.8	5.2
Operating profit (EBIT)	93.9	6.1
Change between reported profit and taxable profit to Total Sales Ratio	93.9	6.1
Salaries Expenses / Total Sales Ratio	78.3	21.7
Percentage of change of sales to percentage of change of accounts receivable Ratio	87	13
(Inventory + Accounts Receivable) / Total Assets Ratio	86.1	13.9

Source: Analysis of primary data gathered through questionnaires

The answers to the questionnaire show that most tax inspectors are knowledgeable about financial analysis ratios and consider them to be important in determining tax risk. In reality, what we observe in practice the use of financial ratios is almost negligible. In the tax audit documentation papers, these ratios are rarely analyzed in the Manual. Even in the proposals of back office tax inspectors, in case of risky subjects, the analysis performed to justify the selection of the companies to be audited we find to be very poor and not really using the financial ratios as risk indicators. In the majority of cases the inspector is based on the low rates of payment of liabilities or the low rates of profitability and the fact that the company has been unchecked for years, when he proposes a certain company to be tax audited. In this situation we consider to be a gap that can be filled with using financial ratios as risk indicators, such as the liquidity ratios and financial leverage ratios, especially given the fact that tax inspectors are knowledgeable about these ratios. Only in this way can the tax inspector reach a fair and unbiased conclusion as to whether which are the companies that should be tax audited.

This avoids frequent controls and audits on entities that do not pose considerable risk, saving time and administrative costs, reducing the companies' dissatisfaction and frustration with unreasonable controls and, also recognizing and their accountability and transparency. Also the operational control tax inspector, during his in-depth audit of financial statements and reports declared from an entity, should use the financial analysis ratios to form a better opinion about the financial position of the company so that findings from tax audit may be increased.

4. CONCLUSIONS AND RECOMMENDATIONS

The main objective of this paper was to explain how the financial analysis ratios influence and guide the tax inspectors/auditors in identifying the tax evasion risk, which in turn, directly affects the performance of the individual tax auditors but also of the Tax Administration in Albania as a whole. This purpose was achieved by studying the opinion, knowledge and insights of the tax inspectors in Tax Authority about the financial analysis ratios, through a questionnaire.

Based on data collected from these questionnaires and their analysis, we found that the majority of the inspectors have sufficient knowledge of financial ratios, and according to them, these ratios are important to use in their daily work in identifying and detection of tax audit risk.

But based on the author's personal observations, the reality is quite different. In practice, these financial ratios are not used almost at all. The back office tax inspector is in constant contact with the entity, he verifies and controls the statements, reviews and accepts the financial reports which are periodically submitted to him. We think that it is the back office tax inspector who should be using the financial analysis ratios when verifying the Financial Statements and, where he finds that these ratio levels are inadequate, he should propose the company for in-depth audit. In a later phase, the operational control tax inspector who performs the in-depth tax audit function, should also use these financial ratios, not as risk indicators any more, but more like performance measures and through them he should try to form an opinion about the financial position and profitability and performance of the company. If the Financial Statements will be subject to a prudential analysis by the back office tax inspectors, who will identify the risky subjects, then these entities should be the focus of a more detailed audit. This avoids frequent controls on entities that do not pose a risk, saving time and administrative costs, reducing subjects' dissatisfaction with unreasonable controls.

From the analysis of the answers to the questionnaire, we found that only a small fraction of the tax inspectors hold a professional certification or title; more specifically out of 115 tax inspectors in total who participated in the study, the title of Certified Accountant is held by only 11 participants in the study, whereas Auditors we find to be only 7 of them. This is a negative indicator regarding the level of qualifications and trainings of the Tax Administration staff.

Almost all inspectors have participated in various trainings conducted mainly by Department of Public Administration. This fact indicates the importance of continuing training and qualifications for tax inspectors. Regarding the age of inspectors, 36% of

employees are less than 35 years old, while the rest are older, a fact that is also related to the job position, which requires qualified and experienced staff. Further processing of the data showed that about 22% of inspectors had less than 4 years of job experience, 19% of them had 5-10 years of experience and 59% had more than 10 years of experience. This fact indicates that 41% of the Tax Administration staff has been hired during the past 10 years.

We may make a remark here regarding the initial job positions and tasks undertaken by tax inspectors. Usually a tax inspector will find it easier to work as a back office tax inspector rather than an operational control tax inspector, because she / he initially only possesses basic knowledge about the tax legislation and is familiar with only limited business issues, (each business sector has its own issues and topics of importance and focus, resulting either in differences in tax liabilities reported or differences in control and audit procedures that should be exerted practically). Also, based on the author's personal experience, it is very difficult for an inspector to start working as part of the Tax Administration if she / he does not have the necessary experience. The more qualified the Tax Administration employees are, the more professionally they will behave at identifying tax risk and preventing tax evasion.

Other data from the questionnaires showed that a better professional training background guides the inspectors more accurately towards identifying the risky subjects. The inspectors responded to 11 statements listed in the questionnaire based on a 5-Scale Likert classification. From the analysis of these results, 70% of tax inspectors think that the Financial Statements are useful in identification of the tax risk and that they should be subject to a rigorous verification by the back office tax inspector. The Inspector should base his opinion in the Financial Statements, to identify those entities that are risky. He should be careful in selecting them, as only 30% of the cases to be audited will be proposed by the regional directorates and not by the Risk Management directorate. Also, 63% of inspectors stated that they agree or completely agree that the tax inspectors have no freedom in selecting the subjects to be audited. In fact, only 30% of the companies that will be audited are selected by the regional directorates, more precisely by audit inspectors from the tax audit directorate offices.

Other risk factors that are also considered important by the inspector include increased inventory, increased VAT credit reserve, abrupt reduction in turnover or immediate disruption of activities, frequent staff turnover, and reduced rates of payment of tax liabilities. If these factors cited above are thoroughly examined and carefully analyzed, the inspector will be more accurate in determining a company's tax risk. The inspector should be professional and reasonable about the risk factors, as the entity may in fact be presented with a lower VAT payment rate, but on the other hand it may result it has invested in the economy or may have imported as well as exported. In these cases, lowering the VAT payment rate is more than normal; this entity presents no tax risk and does not have to be selected for in-depth control.

In the third and final part of the questionnaire we listed 16 financial ratios, which resulted that most of them have complete knowledge about these reports and are of the opinion that they should be used in their daily work in identifying tax risk. But in reality this is not the case. The relevant manuals of the Tax Authority, only briefly mention

some ratios, such as the rate of profitability, the rate of payment of VAT on realized turnover, the rate of inventory turnover. We think that using only these ratios, it is not enough to form an opinion about the financial situation of the company and to judge fairly about the tax risk that the entity has undertaken.

RECOMMENDATIONS

At the end of this research and in support of the results we obtained from the various tests we did, we have some modest recommendations, which we think that if taken into consideration by the Tax Administration, would be of assistance to the quality of its work and to achieving the objectives of this important institution.

First, we recommend that financial analysis through indicators and financial ratios be used as widely as possible during the daily work of the tax inspectors.

Second, as a general recommendation, we suggest that achieving more effective and efficient tax audits also requires a qualified and with integrity staff administration. Two key elements are recommended in this regard: (1) occasional staff training, especially in the area of financial reporting and analysis. Although training efforts have been made by both the Tax Administration and locally and overseas funded projects, the reality remains that few tax inspectors are up to date with in-depth knowledge; (2) providing comfortable working conditions for inspectors and not unnecessarily political rotation and, above all, strengthening the role and improving the image of the tax inspector as an important factor in the fight against informality.

When completing the questionnaires, as well as during the frequent contacts with tax inspectors, a specific concern was raised by them (although not part of this study but directly affecting the performance of the inspectors), that there are frequent (and sometimes unnecessary) changes in tax legislation. Fiscal packages' requirements change each year (sometimes even several times during a year); for example the format of the sales and purchase books and the VAT return has changed four times since 2014. The minimum contribution pay has changed almost every year, the rent tax as well as many other changes, mainly tax rates of various taxes, such as the dividend with new changes to the fiscal package, which is effective in 2019. These frequent changes adversely affect both the performance of the Tax Administration and the quality of the Financial Statements, creating confusion among companies and tax inspectors and introducing possible gaps for tax evasion or abuse. As a final remark, we stress again that the selection and hiring of tax inspectors should be based on merit, not on political influence.

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ADAPTATION OF THE ADMINISTRATIVE SERVICES PROVISION IN UKRAINE TO THE EUROPEAN STANDARDS

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Abstract: *The aspects of adaptation of Ukrainian legislation in the field of provision of administrative services to the requirements and standards of the European Community are considered. The article analyzes the concept of “administrative service”, describes the standardization in the system of providing administrative services, administrative and legal regulation in this area, outlines the main directions of improvement of legislation aimed at improving the quality. It is emphasized that the adaptation of the Ukrainian legislation to the EU legislation is to bring national legislation closer to the modern European system of law. Adaptation is an integral part of integration processes, a prerequisite for the harmonization of national legislation with the legislation of international organizations.*

Keywords: *integration, international standardization, quality system, standards of ISO, standards for products (services), service delivery process, service subject, European Union.*

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1. INTRODUCTION

The target for satisfying certain needs of consumers involves a citizen’s vision as a customer-buyer. The “new public administration” approach that has been established in European countries since the 1980’s insists in its practice that all public functions should be systematically reviewed in order to ultimately increase competition in the area of providing services to citizens.

Ukrainian scientists’ associate modernization processes of public administration with the improvement of the quality of services. Simplification of procedures, creation of single service centers, clear definition of responsible persons, the possibility of choice – all this is aimed at satisfying the requests of citizens. In a number of countries, such policies are shaped in certain documents – the “Citizens’ Charter” in the UK, the “Charter of Civil Servants” in Italy, and so on. Consequently, the modern doctrine of public administration is based on the position that the authorities are in the service of

society, provide public services to citizens, creating conditions for the realization of their rights and freedoms.

One of the most important areas of reforming public administration is the formation and development of a system of administrative services. The result of this direction should be the creation of such a legal field and its real implementation in the administrative law practice, in which consumers of administrative services will have broad rights and powers. Certain steps to achieve the above goal are made at this time. Develop and adopt administrative acts for the provision of administrative services, official regulations of civil servants, and the introduction of electronic systems for the provision of administrative services to government agencies. But it's too early to talk about the implementation of all programmatic targets for administrative reform in this area.

Among the foreign scholars, M. Jop and S. Arnsfald, R. Bengtsson, S. Hansel, A. Lanis and J. Ozolini, M. Lauristin and P. Vihalle, K. Malfeet and V. Kaynanert, C. Liuhto, R. Villipsauskas, F. Laursen, studied issues of public administration in the field of European integration, including the adaptation of national legislation to the requirements of the EU. Among the domestic scientists and experts involved in research in the field of European integration, V. Zavadsky, D. Arakelyan, I. Kravchuk, M. Parapan, P. Doobrova, Yu. Garyacha, V. Streltsova and others.

Various aspects of the development of the system of providing administrative services, in particular the formation of an effective mechanism for improving their quality, were considered by such scholars as V. Averyanov, V. Soroko, K. Afanasyev, I. Golosnichenko, V. Zanfirov, S. Kivalov, A. Kirmach, I. Koliushko, V. Tymoshchuk, O. Tsiganov and others. The general approaches to improving the quality of service provision by introducing a quality management system in accordance with the ISO 9000 standard were studied by S. Hanotskaya, T. Mamatova, N. Tarnavska, and others.

The analysis of the above-mentioned scholars and their accomplishments made it possible to conclude that, despite a significant number of studies devoted to certain aspects of public administration of European integration, the problem of national standardization of the provision of administrative services to European standards is still poorly investigated. The vast majority of domestic researchers' works are devoted to the processes of determining the quality criteria for the provision of administrative services, approaches to the standardization of services, the establishment of relations in the context of association with the EU.

The purpose of this article is to study European standards for the provision of administrative services, conduct their comparative analysis and develop recommendations for further improvement of national legislation. Therefore, it is reasonable to justify the necessity of building an effective system of providing administrative services at the level of European standards, which requires proper scientific substantiation and determines the prospect of further research on this topic.

2. BASIC APPROACHES TO STANDARDIZATION OF SERVICES IN UKRAINE

In 2014, Ukraine made its final geopolitical choice. On June 27, 2014, an Association Agreement between Ukraine and the EU was signed. On September 16, 2014, the Association Agreement was simultaneously ratified by the Verkhovna Rada and the European Parliament [1]. The next step should be Ukraine's acquisition of full membership in the EU, which requires further approximation of national legislation to EU law, bringing it in line with European legal standards.

In the process of market interaction, producers, intermediaries, consumers enter into a variety of relationships, the result of which may be not only actions associated with the actual relationship (purchase and sale of goods), but also with the complex of operations that accompany or determine this interaction and mediated by different services.

In science, services are considered as an economic category and as a legal category. Service in economic terms is a type of economic activity and a certain economic benefit. Also, in the economic literature, private services are provided to mass consumers (leisure activities, utilities), and services provided directly to individuals looking for their specific needs (medical, legal, etc.). However, none of the many definitions of the term "service" has not been universally acknowledged due to the heterogeneity of services [2, p. 247].

As a legal category, a service is a type of public good that serves to meet the needs of citizens through the implementation of a subject of action or activity, in the useful properties of which is the subjective interest of the person [3]. The service can meet the needs of one person or group of people, be aimed at changing the objects of nature and things, to the person himself, as well as the change of social relations.

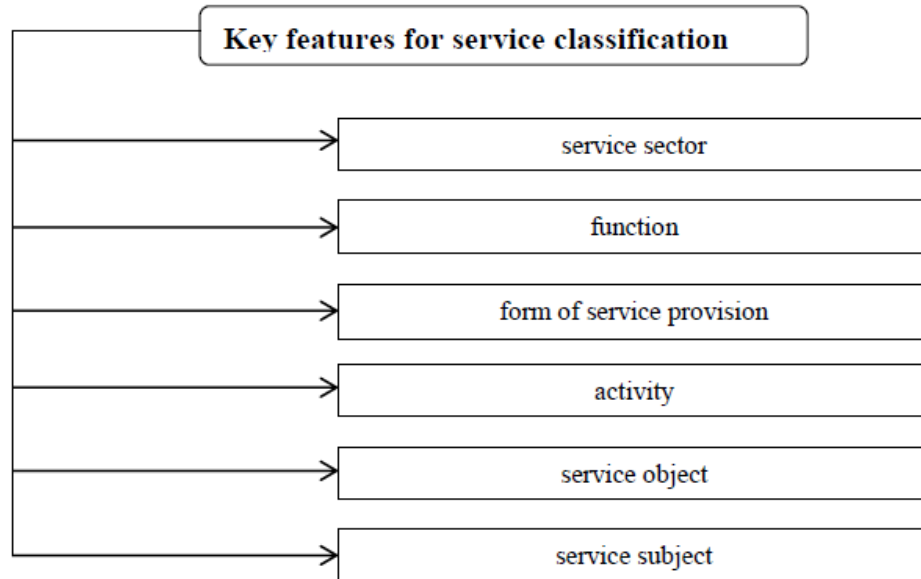
In the Law of Ukraine "On Protection of Consumer Rights" the category "service" is classified as "the activity of the executor for the provision (transfer) to the consumer of a specified contract of material or non-material goods, carried out according to the individual order of the consumer to meet his personal needs" [4, section 1, art. 1, parag. 17].

The legal principles of the realization of the rights, freedoms and legal interests of individuals and legal entities in the area of providing administrative services are defined by the Law of Ukraine "On Administrative Services", which carries a new ideology – service to citizens by the state, and its greatest achievements are the norms regulating the organization of the work of the centers provision of administrative services. That is, the orientation of the needs and interests of the client (person) from the public administration bodies is an indisputable positive of the theory of public services, and the actual administrative services as a kind of public services [5, p. 11].

Today, in order to identify groups and subgroups of homogeneous services, the types of services to which requirements in standardization documents are set, they classify existing services on the basis of certain features that take into account the specifics of services and service processes. This classification allows us to streamline the whole existing system of various services, to anticipate the emergence of possible new

types of services, to identify the objects of standardization in the field of services, taking into account their interconnections, and to establish the structure and composition of regulatory documents that should be developed for interrelated regulatory requirements, agreed upon both on the objects of regulation, and on the specific requirements for similar objects of standardization for all categories and types of normative documents on standardization of services (Figure 1) [2, p. 248].

Figure 1 Key features for the classification of services



Source: Chuj County Councils website

Meanwhile, in the official and scientific literature there is still no single attitude towards the classification of such services [6, p. 222]. There are only different approaches to defining their structure. Despite the fact that this variety is constantly reproduced in the works of domestic scientists, based on an analysis of their achievements, it is advisable to have a certain grouping of views on subjects and objects of service provision.

By object of service distinguish specific services, such as maintenance and repair of electrical appliances, repair of apartments, acceptance and delivery of telegrams, preventive inspection and medical examination of workers of the enterprise, etc. Detailing in this qualification group depends on the detail of the service object.

The level of detail is determined by certain needs, as well as the need to establish specific requirements for both the service related to the specific object (subject) and to the service.

By the service providers distinguish:

- services for enterprises;
- services for the population (collective of citizens or individual citizens) [2, p. 250].

An important component of the above-mentioned types of services are administrative services [7, p. 25].

The Law of Ukraine "On Administrative Services" provides the following definition of administrative service: "Administrative service – the result of the exercise of authority by the entity of the provision of administrative services on the application of a natural or legal person, aimed at acquiring, changing or terminating the rights and / or duties of such persons in accordance with the law" [8, art. 1].

From the point of view of N.Maryniak's research, administrative service is available where public interest is in the interest of the private sector. Combining personal, public and state interests, this category is based on the dialectical unity of personality, society and state. Modern understanding of administrative services covers all activities carried out in the interests of society in general under the auspices of state power. N. Marinyak emphasizes that the provision of administrative services should be considered as a function of modern social state [9, art. 298-299].

In Europe and the world, it has been found that sufficiently effective mechanisms exist for diversifying services and improving their quality. Standardization and certification play a role here. Service standards serve as incentives for firms competing in this area to improve the quality and improve the range of services provided they are able to provide their basic level.

Generally, the notion of "standard" is interpreted as a sample, a template, a stencil, a standard that has nothing original and adopted as a source for comparing with other similar objects, or as a normative and technical document setting the units of measurement, their terms definitions, service requirements, etc. [10].

The theoreticians of administrative law believe that the standards of public service provision are of fundamental importance to develop on the basis (taking into account) the standards of similar services in the private sector, that is, effectiveness, simplicity, timeliness, convenience, openness, equality, minimal cost and sympathy for service users [11, c . 136].

It should be noted that as a standardization object, the service presents a certain difficulty, since not all of its characteristics can be expressed quantitatively.

The main approaches to standardizing services are presented in Table. 1. [2, p. 253 -254].

Table 1 Basic Approaches to Standardization of Services

Criterion	Contents
The purpose of standardization of services	<ul style="list-style-type: none">• implementation of a unified technical policy in the field of standardization of services;• protection of the rights and interests of consumers of services;• ensuring the quality and competitiveness of services;• rational use of all kinds of resources, improvement of technical and economic indicators of service activities;• introduction and use of modern production and information technologies during service.
Basic principles of service standardization	<ul style="list-style-type: none">• taking into account world experience, assimilation of new non-waste technologies, safe for the environment, health and human life;• establishing requirements for the quality of services and services;

	<ul style="list-style-type: none"> • training specialists in quality management services and services at international standards; • preparation and implementation of a set of normative documents on standardization of services, harmonized with international, regional and, if necessary, national regulatory documents; • interconnection and consistency of normative documents on issues standardization of services at all levels and categories; • the suitability of normative documents on standardization of services for their certification; • openness of information about current standards and programs of work on standardization of services, based on the requirements of the current legislation; • compliance with the structure and structure of regulatory support activities in the field of services and maintenance of the composition and interconnections of objects of standardization of this sphere, rationality, unambiguousness, inconsistency and substantiality of requirements of regulatory documents, the possibility of their verification; • continuous improvement and updating of normative documents on standardization of services.
The main tasks of standardization of services	<ul style="list-style-type: none"> • classification of services; • establishment of standardization objects in the field of services and maintenance; • establishing the basic requirements for groups and sub-groups of homogeneous services, types of services, individual services and process of service, as well as their components; • establishment of requirements for the organization of work and management in the service sector; • the establishment of a nomenclature of quality indicators for groups and sub-groups of homogeneous services, types of services, individual services, maintenance processes, methods and means of their control; • unification of normative documents on standardization in the service sector in terms of the structure, composition and content of certain categories and types of these documents; • setting of terms and definitions in the field of services.
Objects of standardization in the field of services	<ul style="list-style-type: none"> • organizational (general and technical methods and means); • processes for providing services and servicing with them implementation; • groups and subgroups of homogeneous services, types of services and specific services; • requirements for services and maintenance.

Source: own processing based on the data obtained from the website of Apahida commune

The international bodies such as the Consumers International (CI), the World Trade Organization (WTO), the European Organization for Quality (EOQ), the European Quality Assurance Management (EQAM), etc. play an important role in controlling and ensuring the quality and safety of services. The service standards will help consumers compare the services offered and select them according to their inquiries.

At the stage of development of mankind services are a financially tangible object of production and consumption. Therefore, it was decided to use the international

standards of the series ISO 9000 for a joint definition of the quality of service delivery [2, p. 256].

In this plan, the achievement of world experience in the assessment of services can be considered the adoption of the ISO International Standard ISO 9004-2 “Leading guidance on services”, which is the methodological basis for national standardization and certification services [12].

Thus, the lack of uniform standards and procedures for all executive bodies, the lack of focus of the executive authorities on the needs of consumers, in particular, in the provision of services, the poor quality of a significant number of services provided by executive agencies, and an urgent need for implementation additional measures to prevent corruption among officials authorized to perform state functions have led to the necessity of drafting and approval by the Cabinet of Ministers Decree of Ukraine May 6, 2006 № 614 Programs of implementation of quality management system in executive bodies [13]. The program provides for a number of measures to implement a high-quality management system and provide executive bodies with all statutory rules, standards and standards for service delivery and execution of works. On instructions of the Cabinet of Ministers of Ukraine, the guidelines for implementation of the quality management system in the executive bodies in accordance with the requirements of State Standards of Ukraine ISO 9001-2001 were developed and ordered by the State Committee for Technical Regulation and Consumer Policy of Ukraine and the MDSCSU of 31.07.2006 № 273/221.

3. COMPARATIVE ANALYSIS OF THE STANDARDIZATION SYSTEM IN UKRAINE AND EU COUNTRIES

The system of technical regulation as an effective lever of economic management plays a significant role in the development of competitive high-quality products, environmental protection and the economical use of resources – the foundations of sustainable development of any country. Its significance stems from the processes in the economy and public life, characteristic of the late XX – early XXI century.

The first among them is the globalization of trade relations and the world market, which is characterized by the removal of borders on the path to the free movement of capital, goods, people, ideas and information. No less important is the second – acceleration of scientific and technological progress, the rapid development of progressive branches and areas of activity, first of all, information and communication technologies and biotechnology. This is closely linked to the use of high technology to reduce the cycle of design and product manufacturing, ensuring the optimal balance between quality, cost and time of production. Finally, the third process – the strengthening of environmental protection and rational use of resources. This problem is associated with a set of tasks to ensure an acceptable quality of life [2, p. 7].

Undoubtedly, one of the most effective and universally recognized world community, governmental institutions and business circles is the voluntary mechanism of standardization on the basis of consensus and consistency at different levels of standardization (international, regional, national, enterprise).

Standardization is one of the most effective ways of improving production and trade relations, reducing costs, improving the quality and competitiveness of products. It establishes rules, general principles or characteristics in relation to various activities or their results (i.e. products, processes, works, services), developing and accepting all normative documents that are accessible to all, standardization is aimed at achieving the optimal degree of order, and this becomes possible provided that normative documents are based on the achievements of science, technology and practical experience and create with the participation of all interested parties, taking into account the needs of society as a whole [2, p. 7].

A characteristic feature of standardization is that its scope and application, the level of development are in a wide range. There is no such sphere of human activity, to which no standardization would be involved. After all, with the spread and deepening of knowledge, the development of science and technology, the improvement of production scale of work significantly increases and extends the scope of the use of the principles of standardization.

Standardization accumulates the latest achievements of science and technology, organically combines fundamental and applied sciences, and promotes rapid implementation of scientific advances in practice, helps to identify the most economical and perspective directions of development of scientific and technological progress and national economy of the country. It combines science, technology and production, promotes the establishment of a unified technical policy in various sectors of the national economy, the technical re-equipment of production, the wide introduction of modern technology and the intensification of production, mechanization and automation of production processes, and the improvement of the quality of goods. All this contributes to the development of the country's economy.

Recently, one of the key issues in the scientific, technical and economic development of countries is the problem of improving the quality and competitiveness of products. Improving the quality of products (processes, works, services) – this is a problem not only consumer or technical, but also the economic, social and political problems of society. Thus, standards play an important role in judicial practice when resolving conflicts between producer and consumer. The standard can be an argument that aggravates the fault, or, conversely, justifies the company or firm, which has been sued in connection with defects in products [2, p. 11].

Standards are the source of the most important information, since they contain rules and regulations based on advances in various fields of technology, technology and practical experience and recognized by consensus among all stakeholders.

In general, the notion of “standard” is interpreted as a sample, a template, a stencil, a standard that has nothing original and adopted as a source for comparing with other similar objects, or as a normative and technical document, which establishes units of measurement, terms for their definition, requirements for services, etc. [10].

According to DSTU 1.0, this term has the following definition: standard is a normative document developed on the basis of the absence of contradictions on substantive issues by the majority of interested parties and approved by a recognized body, which sets rules, requirements, general principles or characteristics for general and

reusable use different types of activities or their results to achieve the optimal degree of ordering in a particular industry [14].

In accordance with clause 2 (3) of Article VI of the Agreement on Government Procurement of April 15, 1994, the standard means a document approved by a competent authority which ensures the general and regular use of the rules, guidelines or characteristics of goods and services or related with them processes and methods of production, compliance with which is not mandatory. It may also include or relate exclusively to requirements for terminology, symbols, packaging, marking or labels applicable to a product, service, and process or production method [15, 16].

In the Law of Ukraine “On Standardization” the standard is defined as a normative document based on a consensus adopted by a recognized body, which establishes for the general and repeated use of the rules, guidelines or characteristics of the activity or its results, and aimed at achieving the optimal degree of order in a particular field [3].

National legislation defines an approved list of standardization objects:

- 1) materials, components, equipment, systems, their compatibility;
- 2) rules, procedures, functions, methods, activities or results thereof, including products, personnel, management systems;
- 3) requirements for terminology, designation, packaging, marking, labeling, etc. [17, art. 5].

The national system of standardization of Ukraine contains various standards, which set requirements for specific objects of standardization. Depending on the object of standardization, composition, content, scope and purpose, they are divided into the following types:

- national standards of Ukraine: DSTU – state standards, approved by the State Standard of Ukraine; DSTU B – state standards in the field of construction and building materials, approved by the State Construction Committee of Ukraine; DSTU ISO – the state standards through which the standards of the International Organization for Standardization (ISO) are implemented.

- Republican standards of the former USSR;
- Interstate Standards, Guiding Documents, Recommendations;
- Republican standards of the former USSR, approved by the State Planning Committee or the Ministry of Economy of Ukraine until August 1, 1991;
- industry standards (OST) and technical specifications (TU) of the former USSR, approved before January 1, 1992, the validity period of which is extended, if the requirements of these Sun are not in conflict with the current legislation of Ukraine;
- Standards of organizations (companies and associations of state-level enterprises) and industry standards of Ukraine (JSU, GOST), registered by the state enterprise “Ukrainian Research and Training Center for Standardization, Certification and Quality”.

Standards can be developed as material objects (products, standards, samples, etc.), as well as on norms, rules, requirements for objects of organizational, methodological and general technical character. Depending on the specifics of the object of standardization, purpose, composition and content of the requirements set for it,

different categories of normative standardization documents develop standards of the following types:

- fundamental;
- products and services;
- on processes;
- on control methods (tests, measurements, analysis).

The basic standards establish the organizational and methodological and general technical provisions for a specific industry of standardization as well as the terms and definitions, general technical requirements, norms and rules that ensure orderliness, compatibility, interconnection and coherence of various types of technical and industrial activities in the design, manufacture, transportation and utilization of products, safety of products, environmental protection.

Standards for products, services set requirements for groups of homogeneous or certain products, services that ensure its compliance with its purpose. They provide technical requirements for the quality of products (services) in its manufacture, supply and use; the rules of acceptance, methods of control and testing, requirements for packaging, marking, transportation, storage of products or quality of services provided are determined. Procedural standards establish the basic requirements for the sequence and methods (means, modes, norms) of performing various operations (operations) in the processes used in various activities and ensuring compliance with the process of its appointment.

Standards for control methods (tests, measurements, analyzes) regulate the sequence (operations), methods (rules, regimes, norms) and technical means of their implementation for different types and objects of product, process and control. They provide unified methods of quality control, based on the achievements of modern science and technology [2, p. 93]. The tasks of Ukraine's membership in the WTO and integration into the EU require the adoption of international and European standards. It allows to orientate in the requirements of global and regional markets and to determine the level of characteristics of products (services) acceptable to them. But even compliance with the international standard does not guarantee the achievement of competitiveness. Rather, this is a pass, conditions for access to the global market and potential competitiveness, the reality of which will be determined only after the positioning of products in the market and its evaluation by the consumer according to the criteria set by the triad: "quality – value – time" [2, p. 13].

It should be emphasized that international standards are not legally binding documents for use. Each country has the right to apply them in whole, separate sections or not to apply at all. These standards are recommended. However, they establish requirements and indicators that are in line with the world technical level and affect national standards, and because of them the demand for one or another product in the international market is determined [2, p. 70].

Ukraine attaches great importance to international co-operation with various organizations and takes direct part in the work of international and regional organizations and their technical committees. The methodological principles of such cooperation are the Decrees of the President "Strategy of Ukraine's integration into the European Union"

dated June 11, 1998, № 615/98 [18] and “Program of Ukraine’s integration into the European Union” of 14.09.2000, № 1972/2000 [19] , as well as the Law of Ukraine “On the National program of adaptation of Ukrainian legislation to the legislation of the European Union” dated March 18, 2004 [20].

In the history of international standardization, the ISO standards of the 9000 series have become significant and have become very popular. They are widely used in various fields: industry, organizations of the transport and road complex, construction, education, health [2, p. 72].

The popularity of these standards is due to the fact that they relate to the universal and necessary for the whole industry – the management of an organization focused on the quality of the final result. It is recognized that ISO 9000 series standards are an important tool for achieving the main goal of firms in market conditions – meeting consumer inquiries. It is possible to conquer the consumer only through quality – such is the credo of the leading firms of the whole world [2, p. 72].

It is known that one of the main principles of standards of ISO 9000 series – customer orientation – keeps the freedom of the enterprise as much as possible in choosing the means and methods for its implementation. Not only has the satisfaction of the consumer, but also the ability of the quality management system to maintain a dynamic balance and maintain a reasonable balance of interests determined how successful will be this choice. The requirements of the standard relating to products intended for the consumer are not limited to the requirements formulated by the consumer himself. The standard also contains regulations regarding the legislative, regulatory and additional requirements established by the enterprise itself. This approach allows us to use the quality management system not only to record consumer satisfaction, but also to regulate it [2, p. 72].

International standard ISO 9000 Series sets the main requirements for the development of comprehensive Total Quality Management (TQM) in industry and service sectors (banking, hospitals, hotels, restaurants, etc.). The standards of ISO 9000 Series enabled:

- Unify the systemic approach to the field of quality assurance and improvement;
- Unify the system approach to quality management;
- Summarize recommendations for the selection and use of quality standards [21].

The analysis of various versions of the standards of the series ISO 9000 shows that the current stage of development of society is characterized by the need to implement a three-level model of the QMS. To the existing two levels of ISO 9001: 2000 (product development and improvement of the QMS), the third is added – the innovative development of the organization (Figure 2) [22, p. 6].

In Ukraine, international standards have begun to be used since 1989. Recently, harmonization of Ukraine’s state standards with international standards, in particular, ISO 9000 (since 1996), covering quality assurance systems, ISO standards 14000 (since January 1, 1998), is being implemented – covering the environment, European standards ISO 45000 (from July 1, 1998) – regulate activities in the field of conformity assessment.

At the end of 2002, the national standards established on the basis of the international standards of the series of the ISO 9000 new version came into force. A

series of 14,000 series and other series has been introduced. At the end of 2006, 17 technical conformity-based regulations were approved in Ukraine, based on the European “new approach” directives, which set mandatory safety requirements for certain types of products (construction products, medical products, explosive materials for civilian use, equipment and protection systems intended for use in explosive atmospheres, pleasure craft, etc.) [2, p. 93].

The state standards of Ukraine DSTU ISO Series 9000 came into force on June 27, 2001 and are identical with the translation of international standards.

This series of standards includes:

DSTU ISO 9000:2001. Quality management systems. Basic Provisions and Dictionary [23];

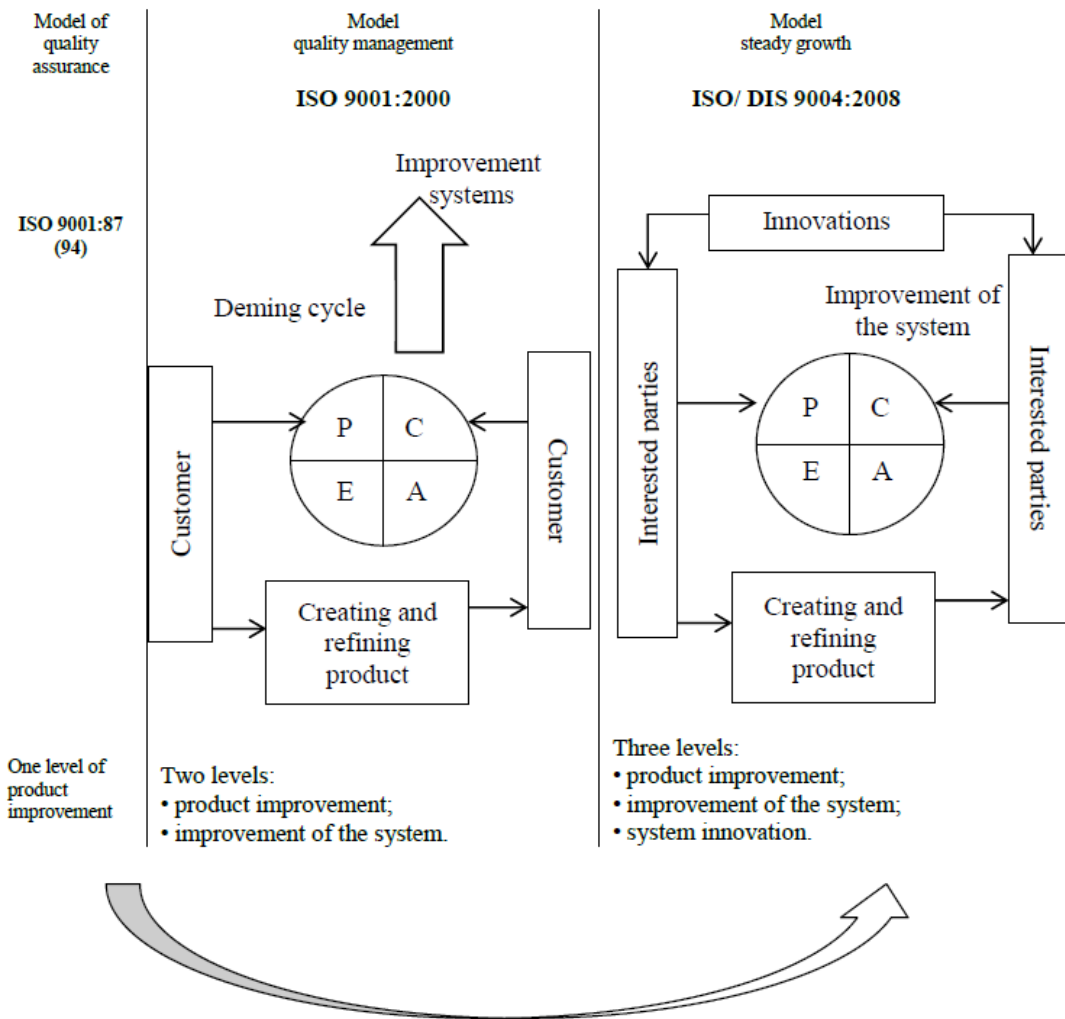
DSTU ISO 9001:2008. Quality management systems. Requirements [24];

DSTU ISO 9004: 2001. Quality management systems. Guidelines for improving performance [25];

DSTU ISO 19011:2001. Guidelines for audits of quality management systems and / or the environment [26].

Together, they form a coherent series of standards for quality management systems (QMS) that fosters mutual understanding in national and international trade.

Figure 2 Go to the three-level model of the Deming cycle: Plan (P) - Execute (E) - Check (C) - Action (A)



Source: own processing based on the data obtained from the website of Apahida commune

Standard DSTU ISO 9000:2001 is designed to assist organizations (irrespective of their type and number of employees) in the implementation and maintenance of effective QMS. DSTU ISO 9000:2001 describes the main provisions of the QMS as set out in ISO 9000 standards, and defines the terminology for QMS, the scope of application, and the principles of quality management.

Standard DSTU ISO 9001:2001. ISO 2000 version offer only one model of QMS. It is set out in the standard ISO 9001:2000 (DSTU ISO 9001:2001). This state standard is developed on the principles of quality management, formulated in DSTU ISO 9000 and DSTU ISO 9004, and can be applied by “internal” and “external” parties, in particular: certification bodies for assessing the organization's ability to comply with customer requirements, regulated requirements and own requirements of the organization. The standard specifies: requirements for a QMS that can be used for internal organization

purposes or for certification purposes or contract purposes. He focuses on the effectiveness of ISO QMS from the point of view of compliance with customer requirements [2, p. 94].

Standard DSTU ISO 9004:2001 contains guidelines (recommendations) covering a wide range of objectives of the quality management system than the ISO 9001 standard, in particular regarding the continuous improvement of overall performance and the efficiency and effectiveness of the organization [2, p. 95].

The standard applies to the organization's processes. This standard offers concepts, ideas, guidelines and recommendations that are not intended for certification purposes and regulatory or contractual purposes, and is not a guide for the application of the DSTU ISO 9001 standard. The standard does not include recommendations specific to other management systems related, for example, to environment, industrial hygiene, labor safety, finances, and risks. It enables organizations to coordinate, integrate, adapt their quality management system with their respective management systems.

Standards DSTU ISO 9001 and DSTU ISO 9004 have been developed as a coherent pair of standards on the QMS, designed to complement each other, but they can also be applied separately.

The standard DSTU ISO 19011:2001 was approved in 2003 as the state standard of Ukraine. This standard contains recommendations for the implementation of audits of QMS and environmental management systems [2, p. 95].

Undoubtedly, the concept of new standards is more thorough and reflects those approaches that are already used by foreign firms. The transition to a new version of standards is in fact a transition to a new technology of quality management.

Today in Ukraine 5 664 national standards are in force, harmonized with international and European ones. Today, the degree of harmonization of Ukrainian standards in accordance with international standards is 22% (at the required 80%, at least).

4. STANDARDS OF QUALITY OF ADMINISTRATIVE SERVICES IN UKRAINE

Today in Ukraine there are about 1500 administrative services, which is 7 times more than in Canada, and 10 times more than in Germany. But more than half of Ukraine's citizens are partially or completely dissatisfied with the quality of public services provided by local authorities, so the efforts of public authorities should be aimed at solving current managerial problems and shifting to innovative models of socio-economic development and targeting European standards of local and regional democracy. The existing system of public administration requires unjustified money and time expenditures for the population. Therefore, the centers for providing administrative services are the "core" of the reform of the administrative services area and are intended to simplify procedural issues, thereby saving resources for each person.

The mode of work of the centers is focused exclusively on the needs of the subject of treatment: six days a week, including on Saturday, without a lunch break. In the center of the provision of administrative services, interested persons can obtain the necessary

information either by using information stands and terminals, or directly from the administrators of the centers. In addition, many administrative service centers provide access to additional related services. For example, here in the room you can use the services of a bank branch and an ATM, kiosk stationery, copier. There are places for children, rooms for personal hygiene, in particular for people with disabilities.

Of course, for a more complete definition of the quality of service provision and its conformity to a certain nominal level (for safety, cost, comfort consumption, etc.), it is required to develop more standards in the field of service provision, from the feasibility study of the implementation of a specific service and ending with the identification of the needs of the consumer. Taking into account the variety of administrative services, it should be noted that all of them must meet the criteria set by the legislator for the quality of administrative services.

Under the standards of quality of administrative services, one should understand the minimum administrative service requirements that an administrative authority must provide, as well as the criteria by which one can assess the extent to which the customer of the administrative service is satisfied with its provision.

O. Olshansky considers the standard of administrative service as obligatory for the implementation of the rules established in the interests of the recipient, which contain a set of characteristics of the administrative service, which determine its ability in the case of fixed costs of labor and means to meet the established or foreseeable needs of citizens (organizations) regarding the process and the result of service [27, p. 3].

According to O. Solovyov, the main shortcomings of the legal regulation of the control over the quality of administrative services are the lack of standards for the quality of administrative services and the uncertainty of the circle of actors exercising control in this area [26, p. 124].

The basis for state supervision and supervision in the field of administrative services should be the standard of administrative service. The following criteria for the provision of administrative services have been called in the circle of scientists and specialists for many years:

1) Performance. An administrative body must direct its activities to satisfy the individual's need, that is, to provide an administrative service to him. The body should be guided by the achievement of the result, and not only formally comply with the rules;

2) Simplicity. The requirements that apply to a private person to receive a service must be reasonable and simple. Communication between administrative authorities (approval, examination, notification) should be carried out mainly within the administration, without the involvement of a person. With the improvement of legal regulation, it is necessary to simplify the rules and procedures for providing services as much as possible;

3) Timeliness, promptness and timeliness. An hourly limit on the provision of an administrative service means that the service must be provided no later than the specified deadline (time limit), as soon as possible (efficiency) and taking into account the specific needs of the person in a particular situation (timeliness). Timeliness requires that, taking into account the particularities of a particular situation, the authority in certain cases acted

even faster than required by law. On these grounds, timeliness is the highest estimate of the quality of service provision;

4) Convenience. It is convenient when all or most of the administrative services can be received in one place (they pay for them at once), and when the person is forced to communicate with the authority no more than two times (when he applies for the service and when he receives a positive result). Convenience may include accessibility (physical or territorial approximation), that is, the ability of a person without excessive (disproportionate) expenditure of time, money and personal effort to attend an administrative body. It is convenient when a person can come to an administrative body not only on working days and hours, but also, for example, on a day off or in the evening. This criterion also means that the person is given the maximum amount of ways to apply for the service or information about it (for example, in person, by mail, etc.);

5) Sensitivity. The body and its employees should treat each person as the most important consumer / client. An employee who communicates with a private individual must explain to her/his rights and obligations, to provide other necessary information, that is, to facilitate the person in a positive decision;

6) Openness. The information needed to obtain an administrative service must be open and easily accessible. The administrative body should advise consumers on all service-related issues,

7) Equality. The administrative body should equally treat all consumers of administrative services. It also means that the same things must be handled the same way, in the same time, with the same requirements, and so on.

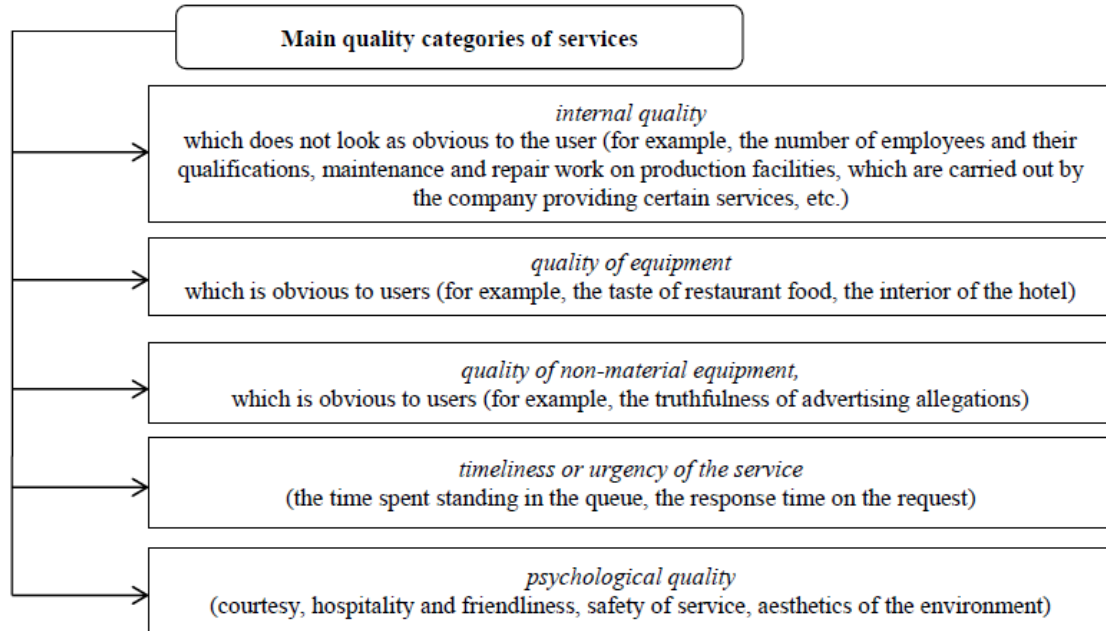
8) Minimum (fair) value. A person should not feel misled by the state. The cost of a service, as a general rule, should not exceed the cost of actual costs for the provision of this type of service. The standard should also be the definition of the fee for an administrative service in a fixed size in a centralized manner. This also includes the convenience of payment [28].

When designing standards for a service industry, you need to take into account a number of points, namely:

- non-material services, which complicates the development of specifications;
- mandatory involvement of clients in the process of developing standards;
- taking into account the influence of the human factor on the results of activities.

The service standard should be based on what the consumer needs, not on what the supplier has. However, despite the large number of consumers or users and the difference in their needs, it turned out that it is possible to distinguish five categories of service quality based on their importance to the consumer (Figure 3) [2, p. 257].

Figure 3 Main quality categories of services based on their importance to the consumer



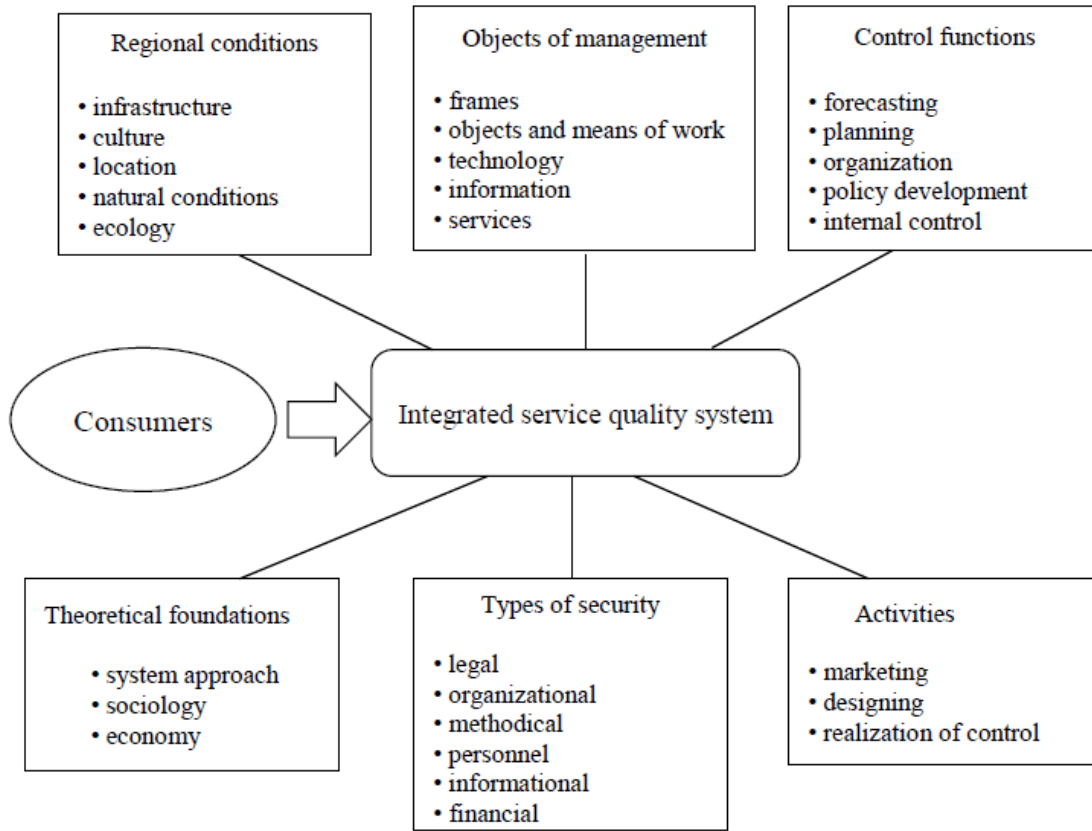
Source: Cluj County Councils website

The criteria and qualities of services that are subject to objective and qualitative descriptions are most easily assessed. They constitute so-called “solid” elements of the process of service evaluation. They include:

- equipment and management of the enterprise’s work process (the word “management” is accented here), the number of employees, labor productivity;
- waiting time for the service and its implementation;
- the state of hygiene and safety, the solidity of the provision of services, the protection of people and property;
- availability and benefits, aesthetics of the environment and equipment, professionalism, competence, accuracy and accuracy of the order [2, p. 257].

Hence, the very important task is to balance cultural, historical and social peculiarities with the need to harmonize the whole process of standardization and to determine the quality, characteristics and indicators of services that can serve as the basis for conducting an assessment of the work. Complex quality management mechanism is presented in Figure 4 [2, p. 258].

Figure 4 Quality Management Mechanism



Source: own processing based on the data published on the Agricultural Ministry website

Often in the literature, the criterion for assessing the quality of services is the combination of these “solid” determinants of quality parameters and subjective components of quality, which depend on the individual feelings and emotions of the expert-consumer service or his qualification level. For example, the criteria for evaluating services are a set of services that satisfy the client both by significance and the benefit of obtaining them (Table 2).

Table 2 Criteria for assessing the quality of services

Criterion	What is determined
Financial infrastructure of services	Technical quality; state of the buildings; presence of signs, work reference
Professionalism	Ability to provide the required service at the right time
Responsibility	The desire to help the consumer solve the problem in a timely manner
Competence	Ability and experience in providing services

Trust	Creating a confidence in the consumer that the required service will be provided
Partiality	Biasness and respectability of service provision
Security	Lack of risk elements in the provision of services, personal safety of the consumer and his property
Accessibility	Unlimited consumer access to services
Sociability	Ability to communicate and provide the necessary information in a language that is understandable to the consumer
Understanding the consumer and his needs	Tactful acquaintance with the consumer and his needs, desires, taking into account possibilities of their implementation

Source: own processing based on the data published on the Agricultural Ministry website

The requirement of the standard indicates that the assessment of consumer satisfaction should determine the degree to which the provision of services, the range of services or the process of their fulfillment satisfies the needs of the consumer.

Measures to adapt national legislation to EU law are inextricably linked with the reform of the system of administrative services by creating and improving the work of the centers of provision of administrative services, the so-called “Transparent offices”. The effectiveness of the organization and functioning of such offices is confirmed by positive European experience.

Thus, Ukraine is on the path of integration into the European Union, which envisages achieving not only a socially oriented economy, but also high standards, real democracy, building civil society, and respect for the rule of law. The centers for providing administrative services are an indicator of real government action to prevent corruption and to implement the reforms that were initiated in Ukraine [29].

5. CONCLUSIONS

Regulatory acts of the European Union in the field of providing administrative services indicate that investment in a person is a national priority. The modern economy should be in line with modern social development policies. Its main object should not be specific sectors of the social sphere, but every citizen. Solving problems in the provision of administrative services is an important and multifaceted task. The reforms carried out today in Ukraine are directed, first of all, to the development of society, and at the same time to the development of a system for the provision of administrative services.

The European Union has invented rather effective mechanisms for diversifying services and improving their quality. This is possible only on the basis of standardization, which allows regulating the requirements for the quality of products (services). Standards facilitate the selection of the optimum size range and best practices, provide specialized production, reduce the cost of design and manufacturing, shorten the terms of development of products.

According to international experience, an important prerequisite for improving the quality of administrative services delivery should be the introduction of European

standards into their activities, which lead to a simplification of the procedure for the provision of services. European standards for the quality of administrative services are, first of all, a set of principles, norms of formation and implementation, requirements for a civil servant. This set creates the basis for approaching a certain, world-recognized standard for the implementation of the concept of “service state”. Compliance with these standards will lead Ukraine to a new level of interaction between the state and citizens, as well as providing high-quality administrative services.

It is revealed that the quality management system ISO 9001:2000 in public authorities allows to increase the efficiency, transparency and level of financing of their activities, the quality of services provided by them. In addition, an ISO quality certificate indicates that the organization that owns it is a competent partner and executor; its proposals can be trusted, which in turn helps to improve the image of public authorities and the community as a whole. This will increase the confidence of the population that public authorities are able to consistently and qualitatively meet their needs.

Future intelligence needs to be studied by the expectations of recipients of administrative services, their implementation in external standards, in general, the standardization of service activities of public administration bodies.

It is worth mentioning that the introduction of standards for the provision of administrative services and the development of a quality management system for these services in the Provision of Administrative Services will be one of the most important aspects of government management. The new model of state governance should be oriented towards the formation of a flexible and market-oriented system that is strategically aimed at a client-citizen.

Thus, today, before the state authorities of Ukraine, the primary task is to introduce in Ukraine an effective system of state services provision on the level of European standards, as it is an indicator of real actions of the authorities to prevent corruption and to implement the initiated reforms in Ukraine.

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Book review

FİKRET TOKSÖZ, *GOOD GOVERNANCE: IMPROVING QUALITY OF LIFE*

BOOK I. GOVERNMENT – GOVERNANCE: TURKISH ECONOMIC AND SOCIAL STUDIES FOUNDATION (TESEV) PUBLICATIONS, ISBN 978-605-5832-00-1, 2008, 100 pages

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Good governance plays a key role in the legitimacy of the government and contributes to bringing the quality of decision making through collective action. There can be governance without government. This is because governance is the process, procedure, and mechanism, which signifies a transformation from a type of relationship where one side governs the other to a set of relationships where mutual interaction takes place in order to make desirable choices for the citizens.

The book of Toksöz, *Good Governance: Improving Quality of Life* has organized into two book parts. The first book is named as the book I which is titled as “Government – Governance” and the second book is named as book II which is titled as “Participatory Tools for Governance”. For the sake of manageability and saving time, I have obliged to review the only book I of Toksöz. This implies that book II is not part of this review. At the opening of this book, Toksöz has highlighted the contents which are comprised in both books; I and II. In this part of the book (Book foreword), the criticisms on the naming of government made by scholars were somehow explained. The book described that the term governance had given due attention due to the forces of globalization (see foreword). Moreover, good governance as a new paradigm which comprises essential principles for better consolidation of democratic management was shortly explained.

The introduction part of Toksöz’s book has investigated the basic concept of governance as the intersection of the state, civil society, NGOs and private sectors as well as the essentiality of good governance principles to improve the quality of life through wise use of public resources. Moreover, this part of the book has tried to explain the importance of effective participation of different stakeholders to assure the quality of participatory democracy and foundations for good governance.

The book I of Toksöz has organized into three parts. Part one deals with the issues and concepts of governance, principles of good governance and the role of globalization. Part two describes the transition from government to governance in Turkey; from Tanzimat [Reorganization of the Ottoman State] to the republic and Republicanism in Turkey. In the last part of book I, problems and prospects of governance are highlighted.

In the first part of the book—Government to governance, the author shows the emergence of governance paradigm by highlighting the emergence of public administration as the main government apparatus before the concept of governance agenda got the attention of the countries worldwide. The author also explains the prime objectives of public administration which influenced the birth of governance as a development agenda and describes the socio-economic and technological impacts of globalization which led to the concept of governance and good governance concepts (see page 13 and 14). It is clear that the book has contributed much and is more adequate for describing the Turkish governance policies in the context of the Turkish people. Thus, the idea of public administration within the concept of governance has contributed much to the transformation of government to democratic governance.

In part one of this book, the author clearly defines governance as the decision-making process which is carried out in cooperation with the participation of all stakeholders and that managers can act in a conciliatory, transparent, accountable, effective and responsible manner. However, the concept of governance is narrowly defined because it is defined only in one dimension (i.e., decision-making aspect). Even the author didn't clearly show how cooperation has to be formed and how it works between and among all stakeholders. Similarly, the role of all stakeholders who are interacting together for governing is not explained in detail. It is only somehow the role of the managers is highlighted (page 17). In addition, the book gives the widest coverage for civil society organizations and gives little room for other governance actors. This would create a kind of criticism that the book has not addressed the core foundational values of governance and its importance for enhancing democratic service delivery to the citizens of the country. Thus, this book has faced some kind of imperfections and limitations in describing the conceptual inclusion of governance. Hence, the role of all stakeholders including the bureaucratic apparatus, which is the government, and other actors who can play a significant role for the transition of the government to governance apparatus has to be clearly stated in the book. And the ways and methods of making cooperation should be clearly shown and identified.

As I have described in the first page of this review, in the part two section of the book, the transition from government to governance in Turkey, the author explains the restructuring of the state administration as the most important and key governance issue in Turkey. The political scenario and legal as well as the political transition of Turkey are well articulated in the book. This insight description made by the author could contribute great importance to the governance architecture of Turkey and thereby will give a lesson to the Western Asian Countries to improve the quality of governance structure and level of participation in their respective government apparatus. In this particular section of the book, I have observed that Toksöz clearly described the transition of the government in Turkey from Ottoman Magna Carta or Charter of Alliance (page 22) to Tanzimat Edict (Reorganization of the Ottoman State) and the new Ottomanism movement. Furthermore, the author shows the Turkish's transition to democracy and close establishment of civil society organization (pages 51 and 52), the establishment of the public administration initiatives and the Turkish political atmosphere of establishing the republicanism state apparatus in the country (pages 65 and 67). Besides, the democratic governance,

decentralization reforms, and new managerial tools in Turkey are relatively described in the book (pages 59-64). This is a good insight and an important contribution of the book. Hence, it is possible to say that the book has a great deal of scientific and theoretical contributions to the development of governance and assurance of good governance in Turkey and the Western Asian states.

Even though this book has scientific and theoretical contributions in assuring the quality of governance structure in Turkey, details of analysis on the broadest implication of the governance architecture for the development of the Turkish people is not well addressed. In the same fashion, it lacks a critical and in-depth investigation of the democratic transition to governance restructuring and its implication to the countries of the world. The author has tried to describe the scenario of the political and legal transformation of the Turkish government; however, the description is not fully supported by relevant and empirical previous works. It is advisable that supporting and linking our works with important and relevant empirical studies could enhance the credibility and reliability of our studies. Thus, this book relatively lacks this even if it has many positive aspects.

The last part of book I analyzes problems and prospects of governance. Problems regarding to participation of the people and some prospects of governance in Turkey are relatively highlighted (page 93-99). In this section of the book, Toksöz highlights problems of governance related with effective participation and describes some prospects of governance. In this book, the author measures the effectiveness of governance in Turkish in terms of stakeholders' participation in a very narrow perspective. It is fact that effective participation in different aspects of the government has a significant influence to bring the quality of governance. However, addressing multiple governance indicators or dimensions plays an important role to clearly assess the challenges and prospects of country governance in Turkey. The practices of governance in Turkey can be measured in terms of participation, accountability, responsiveness, the security of the state, government legitimacy, political stability and political competition, freedom of religion, and justice in the use of state resources and policies. The Country Report (2016) on Turkish Sustainable Governance Indicators shows that continuous civil wars in Syria, political and societal problems, the monopoly of state resources and policies by Kemalist elites (the military and judiciary), continuous mass protests against the government, and problems related government structure have affected the quality of governance architecture in Turkey (Genckaya et al., 2016).

In general speaking, even though the book has some drawbacks, it is easily understandable and clear. It also brings functional and procedural contributions to the works emphasized on the governance architecture and practices of its guiding principles, the transition to democratic governance, politico-legal transformation and the challenges related to governance. The substantive and procedural contributions of this book (volume) have brought great debates and scholarly attention on the governance agenda. Moreover, the book shows fruitful and important directions for future scholarly in-depth investigations.

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FINANCE

THE ASSESSMENT OF BALANCED SCORECARD IMPLEMENTATION IN THE COMMERCIAL BANK OF ETHIOPIA: THE CASE OF THREE BRANCHES IN EAST ADDIS ABABA DISTRICTS

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Abstract: *The objective of the study is to assess the Implementation of Balanced Scorecard in the Commercial Bank of Ethiopia. The CBE has 109 branches in East Addis Ababa district. Out of 109 in this district, the researcher selected three branches targeting all employees and management staff. The primary data were collected using questionnaires and interview. The data were analysed using graphs, tables and percentages. The findings show that the Bank achieved many benefits from the BSC implementation by aligning day-to-day activities to its strategy, improved service delivery system and organization performance, raised employees understanding of the bank vision, mission and values, and enhanced resource. However, there are still many challenges. There is lack of leadership commitment and support with regard to awareness creation for employees. Besides, the top management tends to focus on strategy formulation than strategic implementation. From the employees part there is lack of readiness in terms of mentality, skill and competence toward BSC implementation. Furthermore, a problem in setting performance measurement and linking performance with reward system is hindering the effectiveness of the BSC in the branches. Lack of employees' participation, negative attitude of employees toward BSC implementation, poor monitoring and evaluation system and lack of linkage with rewards adversely affect benefit obtained from BSC implementation. To alleviate the problems the bank should work on changing the attitude and perception of employees toward BSC by promoting its benefits. To achieve this attitude change CBE should undertake trainings to help employees acquire adequate knowledge and understanding of BSC. Target setting should be fair and realistic ensuring appropriate combination of mutually agreed financial and non-financial target among performers considering the nature and position of jobholders.*

Keywords: *Balanced Scorecard, implementation challenges, performance evaluation*

1. BACKGROUND OF THE STUDY

The Balanced Scorecard (BSC) is a carefully selected set of quantifiable measures derived from an organization's strategy and is a management tool with three main elements namely; measurement system, strategic management system and communication (Bremser and Barsky 2004). BSC provides a logical connection between the vision, mission and strategic objectives with the desired results in terms of customer and stakeholder needs, financial, internal processes and capacity building (learning and growth) which are linked through cause-and-effect relationships.

BSC is different from other strategic measurement systems in that it is more than collection of financial and non-financial measures. It contains outcome measures and the performance drivers of outcomes, linked together in cause-and-effect relationships and thus aim to be a feed-forward control system). Since the concept was introduced in the early 1990's by Kaplan and Norton as performance measurement system, the balanced

scorecard (BSC) has attracted considerable interest among different practitioners and researchers.

Consequently, BSC is broadly accepted and implemented in thousands of companies across the world and penetrated even non-profit organizations and organizations in public sector (Petr, Wagner and Michal, 2012). Due to its wide acceptance and effectiveness, the Harvard Business Review (Niven, 2005) proclaimed the balanced scorecard (BSC) as one of the 75 most influential ideas to the twentieth century. Balanced scorecard is becoming popular in governmental organizations. The city of Charlotte, North Carolina is one example from government run organizations to which is widely considered the best example of balanced scorecard success in such bureaus (Niven 2005).

This study focuses on the commercial Bank of Ethiopia. The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. It has been playing significant roles in the development of the country as financial intermediary. It was mainly established to perform major banking services such as accepting saving, demand and time deposits; providing short, medium and long-term loans; buying and selling foreign exchanges; buying and selling negotiable instruments and securities issued by the government, private organizations or any other person; and engaging in other banking activities customarily carried out by commercial banks. The Bank has a process-oriented corporate structure each process is headed by a Process Owner. The bank performs its operations through the core and support processes. The Core processes are Customer Accounts and Transaction Services (CATS), Credit, Trade Service, Interest Free banking. Support Processes are Human Resource Management, Information Systems, Facilities Management, Finance, Business Development, Risk and Compliance Management, Internal Audit, Legal and Loan Recovery, Office of strategy management, and E-Payment Process.

The need to remain competitive, productive and bring organizational change is becoming more important than ever. In order to achieve its mission and vision, CBE is using management tools one of which is BSC that is rolled out to ensure measurement and management in the organisation.

A well-implemented Balanced Scorecard can provide the bridge between Strategy and Execution. This needs a clear implementation methodology by cascading the BSC from the top to the lower individual level and further build highly performing teams and individuals. A Balanced Scorecard implementation is a new approach to management in CBE. Thus, it is important to assess its implementation and understand the challenges. Most studies conducted on CBE so far are limited to corporate level and lack in depth analysis at lower (branch) level. This study however focused on Branch level implementation with the objective to study and fill the gap in the implementation of BSC at lower level.

1.2 RESEARCH OBJECTIVES

The general objective of the study is to assess the implementation of Balanced Scorecard in the Commercial Bank of Ethiopia with reference to its three branches in

eastern district of Addis Ababa. Specifically it focuses on The assessment of BSC and its implementation issues from employee and management perspectives at branches and The identification of the challenges of Balanced score card implementation at branch level.

1.3 METHODOLOGY

1.3.1 RESEARCH DESIGN

Qualitative and quantitative approaches are the two main approaches used in this study. Quantitative research is often based on measurable numbers. All phenomena is, however, not measurable and a qualitative approach is used for in-depth assessment of some variables.

1.3.2 STUDY POPULATION

The CBE has 109 branches in the East Addis Ababa district. The study population are employees and managers of these branches. There were 80 employees and 9 managers.

1.3.3 SAMPLE AND SAMPLING TECHNIQUES

Out of 109 branches in East Addis Ababa district of CBE, the researcher followed non-probability sampling and selected three branches which were convenient in terms of availability and ease of obtaining data. The branches selected for this case study were “Tefera Degefe”, “Lam-beret”, and “Megenagna” branches. From the sampled branches, the research targeted all employees and management staff to ensure representation across functional units at branch level.

1.3.4 DATA COLLECTION INSTRUMENTS AND SOURCES OF DATA

The primary data which is the main source of information for the study was collected using questionnaires and semi-structured interviews with branch level staff. Relevant literature and secondary sources were also reviewed to enrich the study.

Sources of Data

Primary sources: This study heavily relied on the primary sources of data i.e. branch level employees and management

Secondary sources: The study used the secondary such as prior research and other documents including documents and manuals used for the implementation of balanced score card, strategic plans and reports relate to BSC and journals pertinent to the study.

1.3.5 DATA ANALYSIS

The researcher used statistical method to analyse the data. The results area presented using tables, charts, graphs and the researchers summarized the findings.

2. LITERATURE REVIEW

According to Kaplan and Norton (1996, p. 25), “The Balanced Scorecard translates mission and strategy into objectives and measures, organized into four different perspectives: financial, customer, internal business process, and learning and growth”. They (Kaplan & Norton, 1996, p. 25) also add that, “The four perspectives of the scorecard permit a balance between short-and long-term objectives, between outcomes desired and the performance drivers of those outcomes, and between hard objective measures and softer, more subjective measures”. In Kaplan and Norton’s view (1996), strategies are developed following a cause and effect approach. In this vein, “The measurement system should make the relationships (hypotheses) among objectives (and measures) in the various perspectives explicit so that they can be managed and validated” (Kaplan & Norton, 1996, p. 30). For example, investments in learning will lead to a better internal business process, which, in turn, is likely to improve a customer’s satisfaction and loyalty, and therefore result in a higher return on investments, which would satisfy shareholders (Kaplan & Norton, 2001).

Researchers assert that there has been a paradigm shift from the traditional financial performance measurement approach to an approach integrating both financial and non-financial measures (Kaplan, 2003). Organizations have a variety of goals and objectives and hence it is more unlikely that a single measure will effectively assess organizational progress towards all of those goals and objectives. Some of the most important intangible assets a company can have are relationships with customers and with employees. Employee loyalty and customer loyalty are closely linked, and retaining both is essential for success. The quality of important relationships must be reflected in a performance measurement framework. Performance measures are usually used to track progress towards a target. The measures are a surrogate for the target itself. They determine how, and on what bases, managers and other employees focus their time and efforts. Non-financial indicators are, in effect, surrogate measures for financial performance. Financial and non-financial performance measures can be combined through the BSC that ultimately links all aspects of performance to the firm’s strategies.

2.1 PERFORMANCE AND THE BALANCED SCORECARD

Literature from various resources exhibits that performance measurement ordinarily designed around financial, operational and management control system. Prior to 1980's, organizations used financial indicators like, return on equity, net profit and return on investment to measure their performance, however it is very well known that financial indicators are well in very short term. To achieve a competitive edge, and to retain customers; organizations should be innovative to fulfil the ever changing needs of their customers.

Performance measurement incorporating non-financial measures has been a topic of great interest throughout most of the 1990s. This is because non-financial measures overcome the limitations of just using financial performance measures. “Soft” measures, such as employee satisfaction and commitment, are coming to the fore as protagonists of the business performance measurement revolution urge organizations to complement

their traditional financial focus with softer data. Kaplan & Norton (1992) suggest that what is needed is “a balanced presentation of both financial and operational measures”. In addition, while traditional financial measures report on what happened during the last period without indicating how managers can improve performance in the next, the scorecard functions as the cornerstone of the organization’s current and future success (Kaplan & Norton, 1996).

The balanced scorecard translates an organization’s mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system (Kumari, 2011). The four perspectives of the scorecard permit a balance between short-term and long-term objectives, between desired outcomes and the performance drivers of those outcomes, and between the objective measures and softer, more subjective measures. While the multiplicity of measures on a balanced scorecard seems confusing to some people, properly constructed scorecards contain a unity of purpose since all the measures are directed towards achieving an integrated strategy. Currently, the Balanced Scorecard is a powerful and widely accepted framework for defining performance measures and communicating objectives and vision to the organization. A balance of measures across these four perspectives is what gives the BSC its name. However, the measures that make up a scorecard do not exist in isolation from each other. They relate to a set of objectives that are themselves linked, the final link usually relating to financial outcomes of one form or another. Measures in this context can be used to communicate not simply control.

2.2 THE BALANCED SCORECARD IN ETHIOPIA

Changes in the socioeconomic and political landscape in Ethiopia have resulted in changes in management of public institutions. The quests for efficiency, accountability, and transparency have forced institutions to adopt organizational strategies and management structures that are popular in business organizations. To this effect, Ethiopia has introduced a range of approaches that broadly fall into the category of ‘New Public Management’. The main successive reform tools include Business Process Re-engineering (BPR), BSC and the Citizen Charters.

Building on earlier efforts to establish strategic planning norms and an employee result-oriented performance appraisal system, the federal government introduced the BSC in 2010 (Menwuyelet Fentie, 2014). The BSC is being used as a planning, change management, and communication tool, and is also considered as an opportunity to embed strategic management principles into the plan. The BSC incorporates the higher-level goals identified by the country’s Growth and Transformation Plan (GTP) and tries to operationalize these goals.

According to Menwuyelet (2014), three reasons are cited as rationales to implement BSC in Ethiopian Federal civil service organizations, namely:

- To have better performance evaluation system in civil service organizations
- To put in practice the Federal Civil Servants’ proclamation no. 515/99 (proclamation for administration of Ethiopian Federal Civil Service employees)
- To focus on strategies and link the day to day activities to strategies with well-balanced and multi perspective performance evaluation system

A ministry or agency provides a highest expression of tangible and identifiable results that the government expects, below the Ministry or Agency level, the results are further cascaded down to process teams and individual members of staff. BSC set targets for output and interventions for which measures or indicators are set.

As of 2012, the civil service's "Individual Employee Performance Management and Measurement" directive was incorporated into the BSC. The management of individual performance is now being addressed through a system of individual performance agreements that are linked to team and organizational targets derived from the four dimensions of the BSC. These include: i) finance, ii) learning and growth; iii) client/customer satisfaction, and iv) processes (time volume, frequency). The first set of annual performance agreements for individuals were signed in July 2012. Currently 60 percent of the score is allocated towards achieving the agreed upon specific tasks and goals, while 40 percent is dedicated to attitude or behavioural aspects (this can also be seen as a reaction to earlier criticism of assessments introduced by the BPR that were seen as overemphasizing 'attitudes'). Thus, the BSC seeks to create direct links between employees' performance and the strategy of an organization towards its clients/citizens, budget, internal processes, and learning and growth. Both employee and organization performance reviews are carried out twice a year, in December and June.

The challenges at the design level includes on how to set higher-level objectives. Firstly the sectors focused on their very mission, later among the 18 higher-level objectives almost all sectors took 17 and only one unique objective-related to their mandates. These resulted in cascading difficulty as well as later on measuring performances of each sector i.e. the shared 17 objectives are not relevant to all sectors.

3. DATA ANALYSIS AND PRESENTATION

From the study questionnaires distributed to the total staff members (i.e. 80 professional and 9 managerial staffs) of Tefera Degefe, Lam-beret, and Megenagna branch, 72 responses (i.e. 90% response rate) were collected from employees and 8 managerial staff (i.e. 89% response rate) were interviewed.

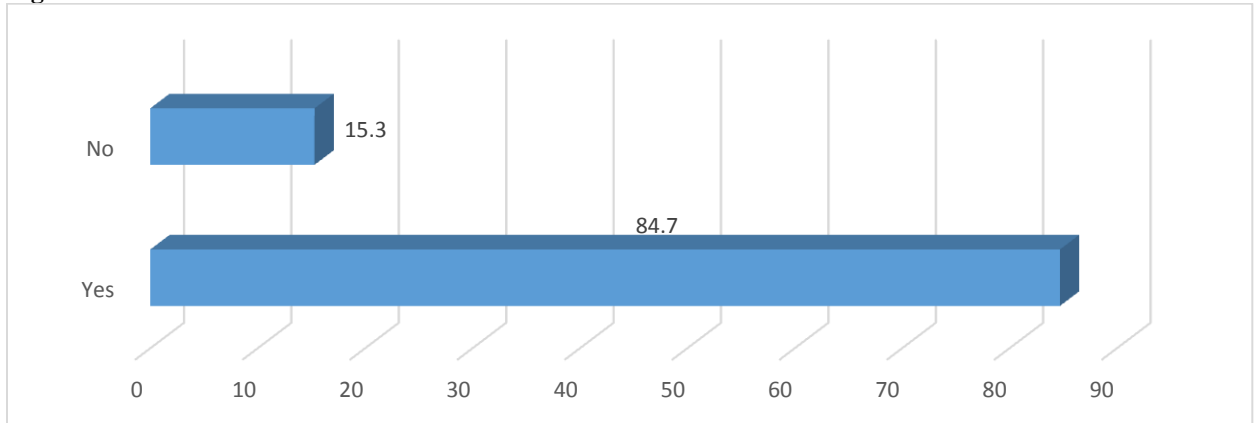
3.2. BSC IMPLEMENTATION ASSESSMENT

The success of balanced scorecard performance strategy depends on a number of factors. Apart from the creation of awareness about the performance strategy, it requires implementation follow up and data tracking of individual performance and the subsequent measure to be taken. Having best BSC design does not guarantee the achievement of the goals. The section that follows addresses these and related issues.

a) Awareness

Staff awareness especially for sensitive issues like performance evaluation is mandatory. Staff awareness mostly determines their motivation and their courage to perform their duties. Awareness can be made through oral introduction, formal training, module distribution, or internal publications or in any appropriate methods.

Figure 1 Awareness



Source: Researcher's field survey2 019

On the question of whether respondents are aware of balanced scorecard method in their branch; majority (84.7%) of them are aware of its existence while 15.3% of them are not aware of BSC in the branch. The interview with managers shows, awareness about BSC is created through training of new staff and materials circulated to existing staffs through portal, outlook, and Gieom. But formal orientation has not been given to all existing staffs.

Evaluation

The researcher asked respondents whether they have been evaluated in the bank or not. As indicated on table 1 below majority i.e. 93.1% of them have been evaluated so far, while the remaining 6.9% of respondents are not evaluated mostly (5.6%) because targets are not specified for them and the remaining 1.4% do not know why they are not evaluated. And As per the interview, each branch has an obligation to evaluate all staff except those in probation.

Table 1 Evaluation

Evaluated in the bank	Frequency	Percent
Yes	67	93.1
No	5	6.9
Total	72	100

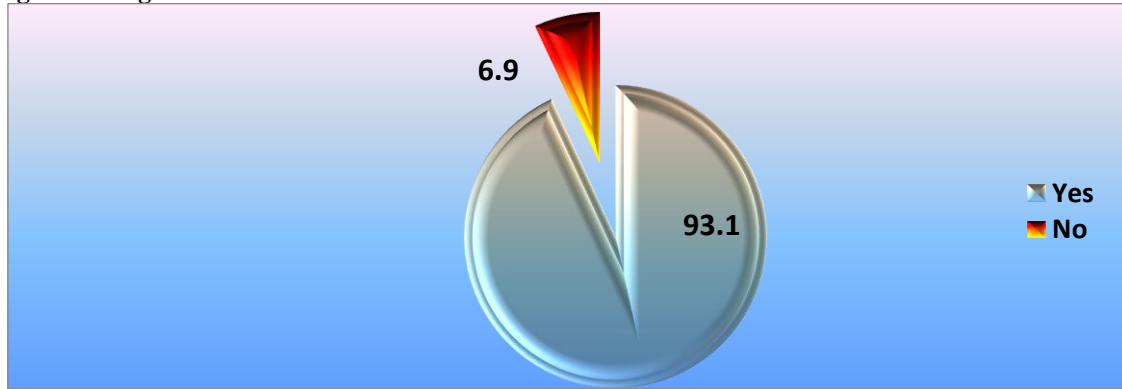
Source: Researcher's field survey2 019

Regarding the evaluation interval, all of the respondents that are evaluated indicated that they are evaluated quarterly as per the Bank's requirement.

Targets

To measure performance objectively there should be targets allotted to employees as target setting is one of the central points of the balanced scorecard. Accordingly, to assess the existence and issues related with targets respondents were asked if there is any target that is allotted to them that will serve as a measurement for their evaluation?”

Figure 2 Targets



Source: Researcher’s field survey2 019

93.1% of the respondents have targets assigned to them quarterly while the remaining 6.9% i.e those are not evaluated did not have targets.

Table 2 Target Attainability Target setting alone is not enough. It must be realistic and relevant to the Bank’s mission.

Targets are achievable	Frequency	Percent
Yes	27	40.3
No	40	59.7
Total	67	100

Source: Researcher’s field survey2 019

Regarding the attainability of targets, as indicated on table 2 above, more than half of the respondents 59.7% said their targets are not attainable. As per the interview target allotment is done based on cascading the branch target to each respective performer. The target setting process and how and why each staff is assigned with a certain target needs to be clear to employees.

The researcher suspects that either there are some targets which are not realistic or there has been a cascading problem of Bank’s missions.

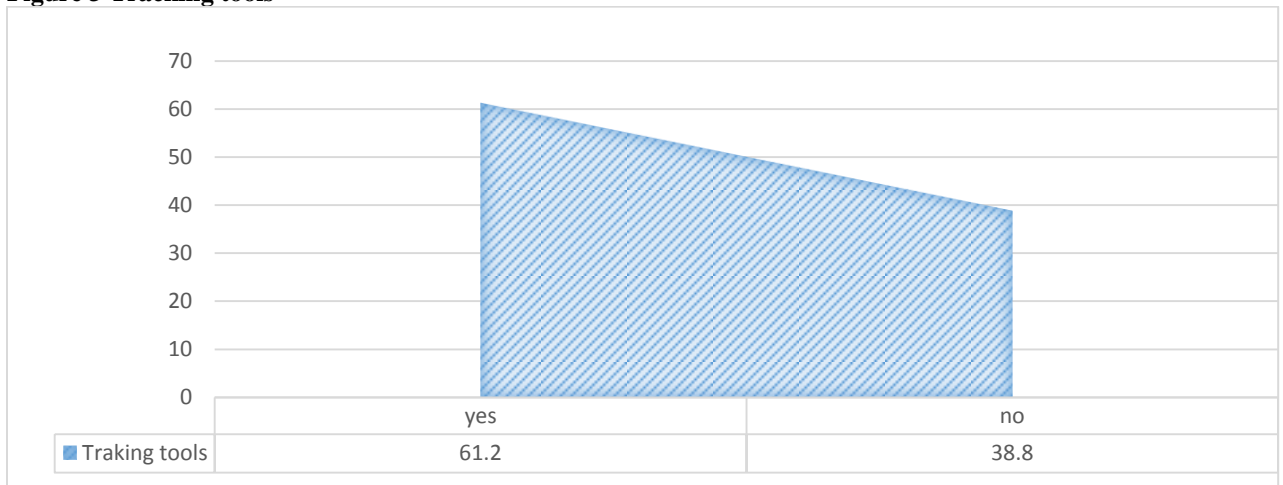
Moreover, respondents indicated that there is no performance follow-up and support practice that is done by the immediate and top management. Unavailability of such measures will affect employees’ performance.

d) Data Tracking

As per the Employees Performance Management Supervisors Guide of CBE 2018, Data tracking is the next step to be followed after signing contractual agreement in the performance management process. Data tracking is the responsibility of the immediate supervisor to adequately capture and document performance throughout the performance appraisal period.

As stated in the guide for Business targets performance, supervisors shall design their own data tracking formats or use the designed data tracking formats if tracking formats are previously designed by the process/sub process/team. For behavioural performances, supervisors can use a variety of record keeping methods. They might use a diary, performance logs, hand-written records, typed notes, or notes on the computer designated specifically for the employee. List the performance expectations and goals for the appraisal cycle and space to document date, skills exhibited results of behaviour and other comments. Data tracked for assigned employees shall be compiled and collected by the supervisors at least once within a month.

Figure 3 Tracking tools



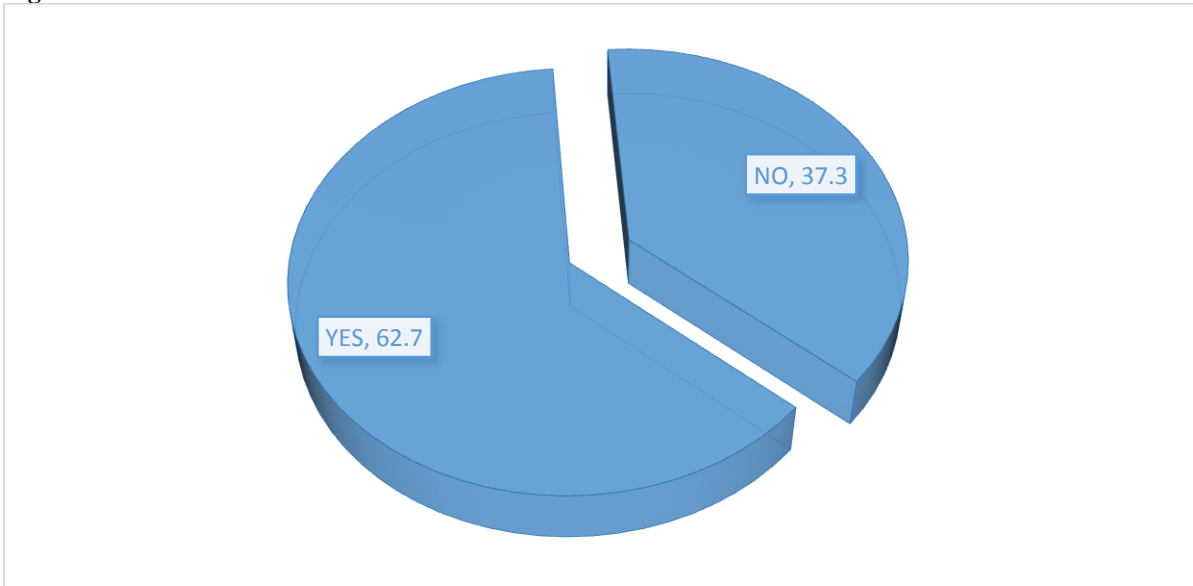
Source: Researcher's field survey2 019

61.2% of respondents confirmed its existence while 38.8% replied “there is no data tracking ways”. Subjective judgment will bring loss of fairness on the evaluation process. To measure performance of employees objectively, the data that are required are collected through data trucking tools. As per the data gathered through interview the management replied there are 16 (sixteen) data tracking formats that are used for error registration, daily average transaction, cash holding limit, discrepancy and the like. But they are not available with all responsible staffs and they are not filled out regularly. This will result in subjective evaluation that is not based on evidence due to lack of objectively kept data.

e) Feedback

As per the data gathered from employee’s performance appraisal user guide of CBE 2018, an effective appraisal process requires employee feedback.

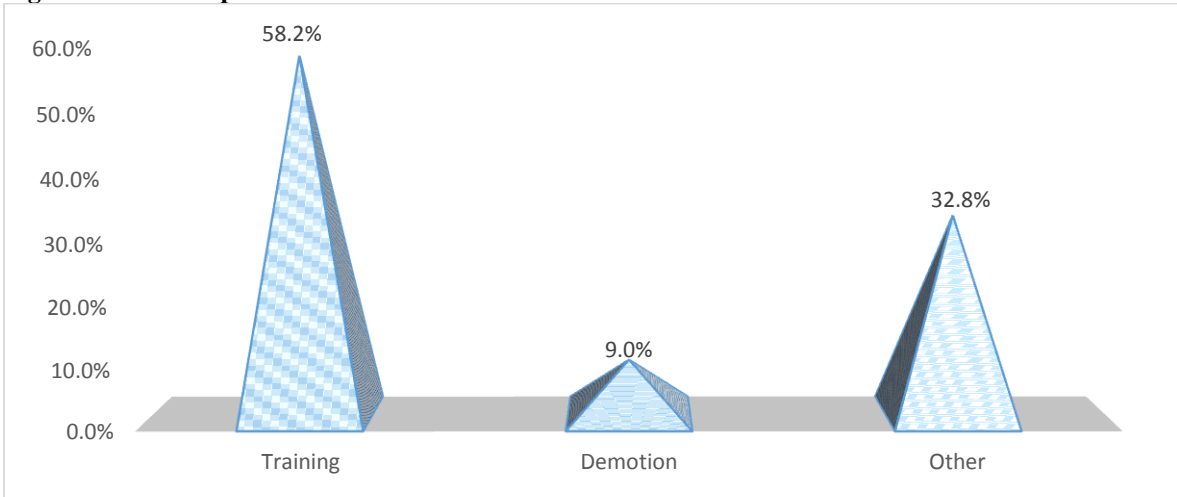
Figure 4 Feedback



Source: Researcher's field survey 2019

Appraisal systems that provide formal feedback every quarter and once a year are more likely to be deficient. In order for an appraisal system to be maximally effective, there must be formal and frequent informal performance feedback, majority of respondents (62.7%) replied that they get feedback from their evaluators, while the remaining (37.3%) answered they do not receive their performance feedback. This variation will create gap in the implementation of BSC.

Figure 5 Effects of performance review



Source: Researcher's field survey2 019

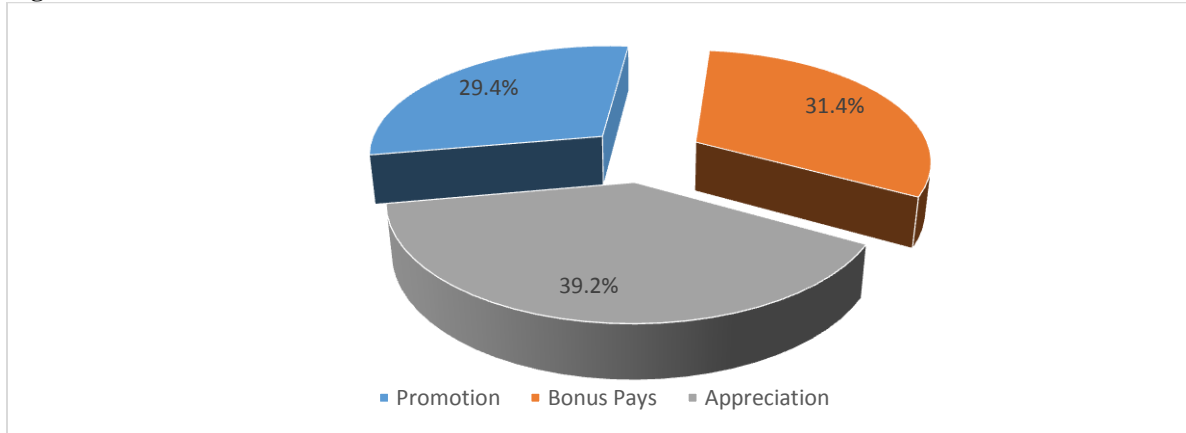
As per the above graph majority (58.2%) of respondents replied managers deal with under-performance through training and 32.8% responded that managers take other

measures like changing branch and job rotation within the branch. 9% of respondents said supervisors demote under performers.

Reward

As indicated on the figure below, majority (39.2%) received Appreciation and recognition letter, 31.4% got bonus pays, and 29.4% received promotion.

Figure 6 Reward



Source: Researcher's field survey 2019

4. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.1 SUMMARY

The major challenges that the CBE had in the implementation of BSC includes lack of adequate training on balanced scorecard. Most respondents indicated the communication between supervisors and employees is not regular. This adversely impacted on employees' awareness.

The other problem is poor setting of measurement indicator. The result from the majority of respondents implied the problem of setting right measurement and target for employees, wrongly appraisal score given for financial, nonfinancial and final ratings, poor linking of the Performance appraisal result with Reward system and recognition such as salaries, incentive, allowance, and bonus. This demoralizes employees in the implementation process. Half of respondents indicate lack of linkage of employees performance with rewards and promotion and the organization does not use extrinsic and intrinsic reward system that has impact on employee's motivation and this creates unfavourable condition in the implementation of BSC. Employees indicate lack of readiness in terms of mentality, skill and competence and negative perception toward BSC implementation.

4.2 CONCLUSION

A balanced score card is a performance management tool for measuring whether the operations of a company are aligned with its larger-scale objectives in terms of vision

and strategy. Similarly, CBE is currently implementing the balanced score card at all districts characterized as a strategic process aimed at the development of an appropriate culture linking people management, service issues, vision and long-term goals. This study concludes employee understood CBE's vision, mission and values. However, lack of awareness on the employees about BSC creates values and differentiation in the context of customers and stakeholders.

There is lack of leadership commitment and support with regard to awareness creation for employees, and they do not share information clearly and regularly about BSC within organization. Besides, the top management tends to focus on strategy formulation than strategic implementation. The implementation of BSC is not getting the attention from the management. The researcher also examined the attitude; perception and competence of performers toward BSC implementation. Findings conclude that, lack of readiness of employees in terms of mentality, skill and competence toward BSC implementation. Change of mind set is required in order to effectively implement BSC. The organization obtained the plenty of benefits from the BSC implementation process by aligning day to day activities to its strategy, the bank has improved service delivery system and organization performance, benefited from employees understanding of the bank vision, mission and values, and gained and enhanced resource mobilization effort and communication.

The major factors for the poor implementation of BSC include lack of follow up of top management on the effectiveness of BSC system, lack of BSC training, absence of accountability of BSC failures and inadequate commitment of middle level managers, operational managers, and employees toward BSC implementation. Further, problems in setting performance measurement and linkage performance with reward system hinder the effectiveness of the BSC in achieving the intended objectives. Lack of employees' participation, negative attitude of employees toward BSC implementation, poor monitoring and evaluation system and lack of linkage with rewards adversely affect benefit obtained from BSC implementation. The lesson derived call for actions to improve the overall performance and effective implementation of BSC at CBE.

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HOW IMPORTANT IS EDUCATION IN CREATING SUCCESSFUL ENTREPRENEURS?

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Abstract: *The purpose of this study is to analyze the importance of formal and informal education in creating successful entrepreneurs. We started from the fact that the great successful entrepreneurs of the world gave up their studies and did not continue a formal education, and yet we all use their products and services for which they solve a number of problems for us. We conducted a focus group with 10 IT entrepreneurs, in which we discussed with them about the importance of education in creating successful entrepreneurs. Entrepreneurs said that education is extremely important, noting that there are a number of ways in which an entrepreneur can get an education.*

Keywords: *entrepreneurs, formal education, non-formal education, success.*

1. INTRODUCTION

Today, we notice that information and communication technologies are changing more rapidly, so the topic of education and learning becomes a broader topic to be debated (Ilie, 2019). In this respect, the results of entrepreneurial learning should meet the social and economic needs of all stakeholders involved in the community of which it is a part (Fayolle, 2013). If we refer to lifelong learning, we believe that lifelong learning is as important as formal education, which takes place in institutions, universities and schools (Ilie, 2019). Also, due to inherent changes, the perishability of knowledge occurs, so lifelong learning is needed (Dromereschi, 2013). In terms of entrepreneurship, it represents the strongest economic force in the world (Kuratko, 2005).

Thus, both formal and informal education contribute to the improvement and development of entrepreneurial skills, which are closely linked to the development of the economy (Baseska-Gjorgjieska, 2012, McMullan and Long, 1987). Entrepreneur education is an integral component of the community to which they belong, and they must benefit from innovation centers, business incubators, science parks, technology transfers, and venture capital operations (McMullan and Long, 1987).

In addition, it is education that creates new opportunities for entrepreneurs. Thus, it is important to analyze how the entrepreneur succeeds in developing and perfecting his people (Maxwell, 2005). Also, entrepreneurs need to constantly learn in order to support their business, considering that many companies go bankrupt within the first five years of activity (Kiyosaki, 2014). On the other hand, there are a number of other ways in which an education can be obtained. This is the case of many successful entrepreneurs in the world, renowned for having dropped out of education, either because of a lack of interest in formal education, or because of financial, environmental or even family problems.

However, the great successful entrepreneurs who did not attend a formal education have made a number of remarkable changes in the society we live in now. Which makes us think about to the following two questions: "What do all these entrepreneurs have in common?" And "Is it enough that these entrepreneurs have been self-taught?"

2. THE IMPORTANCE OF EDUCATION IN CREATING SUCCESSFUL ENTREPRENEURS

As a rule, entrepreneurs are creative, take risks, have leadership skills and have a great desire to succeed in their own business. However, without having a proper education, their talent may not be sufficient (Maxwell, 2008). If the talent of the entrepreneurs were enough, then the most influential and efficient people would always be the most talented (Idem). Therefore, talent alone is not enough, but it offers an advantage in front of others, until the moment the entrepreneurs get to use it anymore. Entrepreneurship educators and researchers need to take a series of measures to create a community at the professional level that aims to share common values and goals, in order to fundamentally change both nature and practice and the effects of entrepreneurial education (Fayolle, 2013). To cultivate the talent of entrepreneurs they need to practice because this is just a starting point (Maxwell, 2008). Especially since every entrepreneur has a talent they can develop. This is why they need formal education as well as informal education (such as the support of a life coach to help them realize their potential, mentors, etc.).

Regarding the future of entrepreneurial education, it refers to the relevance, usefulness, coherence, as well as the effectiveness and efficiency of the courses, as well as the programs that the entrepreneur needs at different levels of education and training (Fayolle, 2013). Also, the biggest obstacle to the success of entrepreneurs is the lack of confidence in their own forces. Thus, entrepreneurs need to harness their potential to build their confidence (Maxwell, 2008). Taking into account the fact that an ordinary man uses only 10% of his potential (Powell, 1995).

In addition, the cause of entrepreneurs' failure is due to lack of confidence in their own forces (Maxwell, 2008). So they need mentors and coaches to support them to keep going. They need another form of learning, by which to know themselves. Through education, entrepreneurs actually learn how to work with their people to achieve success (Maxwell, 2005). In this way, they learn how to have teams and train them to reach the desired level of performance. Thus, the organization that intends to facilitate the education of all its members and continuously transforms itself is defined by the existence of organizational conditions that favor learning (Pedler, et al., 1989).

In this sense, for leaders to be able to develop other leaders, education and training are needed to have a positive attitude, in terms of encouraging people to join a leadership position (Maxwell, 2005). Kiyosaki (2011) tells us that it is essential for entrepreneurs to consider three types of education. The first form of education refers to the academic one, in which they learn to write, read and solve problems. Thus, the entrepreneur's ability to keep abreast of changes in the information field is very necessary, as opposed to what they learned yesterday.

Just that often, academic education is not the smartest move for entrepreneurs, because they need to learn the skills and tactics of the "real world" by taking concrete actions. Practically it is impossible for entrepreneurs to learn something without doing that (Kiyosaki, 2011). So people learn most 90% of what they say and do, 70% of what they say, 50% of what they hear and see, 30% of what they see, 20% of what they hear and 10% of what they read (Dale, 1969). So no matter how good a human being is at a theoretical level on a particular subject, he must also know how to apply that knowledge and influence other people as well. Otherwise, the knowledge becomes redundant.

Then, there is a need for vocational education for job security, which refers to the knowledge of a job, from which they can earn money (Kiyosaki, 2011). It's just not enough professional education, because it refers to the trades such as: lawyer, doctor, etc. Which means that vocational education does not turn these people into entrepreneurs. And last but not least, we are talking about financial education that represents a financial culture by understanding the specific language and figures (Kiyosaki, 2018).

In other words, financial education refers to how much money entrepreneurs can keep and how much money they manage to work for him and how many generations he manages to make money (Kiyosaki, 2011). Basically this is the level at which the entrepreneurs have to reach the level of education. But in order to reach this level, Kiyosaki (2018) teaches us that entrepreneurs must carefully choose their teachers from whom they want to learn, especially if they are not rich people. Then there is a need for a certain attitude, which represents 80% of the financial education, if an entrepreneur uses expressions such as "I can't afford it", "I don't care about money" etc., then he will always be poor. And last but not least, we are talking about learning the language of money, which entrepreneurs must master in order to become rich, words such as: "maximum rate", "net operating income", etc.

Also, those who want to become entrepreneurs and study this phenomenon, cannot learn this skill from a book because experiential learning is required. So another form of education is failure. Failure is a significant evolution of entrepreneurs, because they learn from trials and personal mistakes (Maxwell, 2005).

Also, entrepreneurs can learn from the mistakes of others to stop repeating them too, so that they can make time to grow and develop their business. Therefore, the best form of learning is to learn from experience. Thus, people who do not achieve performance either did nothing meaningful in life or learned nothing (Maxwell, 2005 and Kiyosaki, 2011).

3. METHODOLOGY

The purpose of this study is to analyze the importance of formal and informal education in creating successful entrepreneurs. We started from the fact that the great successful entrepreneurs of the world gave up their studies and did not continue a formal education, and yet we all use their products and services for which they solve a number of problems for us. In other words, entrepreneurs focus all their attention on "making things happen" in the real world, rather than focusing on the academic approach.

In the first part of this study we conducted a focus group with 10 IT entrepreneurs, with 3-5 years experience in the field, in which we discussed with them about the importance of education in creating successful entrepreneurs. Focus group included 3 questions. In the second part we conducted a case study in which we studied the life stories of 14 successful internationally renowned entrepreneurs, related to the education side, and identified the main characteristics that guided them to achieve performance. Regarding the field of intelligent specialization: information and communications technology, space and security, within the national strategy for research, development and innovation 2014-2020, "the field is one of the most dynamic in the country. The industry is supported by the entrepreneurial experience accumulated in the last decades (...)", IT technology is a decisive factor for the economic growth because it provides the knowledge necessary to convert the factors of production into goods and services, offers an efficient division of labor, improves productivity and allows the accumulation of capital (Marcus, 2016, op. cit. Dumitraşciuc and Jitaru, 2018).

4. RESULTS

At question no.1 "What forms of education do you use in your develop?" 90% of entrepreneurs referred to the fact that they use non-formal education. One of the modalities of non-formal education refers to learning through practice. All entrepreneurs said they were learning when working with the team. In this way, they have a greater chance of success. However, the people he has in his team are very important, because the people around him can take the entrepreneur to the heights of success or on the contrary they can bring him down (Maxwell, 2005).

Also, all entrepreneurs said that they call on the mentors, when they need the necessary experience of a qualified specialist and 90% of entrepreneurs said that they call on the coaches, because IT is a constantly expanding field and they must always be attentive to rapid changes and opportunities coming to the market. Thus, we find that non-formal education is in fact a necessity because formal education is often too complex to cope with such changes.

And with the avalanche of new information on the market and the opportunities that have emerged in the life of the entrepreneurs, a very high level of stress is installed, a number of discouragement can occur, a state of agitation can be installed, negligence of privacy can occur, as well as other problems (Popescul, 2017), which can often cause entrepreneurs to give up in certain situations. This is why entrepreneurs need specialized people to help them define, explain and capitalize on their own values through both formal and informal activities (Dromereschi, 2013).

In addition, entrepreneurship educators need to be experts in different fields and especially in the fields of entrepreneurship and education. They need to understand both the concepts and theories of entrepreneurship and education (Fayolle, 2013). Thus, entrepreneurship is art and science, and the role of teachers in formal education is to build critical theoretical knowledge about entrepreneurship and to give students the opportunity to enrich and improve the management skills needed for an entrepreneurial career (Jack

and Anderson, 1999). But they only offer the overall picture, which is why the practical part of entrepreneurship is needed.

Also, the entrepreneurs have stated that they listen to audio material from motivational speakers (100% of entrepreneurs) and go to networking events to get in touch with them (100% of entrepreneurs). In addition, they said they watch Youtube videos (80% of entrepreneurs) and buy courses to improve their field (60% of entrepreneurs). At the same time, the entrepreneurs have stated that they read specialized articles (70% of entrepreneurs) and buy books from famous authors in order to connect the new trends (80% of entrepreneurs). Entrepreneurs said they participate in trainings (100% of entrepreneurs), personal development workshops (90% of entrepreneurs) and debates organized in the companies they run (100% of entrepreneurs), as well as from outside (90% of entrepreneurs). Entrepreneurs have stated that they apply story telling (80% of entrepreneurs) and brainstorming (100% of entrepreneurs) in their companies to come up with new ideas and solutions to their own products and services and to solve the company's internal problems. Regarding of formal education, they referred to the professors from the college (60% of entrepreneurs), which in turn is useful, as they seek to master in depth a certain aspect of their business.

It is necessary to consider the fact that each entrepreneur is unique and that each of them has different needs in terms of their learning experience. Because there are studies that indicate that formal education has a positive impact on the entrepreneur, more specifically on increasing opportunities for business growth (Dunkelberg and Cooper, 1982, Gimeno et al., 1997). In addition, education is closely linked to entrepreneurship, since entrepreneurs have a higher level of education, as opposed to those who choose to be employed only (Robinson and Sexton, 1994).

Indeed, there are great entrepreneurs in the world who have not opted for an academic education, and this has happened because their minds are different, because they have felt leaders and because they have the freedom to think and they have not been conditioned to think like an employee. Thus, education is needed in order to process the mass of information with which we are supersaturated (Kiyosaki, 2011). It is also necessary to adopt a critical and constructive attitude regarding the questions that entrepreneurs raise and regarding the problems that they approach. There is a need for a break in the silos between the thinking and the action side, between the academic and the practical worlds, as well as between the disciplines that consider entrepreneurship education (Fayolle, 2013).

Regarding question no. 2 "What does it mean to you, a successful entrepreneur?" Education gives meaning to information, which means we can use that meaning to live better (Kiyosaki, 2011). Contrary to what many people believe, success is not synonymous with money, power, goals and achievement. 90% of entrepreneurs said that the journey they make is more important than the results they get. In addition to the travel side, 90% of entrepreneurs reported that the attitude they adopt towards success and the principles behind which they live are equally important. So even if entrepreneurs go through the same process, the results can be unique every time. Due to their experiences. In this sense, people need to learn to fish and not to give them fish, because financial education gives them the power to change the world (Kiyosaki, 2011).

Another aspect that all of entrepreneurs referred to was knowing their own purpose in life, benefiting and reaching a maximum potential. The purpose of the people is to help their peers and to show compassion towards others (Maxwell, 2005), and in this case we are talking about leaders. Also, all of the entrepreneurs reported that success is achieved through perseverance and repetition. So they must also have a dose of enthusiasm about the results they will finally get. And last but not least, entrepreneurs need to be encouraged and supported to be successful (Keller, 2012). In addition, without education, man cannot translate education for personal purpose because information without education is limited (Kiyosaki, 2011).

Regarding the question no. 3 "On a scale from 1 to 10, how important is education in creating successful entrepreneurs?" Educational experiences aim to promote flexibility, intellectual openness, and breadth of perspective on self-directed values (Kohn and Schooler 1983, op. Cit. Schwartz, 2007). Thus, Schwartz (2007) indicates that the same experiences increase the openness to ideas and activities that are not routinely central to the values of stimulation. All of entrepreneurs related that education is extremely important, noting that there are a number of ways in which an entrepreneur can obtain an education, and here we do not refer only to a formal academic education which usually involves the part of exams, courses and go to college. Thus, there is a need for teachers who are deeply rooted in the field, because educating people in entrepreneurship requires a broad set of skills (Fayolle, 2013).

Entrepreneurs have stated that formal education is important, but it is not always the best option for successful entrepreneurs, if we are to refer to the world's great entrepreneurs. This is why they need other non-formal education sources. Thus, education is positively correlated with achievement values (Schwartz, 2007). In the case of formal education, there is a strong need for the development of knowledge, skills and the reflexivity of teachers in the field of entrepreneurship (Fayolle, 2013). In addition, financial education for entrepreneurs is particularly important, considering that we are in the Information Age, and job security and retirement are no longer guaranteed (Kiyosaki, 2014).

5. ANALYSIS OF THE LIFE STORIES OF SUCCESSFUL ENTREPRENEURS

We conducted a case study where we studied the life stories of 14 successful entrepreneurs related to the education side and identified the main characteristics that guided them to achieve performance. We analyzed entrepreneurs such as: Thomas Edison, Steve Jobs, Nikola Tesla, Walt Disney, Mark Zuckerberg, Michael Faraday, Henry Ford, William Shakespeare, Mark Twain, Bill Gates, Abraham Lincoln, Andrew Carnegie, Richard Branson and Michael Dell. Following the analysis we found the following: they did not benefit much from formal education either because they were poor or because they did not have enough time for study and entrepreneurship, or because they had no interest in it.

These entrepreneurs had many failures to succeed, but each failure for them was a lesson, so they always continued to be self-taught and continued to show their curiosity in the field they liked to study. So, learning from books or from the reality of the market is a

pretty important feature that defines the success of an entrepreneur. And non-formal education takes place regardless of whether the results obtained by the entrepreneur are negative or positive (Ilie, 2019).

Also, passion is the main engine that guided them in their lives and the fact that they knew exactly what they wanted from their lives. In addition, the passion for lifelong learning is essential for entrepreneurs (Kiyosaki, 2018). Thus, these entrepreneurs had a strong motivation to go ahead regardless of the results obtained, they were persevering, they were ambitious and loyal to the business idea, they always maintained their integrity and they trusted themselves. These issues have led entrepreneurs to become world leaders.

6. CONCLUSIONS

The results of this study show that non-formal education is much easier for entrepreneurs, as opposed to formal education. Because through non-formal education, entrepreneurs learn exactly what interests them in a much shorter time, than if they go to university courses for example. Also, the results of this research show us that entrepreneurs use a wide range of knowledge, methods, resources and information from non-formal education, which creates diversity and gives entrepreneurs more perspectives to see things. We can see that time is a valuable resource for entrepreneurs, and time means money, which is why entrepreneurs need to be careful how they value this time so that they are not at their expense.

If we were to define in one word what defines the entrepreneur is discipline. We have seen in this study that discipline actually helps entrepreneurs make much easier decisions, helps them develop self-confidence and helps them develop their self-control capacity. They also have great concentration power, because we have seen that they do not deviate from what they set out to do.

In addition, we can observe the consistency of their efforts by the fact that they are persevering and are always looking to learn new things. This can be attributed to the fact that the IT field is constantly changing and must be aware of the new trends and must face the external pressures. Because in this area the fight between the most powerful leaders in the market is taking place.

Also in this study, we saw that in addition to the fact that entrepreneurs must be self-taught, because the learning process never ends. They must be patient, constantly measure their progress, periodically evaluate what worked and what did not work in their discovery process, if a certain strategy did not work, they must change their horizons and look for new solutions to problems and constantly work for the results that entrepreneurs want to achieve because there are never any shortcuts or fireworks to reach the performance. In addition, we noted that entrepreneurs would not have reached such a process of awareness if they had not resorted to the methods of formal and non-formal education, by which they have outlined a set of values that come from the essence of people's identity and from faiths. So, unconsciously, values come from education, from teachers, from new people that they admire, friends, parents, colleagues and others with whom they intersect and that have a certain impact on them.

In real life, we can see examples of people who have finished college and have only become employees, so their only way is to make money and not to create more value for others around them as make entrepreneurs successful. Especially since today we need entrepreneurs who focus more on "doing" things that happen, who leave the comfort zone and who love the risk as opposed to an employee who loves safety and comfort, and life. it is linear.

As a result, entrepreneurs learn much better from their own experiences, as well as from other people who have been involved in the business, who have tested different experiences on their own skin, so that they can offer personal advice and prepare them for what follows, such as coaching and mentoring, which is a non-formal learning model. We recommend that entrepreneurs resort to life coaching sessions because when entrepreneurs turn to life coaching sessions, they improve their relationships with others, help entrepreneurs set their SMART goals, and help entrepreneurs increase their performance (Popescul, 2017).

As we have shown in this study, academic education helps entrepreneurs to deepen a certain area as part of their business. In terms of formal education, raising awareness of entrepreneurship among students can be achieved by analyzing case studies and by bringing entrepreneurs to the classroom (Jack and Anderson, 1999). We conclude by saying that education, regardless of its form, gives entrepreneurs the opportunity to open up intellectually. At the same time, education gives entrepreneurs the opportunity to become flexible in what they do.

The results of this study can benefit the entrepreneurship education providers (teachers, mentors, and coaches), the future entrepreneurs, as well as the entrepreneurs. This study provides a basis for understanding the importance of formal and informal education in creating successful entrepreneurs. The study will be useful for future entrepreneurs, experienced entrepreneurs, researchers, and for facilitators in education such as: teachers, mentors, coaches, etc.

Entrepreneurship education providers could put in place a series of strategies and programs to encourage both future entrepreneurs to continue to pursue this path of entrepreneurship, as well as experienced entrepreneurs to overcome the obstacles they face throughout this process.

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SUSTAINABILITY OF PUBLIC FINANCE: EASTERN EUROPE COUNTRIES CASE

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Abstract: *The sustainability of fiscal deficits is of increasing importance for both the governors and theorists. This article analyzes the how the financial stability influences the economic growth in 4 East European countries for the period 1995-2018, using 6 macroeconomic variables: GDP growth, deficit, financial development, gross financial capital formation, inflation, population, trade. The methodology used is threshold autoregressive (TAR) models and through it is established for each country 2 thresholds for fiscal deficits. According to the analysis, the threshold values for the fiscal deficits that influence the economic growth are different for the linear part (between 2.12 for Bulgaria and 3.37 for Hungary) and the non-linear one (4.11 Romania and 4.33 Czech Republic). Any value of the deficit above this threshold produces a negative effect on the economy, and the lower values have a positive effect; the education for the political factors would be that the respective states must keep the deficit within the calculated limits.*

Keywords: *sustainability, TAR model, fiscal deficit, economic growth*

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1. INTRODUCTION

Before the imbalances become major and have irreversible and important consequences, it is necessary for policy makers to determine whether financial stability is paramount over time and whether this is a permanent requirement for them. But the problem of measuring the fiscal deficit and mainly its permanence over time is a very controversial issue both among the governors and especially the theorists. The financial crisis of 2008-2009 has led to policies to stimulate and help the financial and economic sector and implicitly to the rising of public debts for most European countries, some of them (Greece, Italy, Spain) having serious problems with public finances (Chibi, 2019; Uryszek, 2015).

A wide debate has always existed among theorists about the possible reciprocal effects of financial sustainability and economic growth and concerns two major issues: firstly, the transmission of effects from one variable to another (Ehigiamusoe, 2019), and secondly the meaning of the effects between variables (unilaterally or bilateral), both aspects having strong backers and strong theoretical explanations (Ueshina, 2018).

For liberal economists, the fiscal balance was paramount, as there could be no budget deficit, which negatively affected the economy. In contrast, with the emergence of Keynesian theory, the exact opposite of the old theory, namely the positive influence of budget deficit, especially regarding the period of economic crisis, when larger deficits are encouraged to stimulate the economy (Lau and Tien-Ming, 2018). In the 1990s, the endogenous theory developed by Barro holds the reference in economic theory by incorporating public spending into the economic growth model, establishing an optimum for their level: if it is greater than optimal, the effect is negative; if it is smaller than optimal the effect is positive (Sharma et al., 2019).

The Maastricht treaty foresees as a convergence criterion for EU countries the existence of a budget deficit of maximum 3% of GDP, (without having at that time a serious theoretical and practical justification), which was seriously violated in the European debt crisis 2010, a fact with strong implications for policy makers (Uryszek, 2015). From the point of view of the theoreticians, the subject begins to gain importance starting with the 90s, initially through Barro (1990) which considers a series of linear effects, so that a series of nonlinear effects can be established between variable (Minea, 2008).

The structure of the following paper is further highlighted: section two presents the specialized literature in the field; section 3 presents the nonlinear analysis methodology; part 4 treats the results obtained, for the last part, the conclusions to complete the work.

2. LITERATURE REVIEW

The specialized literature paid great attention to analysis of how financial stability and economic growth are interconnected, the results being largely inconsistent and contradictory, the different determinants being generated by the analyzed time periods, the political ideology of the government, the econometric methods used. In the literature there are 3 thinking currents regarding the effects of fiscal deficit in the long term and economic growth: the positive impact is sustained by the Keynesian vision (Alagidede et al., 2018), neutral by the followers of the Ricardian Equivalence Hypothesis (REH) theory and negative by the neoclassical theory. Supporters of Keynesian theory believe that the call for large budget deficits to increase public spending leads to economic growth; the negative effects of the increase of the fiscal deficit are outweighed by the positive effects of the impact of public investments, especially those in the infrastructure, thus generating a multiplication effect in the economy. The followers of the neo-classical theory consider that the increase of the fiscal deficits leads to the increase of the public expenditures and implicitly to the drainage of the financial resources from the private agents to the public sector, affecting in the long term the economic growth reducing it.

Supporters of Ricardian Equivalence Hypothesis (REH) consider a neutral effect of fiscal deficit: because in the long term the economy is in balance, a short-term increase in the public deficit will be later compensated by raising taxes and lowering expenses so that the effect overall the economy is zero (Alagidede et al., 2018).

The econometrical studies regarding the analysis of fiscal policy and economic growth involve two approaches: in a first phase starting with the 1960s the linear approach, so that after the 1990s the nonlinear approach will be promoted (Salma and Said, 2016). The promoters of the linear approach start from the Keynesian view that in the event of a crisis, there is a need for a fiscal deficit to finance higher public spending (Slimani, 2016).

Subsequently, Aschauer (1989) analyzes the US economy and find out a positive effect from financial stability to economic growth; Barro (1996) analyzes 100 countries and shows that economic growth is negatively and significantly influenced by the public deficit. The followers of nonlinear theory start from the threshold regression model of Hansen (1999). Adam and Bevan (2005) analyze 45 countries and use the panel methodology to establish the existence of an optimal level of 1.5% of GDP (above this level of deficit the effects on the economy are negative). Minea and Villieu (2008) analyze the OECD countries taking into account the level of public debt in GDP: for the weakly indebted countries the increase of the public deficit is done by cutting the public spending, whereas for the heavily indebted countries this is no longer possible; the optimal level of public debt that negatively influences economic growth is estimated at 90%.

For Eastern European countries, studies are few and do not analyze the nonlinear effect of the fiscal deficit on the economy. However, the following studies that deal with the problem can be mentioned. Brasoveanu and Brasoveanu (2009) analyze Romania for the period 1990-2007, using time series modeling and find out a negative influence of fiscal deficit on economic growth. Próchniak (2011) analyzes 10 CEE countries for the period 1993-2005 and shows that the economic growth is positively influenced by the fiscal equilibrium. Mișa and Kagitci (2019) analyze the 28 EU countries for the period 2007-2017 using the panel methodology and establish the negative effect of the fiscal deficit on the economic growth for the studied countries.

3. METHODOLOGY

The classic methodology applied to study the sustainability of fiscal policies is to discover the maximum point and to observe whether or not in the current situation, the fiscal deficit exceeds this point. The classic models for this analysis are Smooth transition autoregressive (STAR) models that detect the nonlinear effects of fiscal policies.

The model used in the present study involves discovering the threshold value and determining whether for the countries analyzed, the current level is higher / lower than the present one.

The model developed in the present study is the following:

$$\text{Economic growth} = \text{constant} + \alpha \times \text{deficit fiscal} + \beta \times X_i \text{ (financial development, gross fixed capital formation, inflation, population, trade)}$$

the variables that will be used in the analysis model:

- Economic growth - it is calculated as the GDP variation and the series are quarterly
- Fiscal deficit - calculated as the difference between revenue and expenditure, as a percentage of GDP, the series are quarterly
- Gross fixed capital formation - calculated as a percentage of GDP, the series are quarterly
- inflation - calculated as CPI change, quarterly series
- trade - calculated as the sum of imports and exports related to GDP, quarterly series

In the present study to identify the optimal level of the fiscal deficit that influences the economic growth, the Threshold Autoregressive (TAR) model will be used, which establishes 1-2 optimal points depending on the dependent variables. for the analyzed situation, the TAR model will be:

$$Economic\ growth_i = constant + \alpha_1 \times Economic\ growth_{i-1} + \alpha_2 \times deficit\ fiscal_i [deficit\ fiscal_i < optim] + \alpha_3 \times deficit\ fiscal_i [deficit\ fiscal_i > optim] + \alpha_4 \times financial\ development + \alpha_5 \times gross\ fixed\ capital\ formation + \alpha_6 \times inflation + \alpha_7 \times population + \alpha_8 \times trade + \varepsilon_i$$

where the fiscal deficit takes values either greater than the optimum (> optimal) or lower (<optimal), and the coefficients α_2 and α_3 are those which indicate lower values.

4. EMPIRICAL RESULTS

The countries analyzed in this article are 4 Eastern European states: Bulgaria, Czechia, Hungary and Romania, the analysis period being 1995-2019. The source of the analysis data is Eurostat, IMF and World Bank Database, the frequency of the series being quarterly. Descriptive statistics are presented in the following table. as can be seen the biggest economic growth in the analyzed period had Romania (3.19) and the smallest Romania (1.02); three countries had a deficit (Czechia, 2.64), of which 2 (Hungary, -4.47 and Romania, -3.37), even quite large, above the 3% threshold; the only country with a budget surplus was Bulgaria (0.60); the degree of financial development is quite low for all Eastern European countries, being below 50% (the highest is in Czechia, 47.28, and the smallest in Romania, 23.44); Inflation during this period was very high (Bulgaria, 188.10%; Romania, 21.14%); trade openness knows important values (over 100% for Bulgaria, Czechia and Hungary, and lower for Romania, 67.25).

Table 1 Descriptive statistics for the main variables

	GDP_growth	Deficit	Financial development	Gfcf	Inflation	Population	Trade
Bulgaria	1.02	0.60	46.40	19.50	188.10	7.77	101.20

Czech Republic	2.64	-2.33	47.28	28.29	4.30	10.37	116.30
Hungary	2.14	-4.47	38.28	22.67	8.96	10.09	129.77
Romania	3.19	-3.37	23.44	24.25	21.14	20.98	67.25

Source: own calculations

Table no.2 presents the results of the linearity test. As can be seen, for all hypotheses H01-H04, the test results indicate the rejection of the linear model, which means choosing a Smooth Transition Autoregressive (STAR) model. These results indicate that economic growth can be modeled by a smooth transition regression model that presents two regimes (a growth regime, a deceleration regime and a shift represented by the fiscal deficit) and a non-linear process governed by 4 lags. Next we present the results of the Breusch-Godfrey Serial Correlation LM Test which shows that for all tests the hypothesis of the existence of serial autocorrelation between residuals generated by the regression model is rejected; thus, between the analyzed series there is no serial correlation.

Table 2 Smooth Threshold Linearity Tests

	H01: b1=0	H02: b1=b2=0	H03: b1=b2=b3=0	H04: b1=b2=b3=b4=0	Breusch-Godfrey Serial Correlation LM Test
Bulgaria	1.08	4.08	5.64	5.98	3.34
	0.40	0.01	0.02	0.08	0.01
Czech Republic	1.22	1.10	0.83	0.82	4.78
	0.35	0.44	0.65	0.65	0.00
Hungary	0.38	0.35	0.07	0.07	0.50
	0.88	0.94	0.99	1.00	0.26
Romania	0.89	2.14	84.78	84.78	3.19
	0.53	0.36	0.08	0.08	0.00

Source: own calculations

Table 3 presents the Smooth Threshold Regression results, for the two components, linear and nonlinear, for each country. The deficit results for all countries for both components, linear and non-linear, show that this negatively influences economic growth (Bulgaria -2.11; Czechia -2.76; Hungary -0.75; Romania -0.75), which is in line with the specialized literature. The other variables of the analysis present values corresponding to the previous results from the literature. By using the threshold regression model, for all countries, it is estimated for the linear one-threshold model (Bulgaria, 1.51; Czechia, 0.20; Hungary, 0.26; Romania, 0.19), estimating a linear regression, but the general models are non-linear (each has a nonlinear component and a threshold value).

Table 3 Smooth Threshold Regression

		Deficit	ln(financial_development)	ln(GFCF)	ln(inflation)	ln(population)	ln(trade)
Bulgaria	(linear part)	1.51 (0.03)	4.52 (0.15)	-14.29 (0.02)	3.51 (0.25)	-0.02 (0.75)	0.41 (0.17)
	(nonlinear part)	-2.11 (0.02)	6.02 (0.98)	-16.91 (0.06)	1.09 (0.00)	22.33 (0.08)	1.00 (0.86)
Czech Republic	(linear part)	0.20 (0.75)	1.30 (0.33)	23.09 (0.38)	-0.12 (0.76)	-4.94 (0.55)	1.48 (0.90)
	(nonlinear part)	-2.76 (0.30)	1.31 (0.33)	-15.81 (0.74)	-0.45 (0.63)	-5.19 (0.68)	27.10 (0.21)
Hungary	(linear part)	0.26 (0.59)	-2.67 (0.60)	16.48 (0.47)	-0.15 (0.83)	-2.16 (0.86)	-0.38 (0.98)
	(nonlinear part)	-0.75 (0.32)	-6.93 (0.29)	1.64 (0.97)	-0.09 (0.90)	-0.23 (0.98)	4.21 (0.89)
Romania	(linear part)	0.19 (0.94)	-5.32 (0.62)	21.45 (0.48)	-0.07 (0.83)	-10.29 (0.77)	-3.61 (0.78)
	(nonlinear part)	-0.70 (0.82)	-30.74 (0.24)	14.74 (0.68)	-0.70 (0.40)	-27.52 (0.53)	33.25 (0.18)

Source: own calculations

For **Bulgaria**, the models obtained are the following:

Regime 1 (linear): Economic growth = 1.51*deficit + [4.52*Findev+14.29*GFCF+3.51*Inf+-0.02*Pop+1.48*Trade]

Regime 2 (non-linear): Economic growth = -2.11*deficit + [1.30*Findev+23.09*GFCF+-0.12*Inf+22.33*Pop+1.00*Trade]

For **Czechia**, the models obtained are the following:

Regime 1 (linear): Economic growth = 0.20*deficit + [1.30*Findev+23.09*GFCF+-0.12*Inf+-4.94*Pop+1.48*Trade]

Regime 2 (non-linear): Economic growth = -2.76*deficit + [1.31*Findev+-15.81*GFCF+-0.45*Inf+-5.19*Pop+27.10*Trade]

For **Hungary**, the models obtained are the following:

Regime 1 (linear): Economic growth = 0.26*deficit + [-2.67*Findev+16.48*GFCF+-0.15*Inf+-2.16*Pop+-0.38*Trade]

Regime 2 (non-linear): Economic growth = -0.75*deficit + [-6.93*Findev+1.64*GFCF+-0.09*Inf+-0.23*Pop+4.21*Trade]

For **Romania**, the models obtained are the following:

Regime 1 (linear): Economic growth = 0.19*deficit + [-5.32*Findev+21.45*GFCF+-0.07*Inf+-10.29*Pop+-3.61*Trade]

Regime 2 (non-linear): Economic growth = -0.75*deficit + [-30.74*Findev+14.74*GFCF+-0.70*Inf+-27.52*Pop+33.25*Trade]

In the table 4 we present Confidence Intervals for the studied models, and for the main component analyzed, the fiscal deficit, in detail: for Bulgaria it is between 0.13 and 2.89 (linear) and -3.91 and -0.31 (non-linear); for Czechia (between -1.20 and 1.61 for the linear model and between -8.42 and 2.90 for the non-linear model); for Hungary (between -0.81 and 1.33 for linear and between -2.36 and 0.85 for non-linear); for Romania (between -6.20 and 6.60 for linear and -8.79 and 7.28 for non-linear).

Table 4 Coefficient Confidence Intervals 95% CI

		Deficit		ln(financial development)		ln(GFCF)		ln(inflation)		ln(population)		ln(trade)	
		Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Bulgaria	(linear part)	0.13	2.89	5.41	12.44	-1.99	11.04	-0.01	0.01	-26.96	-1.62	-2.88	9.92
	(nonlinear part)	-3.91	-0.31	16.00	18.01	-34.92	1.08	0.312	1.87	-3.67	48.34	-11.19	13.20
Czech Republic	(linear part)	-1.20	1.61	-29.90	20.01	-32.30	78.49	-1.05	0.79	-22.75	12.85	-23.92	26.89
	(nonlinear part)	-8.42	2.90	-34.13	37.10	-118.57	86.95	-2.49	1.58	-32.04	21.64	-18.00	72.21
Hungary	(linear part)	-0.81	1.33	-13.82	8.47	-32.99	65.95	-1.84	1.53	-29.20	24.87	-64.16	63.38
	(nonlinear part)	-2.36	0.85	-21.05	7.18	-104.66	107.95	-1.77	1.58	-39.91	39.44	-67.76	76.18
Romania	(linear part)	-6.20	6.60	-30.41	19.77	-48.92	91.84	-0.92	0.77	-96.21	75.62	-34.75	27.52
	(nonlinear part)	-8.79	7.28	-88.74	27.26	-69.22	98.72	-2.62	1.22	-129.22	74.18	-20.82	87.32

Source: own calculations

In the table 5 the results for the general, non-linear analysis model are presented. For all countries there is a Threshold value, a low mass value in Bulgaria (2.12) and higher in the other countries, Hungary (3.37), Romania (4.11) and Czechia (4.33). The speed of adjustment of the model is also varied for the respective countries, being lower for Czechia (1.30) and Romania (1.65) and higher in Hungary (5.54) and Bulgaria (6.02). R-squared for all models is significant, showing that they are well specified.

Table 5 The results for the non-linear model

	Slope	Threshold	R-squared
Bulgaria	6.02	2.12	0.71

	(0.98)	(0.85)	
Czech Republic	1.30 (0.33)	4.33 (0.00)	0.64
Hungary	5.54 (0.99)	3.37 (0.98)	0.63
Romania	1.65 (0.54)	4.11 (0.01)	0.89

Source: own calculations

The results obtained in the present study are in agreement with those obtained in the specialized literature: the fiscal deficit negatively affects the economic growth. For the 4 Eastern European countries, there is a linear approach from economic growth to fiscal deficit, but by studying the nonlinear approach it is shown that it performs better, given that this relationship cannot remain economically linear throughout the period time. For the 4 countries, a threshold level is identified (Bulgaria, 2.12; Hungary, 3.37; Romania, 4.11; Czechia, 4.33), the linear model being generally positive and the nonlinear one negative. The fiscal deficit has the greatest influence on economic growth in Bulgaria and Czechia (negative, over 2%), and lower in Hungary and Romania (negative, over 0.70%).

CONCLUSION

This article contributes to the specialized literature by studying the relation of fiscal deficit to economic growth for 4 Eastern European countries: Bulgaria, Czechia, Hungary and Romania, between 1995-2019, taking into account the following macroeconomic variables: financial development, gross fixed capital formation, inflation, population and trade. For the respective countries, both linear and nonlinear models were analyzed, the latter proving better for explaining the phenomenon, each of the respective models having a threshold point.

The coefficients obtained for each model show that the fiscal deficit has a negative effect for all countries, being more pronounced in Bulgaria and Czechia, and weaker in Hungary and Romania. The modeling results show that for each country there is a threshold level (Bulgaria, 2.12; Hungary, 3.37; Romania, 4.11; Czechia, 4.33), a level above which the fiscal deficit negatively affects the economy. Based on these findings, it is assumed that the respective Eastern European states should properly adjust their deficits, either by reducing public spending or by increasing fiscal revenues, in order not to reach the situation of exceeding these critical thresholds.

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EFFECT OF TAXPAYERS' IDENTIFICATION NUMBER ON REVENUE GENERATION IN LAGOS STATE, NIGERIA

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Abstract: *The introduction of the Taxpayers' Identification Number (TIN) reform in Nigeria was geared towards enhancing tax administration and revenue generation. Therefore, this study examines the effect of taxpayers' identification number on revenue generation in Lagos state – the commercial nerve centre of Nigeria. Specifically, it investigates the contribution of TIN on internally generated revenue and the influence of TIN on tax compliance in Lagos state. The period under review spans from December 2010 to September 2015, which is divided into the pre-TIN period (December 2010-April 2013) and the post-TIN period (May 2013-September 2015). 300 questionnaires were distributed to randomly selected staffs of the Lagos Inland Revenue Service (LIRS), out of which 221 were properly filled and returned. Regression technique was used to analyse the data sourced through questionnaire. This study finds that TIN has a significant positive relationship with internally generated revenue and it has significantly contributed to tax compliance in Lagos State. The study thus concludes that TIN positively affected internally generated revenue in Lagos state for the period covered by the study. It recommends that government should improve tax extension and education services to make more people, especially at the grassroots level aware of how to pay tax, benefits of paying tax and the need to have a taxpayers' identification number among others as well as establish forensic tax investigation unit that would curb the excesses of leakages, corruption in tax system and tax defaulters.*

Keywords: *Taxpayers' Identification Number, Revenue generation, Tax administration, Internally Generated Revenue (IGR), tax system*

1. INTRODUCTION

Nigeria is abundantly endowed with crude oil and other natural resources. However the overdependence on proceeds from oil has limited revenue generation from non-oil sources. The oil boom period in Nigeria in the 1970s shifted the dependence of the government from internally generated revenue, most especially tax revenue, to oil

revenue. The recent downward turn in the price of crude oil has led to a drastic decline in the nation's revenue generation (Olaoye & Awe, 2018). It is therefore a desideratum for the government at all tiers to generate revenue internally. The commonest way for any government to generate revenue internally is through tax. Alabede, Ariffin and Idris (2010) noted that various tax reforms implemented by the Nigerian government to promote taxpayers' compliance and to increase tax revenue over the years have yielded little or no gain. Over the years, tax administration in Nigeria has been posed with issues and challenges ranging from non-identification, non-registration and non-compliance of taxpayers (Olaoye & Awe, 2018; Ezugwu & Agbaji, 2014). In order to address the problem of improper identification of tax base by the tiers of government and multiple taxation faced by taxpayers, the government introduced the Taxpayers Identification Number (TIN) in May, 2013.

Prior to the introduction of TIN, tax administration in Nigeria is a manual and uncoordinated process which created problems for tax authorities as well as taxpayers. However, TIN is an electronic process introduced to make tax administration less cumbersome. The TIN reform allows each taxpayer to possess a unique identification number. It is a collective and integrated system for taxpayer's identification throughout the country and would incorporate an electronic database meant for all registered taxpayers. According to Gurama, Mansor and Pantamee (2015), government introduced TIN to increase the revenue generation and reduce tax leakages to the barest minimum. Odusola (2006) is of the opinion that the tax administration in Lagos state is similar to what obtains in other parts of the country. The tax administration problems encountered in Lagos state are similar to those experienced in other states of the country. Lagos State and its tax administrators faced with challenges of coping with disorganized pattern and classes of taxpayers in term of tax collection especially informal sector (Odusola, 2006). This problem resulted to low revenue generation for the state. Generally, the total revenue collected is very low compare with the numbers of eligible taxpayers expected from the state (Odusola, 2006). The poor or low revenue generated could be traced to lack of documentation and registration (among other problems) of most informal sector carrying on business in the state. No adequate records on taxes collected from these set of business enterprises. It is noteworthy that there is need of empirical evidence on the impact of TIN on revenue generation in Nigeria, especially in Lagos state which is commercial nerve centre and ranks as the state with the largest tax base and internally generated revenue in Nigeria. Hence, this study examines the effect of taxpayers' identification number on revenue generation in Lagos state. Specifically, this study aims to:

- assess the contribution of TIN on internally generated revenue in Lagos State; and
- examine the influence of TIN on tax compliance in Lagos State.

2. LITERATURE REVIEW

2.1 Taxpayers' Identification Number

Taxpayers' identification number is a unique 14-digit sequential number issued to individuals or companies to identify them as registered taxpayers in Nigeria. It is an

electronic system initiated by the Joint Tax Board and Federal Inland Revenue Service (FIRS) (Olaoye & Awe, 2018). It provides a unique identification for a taxpayer as long as he/she is eligible to pay tax in Nigeria. This platform enhances taxpayers' registration and identification hence, bring more taxpayers into the government tax net, thus, minimizes common errors and mistakes associated with traditional manual registration (Olaoye & Awe, 2018).

2.1.2 Benefits of Taxpayers' Identification Number

The benefits of taxpayers' identification number in Nigeria as identified from studies such as Ayodeji (2014) and Gurama et al. (2015) are as follows:

- Minimising the cost and time needed for tax compliance from taxpayer by tax authorities;
- Having a single and effective taxpayer's data base for federal and state level;
- Expansion of tax system which is useful for national security and social planning purposes;
- A friendly tax system that is well coordinated and accessible to all stakeholders;
- Modernizes the efficient way of assessing and detecting taxpayer defaults and tax leakages;
- Increase voluntary compliance and discourage tax evasion.

2.1.3 Reasons for Registering for Taxpayers' Identification Number

Taxpayer's identification number is needed for various reasons in Nigeria. An individual or corporate entity is expected to have a taxpayers' identification number before the following activities can be performed. They include:

- Bank transactions;
- Government loans;
- Foreign exchange business;
- Registration of business name by the Corporate Affairs Commission;
- Award of contract;
- Confirmation / election to public offices;
- Registration as contractor.

2.1.4 Tax Reforms in Lagos State

There are several Tax reforms in Lagos state at different point in time. According to Asaolu and Dopemu (2015), some of the tax reforms implemented in Lagos State to increase revenue generation include:

- Tax Payer Education and Enlightenment: A Taxation Stakeholders Conference which involved the State's executive council, representatives of the Chambers of Commerce, professional groups, financial institutions, traditional rulers, trade and market associations was organised in 2007. The conference provided an avenue for the executive council to discuss with the various stakeholders on its expectation from them.

- Payment Process, Transparency and Convenience: The Lagos Inland Revenue Service (LIRS) continued its policy of making tax payment convenient. In partnership with collecting banks, taxes are paid directly into government coffers at any of the over 1,200 bank branches and automated receipts are issued immediately upon payment. The tax payer within 48 hours after payment, can pick up his Electronic Tax Card from the branch of the Bank where the tax payment was made.
- Self-Assessment System: The government also introduced self-assessment scheme in which an individual obtains the assessment form free of charge from LIRS offices and designated banks branches, assesses himself by reference to a table which shows various income brackets, the allowances and tax payable in respect of each and pay his tax at any of the over 1,200 bank branches and 36 LIRS Tax Stations across the State.
- Tax Payment closer to the People: In line with the State strategy of taking tax payment closer to the people, 40 mini tax offices were established and are in operation in the major markets across the State. Regular meetings are also held with market leaders to resolve issues and ensure compliance.

2.2 Theoretical Review

The theoretical review comprises of the tax compliance theory and ability to pay tax theory. The tax compliance theory suggests that tax compliance is the most effective way which government can use to increase revenue generation. It encourages tax authorities and taxpayers to desist from tax crimes. The main approaches to tax compliance are divided into the economic deterrence approach and the wider behavioural approach. The economic deterrence model has been commonly used to examine tax evasion and compliance from a theoretical perspective. Factors considered in the economic deterrence model include complexity of the tax system, level of revenue information services, withholding and information reporting, preparer responsibilities and penalties, probability of receiving audit coverage, progressive and actual level of tax rates and penalties for non-compliance. Jackson and Milliron (1986) argue that there is no general consensus on any one of these factors. The wider behavioural approach incorporates both social and fiscal psychological approaches. These approaches focus on psychological factors which include moral values and the perception of fairness of the tax system and the tax authorities.

One of the most common theories of how government should tax its citizens is the ability to pay tax. Kendrick (1939) suggests that the amount of tax to be paid by an individual should depend on the amount of money he/she earns. For instance, those who earn higher income are expected to pay higher tax and vice versa. This theory does not take into consideration the benefits derived by taxpayers from public goods and services. Most economists believe that income should be the criterion for measuring an individual's ability to pay. It appears very just and fair that if the income of a person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter.

2.3 Empirical Review

Enahoro and Jayeola (2012) examined the effectiveness of tax administration and revenue generation in Lagos State, Nigeria. A survey questionnaire of the tax administration was carried out to analyse the opinion of civil servants directly connected with tax administration in five Local government areas of Lagos State (Somulu, Mushin, Ikeja, Kosofe and Surulere). The Kendall measure was adopted and the study revealed that the tax administration in Lagos state is not totally efficient. Also, there is a significant relationship between tax administration, tax policies and tax laws. Adenugba and Ogechi (2013) examined the effect of internal revenue generation on infrastructural development in Lagos State. The result showed that there is a positive relationship between internally generated revenue and infrastructural development in Lagos state.

Ezugwu and Agbaji (2014) assessed the contribution of internal generated revenue (IGR) to the total tax revenue of Kogi State before the introduction of taxpayer identification number (2003-2007). Using Ordinary Least Squares regression technique, the study found out that IGR before TIN did not have significant impact on total tax revenue. It was concluded that IGR before the introduction of TIN did not contribute significantly to total tax revenue in Kogi State.

Asaolu and Dopemu (2015) assessed the impact of tax reforms on revenue generation in Lagos State of Nigeria using Time Series quarterly data between the period of 1999 and 2012, obtained from the records of Taxpayers' Statistics and the Revenue Status Report of Lagos State Internal Revenue Service (LIRS). Data collected were analysed using ordinary least square regression techniques (OLS). The study showed that Lagos State captured more people into the tax net as there was a continuous increase in taxpayers' cumulative growth (more than 20% each year); and found that the primary source of revenue generation in Lagos State was the internally generated revenue (IGR) in which tax revenue constituted about 80%. The result further revealed that there was a long run relationship between the tax reforms and revenue generated in Lagos State; thus, the tax reforms had positive and significant effect on the revenue structure of the State. The study concluded that tax reforms had significantly contributed to revenue generation in Lagos State. Olaoye and Awe (2018) examined taxpayers' identification number on revenue generation in Ekiti State covering the period 2006 to 2015. OLS was used to analysed the data gathered from secondary source. The result revealed that full adoption of taxpayers' identification number has a positive significant relationship with internal generated revenue of the state.

3. METHODOLOGY

3.1 Sample Period and Sample Size

The TIN program came into effect in May 2013, anchored by Joint Tax Board (JTB) and Federal Inland Revenue Service (FIRS). However, the period covered by this study for the purpose of the first objective is between December 2010 and September 2015. The pre-TIN period spans from December 2010 to April 2013 while the post-TIN period extends from May 2013 to September 2015. Monthly time series data was sourced

on internally generated revenue (IGR) of Lagos State from Lagos State Internal Revenue Service (LIRS). The choice of using monthly data rather than annual data was premised on the fact that the number of years of its adoption was short to use annual data. The primary data was administered and collected between September and December, 2015 for the purpose of second objective. Population of the study comprised an estimated 1,200 staff of the LIRS. Using the Yamane (1967) sample size determination formula, a sample consisting of 300 randomly selected LIRS staff was drawn.

3.2 Model Specification

The dependent variable in this study is revenue generation in Lagos State which is measured by the total amount of internally generated revenue from Lagos State Government. Taxpayer identification number (TIN) which is the independent variable is a dummy (indicator) variable. The model for this study is given below:

$$IGR_t = f(DUM_{TIN}, DUM_{NTIN})$$

$$IGR_t = \alpha + \beta_1 DUM_{TIN} + \beta_2 DUM_{NTIN} + \epsilon_t$$

To avoid dummy variable trap, $\beta_2 DUM_{NTIN}$ is being replaced by α and the model is re-stated as follows:

$$IGR_t = \alpha + \beta_1 DUM_{TIN} + \epsilon_t \dots\dots\dots (1)$$

Where DUM_{TIN} = dummy for TIN period taken to be 1 and 0 otherwise.

α = Average IGR collected in the pre-TIN period

β_1 = Influence of TIN introduction on IGR in Lagos State.

$TC_i = f(TIN_i)$

$$TC_i = \alpha + \beta_1 TIN_i + \epsilon_i \dots\dots\dots (2)$$

Where TC_i = Tax compliance for cross-sectional unit i

TIN_i = Taxpayers' identification number for cross-sectional unit i

ϵ_t = Random error terms, β_1 is expected to be positive and significant.

3.3 Method of Data Collection

Primary and Secondary data were used for this study. The primary data were collected from the targeted respondents through a structured questionnaire. The questionnaire was constructed using a five-point Likert scale. A total of three hundred (300) copies of questionnaire were administered out of which two hundred and twenty-one (221) were properly filled and returned. Secondary data was made up of monthly time series of internally generated revenue obtained from LIRS.

3.4 Method of Data Analysis

The data collected were analysed using both descriptive and inferential statistics. The descriptive method described the variables in the study using percentage and tables. Model 1 was estimated using least square dummy variable regression technique while ordered logistic regression method was employed in estimating Model 2.

3.5 Results and Discussion

Table 1 shows the descriptive features of internally generated revenue (IGR) generated in Lagos State in the period before and after the introduction of Taxpayers' Identification Number. According to the statistics, the average IGR in the pre-TIN period was N17, 532.48billion in 29 months while that of post-TIN period was N25, 177.34billion.

Table 1 Descriptive Statistics of IGR in Lagos State

Statistics	Pre-TIN period	Post-TIN period
Mean	17,532.48	25,177.34
Sum	508,441.80	730,142.80
Minimum	13,176.20	18,228.20
Maximum	21,284.40	32,512.00
Observations	29	29

Source: Salman et al., 2018: 8

This means that the average IGR recorded in the post-TIN period was 43.60% greater than that of the pre-TIN period. As clearly shown on the table, the minimum and maximum values of IGR in the post-TIN period were each higher than those obtained in the pre-TIN era.

Table 2 Effect of TIN on IGR in Lagos State

Variable	Coefficient	t-statistic	p-value
Constant	17532.47	28.80	0.000*
dumtinL	7644.867	8.88	0.000*
F-statistic(p-value) = 78.87(0.0000)* R2 = 0.5848			

Note: * denotes statistically significant at 1% significance level.

Source: Salman et al., 2018: 8

Table 2 shows the results of dummy regression analysis conducted to examine the effect of taxpayers' identification number (TIN) on revenue (RV) generation in Lagos State. The table indicates that the difference in the internally generated revenue (IGR) in the State between the period before TIN and period after TIN was N7, 644.867 billion in favour of post-TIN period. As a decision rule, the underlying null hypothesis of no significant difference would be rejected if the calculated probability value (p-value) of t-statistic were less than the significance level of 1%. In this regard, the null hypothesis was rejected since the p-value of 0.000 is less than the significance level of 1%. It is then

affirmed that the effect of TIN on IGR in Lagos State is statistically significant at 1%. The F-statistic of 78.87 shows the overall significance of the TIN model at 1% level of significance.

Table 3 shows that 83.7% of the respondents agreed that a harmonised electronic tax payer registration and identification system has been created which facilitates tax administration system in Lagos State, 13.6% were indifferent while a paltry 2.8% did not agree with the statement. With a mean value of 4.12, majority of the respondents expressed a high level of agreement with the statement. Similarly, the table reveals that enforcement of conditional clause like bank transactions, government contracts and government loans facility attached to TIN has been effective according to 92.8% of the respondents whereas 7.2% were undecided. Given a mean value of 4.86, it can be inferred that there is a high level of enforcement of the clause.

Table 3 Elements of Taxpayers’ Identification Number (TIN) policy

S/N	Operational Questions	SA (5)	A (4)	I (3)	D (2)	SD (1)	N	Mean
1.	A harmonized electronic tax payer registration and identification system has been created which would facilitate information sharing among tax authorities with the use of TIN.	70 (31.7)	115 (52.0)	30 (13.6)	5 (2.3)	1 (0.5)	221 (100)	4.12
6.	Enforcement of conditional clause like bank transactions, Government contracts and Government loans facility attached to TIN has been effective.	93 (42.1)	112 (50.7)	16 (7.2)	- -	- -	221 (100)	4.86

Source: Salman et al., 2018: 9

Table 4 shows the respondents perceptions of benefits accruing from the introduction of taxpayer’s identification in Lagos State. According to the table, introduction of TIN has contributed a lot to tax administration processes in Lagos State given the high level of agreement expressed by the respondents. Given a mean of 4.19, the table indicates that TIN programme helps provide efficient, effective and tax friendly system in the tax administration and collection. With an average point of 4.32, introduction of TIN has helped widen tax base in the sample State. Similarly, there has been a reduction in the cost of tax compliance in the light of mean point of 4.32. In addition, with a mean point of 4.32, TIN system has drastically reduced leakages in tax collection and corruption in tax system.

Table 4 Benefits of Introduction of TIN policy

S/N	Operational Questions	SA (5)	A (4)	I (3)	D (2)	SD (1)	N	Mean
2.	TIN program helps provide efficient, effective and tax friendly system in the tax administration and collection.	72 (32.6)	120 (54.3)	29 (13.1)	- -	- -	221 (100)	4.19
3.	Introduction of TIN program widens tax base in Lagos State.	85 (38.5)	122 (55.2)	14 (6.3)	- -	- -	221 (100)	4.32

4.	There has been a reduction in cost of tax compliance for tax authorities as it becomes easier for tax authorities to collate access and retrieve data.	85 (38.5)	122 (55.2)	14 (6.3)	- -	- -	221 (100)	4.32
5.	TIN system drastically reduces leakages in tax collection, eliminates corruption in tax system and enables tax authorities ascertain the actual tax paid.	93 (42.1)	112 (50.7)	16 (7.2)	- -	- -	221 (100)	4.35

Source: Salman et al., 2018: 10

Table 5 presents the respondents' extent of agreement with level of tax compliance in Lagos State. With mean points of 4.20, 4.17 and 4.17, it can be deduced that level of taxpayers' compliance has greatly increased in the State.

Table 5 Level of Taxpayers Compliance

S/N	Operational Questions	SA (5)	A (4)	I (3)	D (2)	SD (1)	N	Mean
7.	Improvement of tax payer identification and registration has brought more tax payers into the tax net.	72 (42.1)	121 (50.7)	28 (7.2)	- -	- -	221 (100)	4.20
8.	Tax payer identification number has influence on the tax compliance in Lagos State.	77 (34.8)	127 (57.5)	17 (7.7)	- -	- -	221 (100)	4.27
9.	Tax payer identification number has contributed to the internally generated revenue in Lagos State.	67 (30.3)	125 (56.6)	29 (13.1)	- -	- -	221 (100)	4.17

Source: Salman et al., 2018: 11

Table 6 shows the results of ordered logistic regression which was conducted to evaluate the influence of TIN introduction on taxpayers' compliance in Lagos State. The results indicate that taxpayers' compliance (TaxComp) has positive relationship with harmonized electronic taxpayers' registration and identification system (HETR), and conditional clause like bank transactions, Government contracts and Government loans facility attached to TIN (BCLC). Similarly, the probability of z-statistics ($P > z$) of 0.023 shows that the null hypothesis of the harmonized electronic tax payer registration and identification system has no significant effect on taxpayers' compliance in Lagos State is rejected at 5% level of significance while the p-value of 0.019 indicates the underlying hypothesis that conditional clause enforcement has no significant impact on taxpayers' compliance is also rejected at 5%.

Table 6 Influence of TIN on Tax Compliance

TaxComp	Coefficient	Std. Error	z-statistic	P>z	dy/dx
HETR	0.13996	0.07177	1.95	0.023	0.025
BCLC	0.42574	0.18172	2.34	0.019	0.047
Log likelihood	-213.422				
LR x2	8.95				
Prob. > chi2	0.0311				
Pseudo R2	0.3837				

Source: Salman et al., 2018: 11

In terms of marginal effect, the table reveals that there is a probability of 0.025% that taxpayers' compliance will increase if the electronic taxpayers' registration and identification system is improved by 1% provided that all other things being equal. Further, the likelihood that taxpayer's compliance would increase is 0.047% if the enforcement of conditional clause embedded in TIN is enhanced by 1% given that all other factors are held constant. Overall, the log likelihood value of -213.422 with p-value of 0.03 shows that the influence of TIN introduction on taxpayers' compliance in Lagos State is statistically significant at 5% level of significance. As a result, the null hypothesis that TIN introduction has no significant influence on taxpayers' compliance is hereby rejected.

4. CONCLUSION AND RECOMMENDATIONS

Taxpayers' identification number (TIN) had experienced steady progress since its introduction. Through the TIN, Lagos State had been able to capture more people into the tax net as there was continuous increase in taxpayers' registration exercise. The study reveals that taxpayers' compliance has positive relationship with harmonized electronic taxpayers' registration and identification system (HETR). Also, the study affirmed that the effect of TIN on IGR in Lagos State is statistically significant at 1% which was buttressed by t-statistic of 8.88 and F- statistic of 78.87. The study further investigated that TIN has reduced leakages in tax collection and corruption in tax system. Marginally, there is a probability of 0.025% that taxpayers' compliance will increase if the electronic taxpayers' registration and identification system is improved by 1% and the likelihood that taxpayer's compliance would increase is 0.047% if the enforcement of conditional clause embedded in TIN is enhanced by 1% given that all other factors are held constant. The following recommendations are suggested to further improve revenue generation in Lagos State:

- Government should improve tax extension and education services to make more people, especially at the grassroots level aware of how to pay tax, benefits of paying tax and the need to have a taxpayers' identification number among others.
- Government should establishing forensic tax investigation unit that would curb the excesses of leakages, corruption in tax system and tax defaulters.
- Government should impose stringent penalties on tax defaulters so as to reduce tax evasion.

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INFLUENCE OF BEHAVIOUAL BIAS ON INVESTMENT DECISIONS OF INDIVIDUAL INVESTORS IN DELHI NCR

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Abstract: *This paper identifies the behavioural bias of individual investors in Delhi NCR. Investment decision plays a significant role in one's life and it is affected by various factors, behavioural bias being one of the most important factor. It is a complex process. As far as risk is concerned, human behaviour has changed drastically over the time and an effort has been made to explore its effect on investment decision. A interview and well structured questionnaire will be distributed among 352 investors to know their behavioural bias score and its impact on investment decision.*

1. INTRODUCTION

Behavioural Finance as a discipline tries to explain and increase understanding regarding how the cognitive errors and emotions of investors influence the process of decision making. It is a study of individual and group emotions and the impact of thus behaviour on the financial market. People's perceptions of the market directly impact price movements and trends. e.g. 'Charm Prices helps to increase sale of a product. It is also necessary to focus upon how investors interpret and act on information to make informed investment decision. There is a need to study the individual and group emotions and the impact of their behaviour on the financial market. We are living in the Globalisation era, where finance plays a vital role. It is a valuable consideration for all significant decision making. Everyone knows the significance of saving. Investment involves proper channelizing of saving. The value of money also depreciates if it is not put to be invested; this is due to many factors such as value of money decreases with the passage of time. Money is the queen of all discoveries. Investment refers to the process of obtaining funds by building up operations or buying investment products such as stocks, bonds and annuities. The process of investment decision encapsulates identification of problem, search for alternatives, evaluation of various options and constructing a portfolio. "Decision making under risk and uncertainty is one of biggest topics discussed by both psychologist and economist" (Lowenstein et al 2001).

The modern theory of decision making relating to investment under risk and uncertainty is very complication. Presence and behaviour of anomalies continue to violate the fundamental behaviour of the financial markets which assumes that all investors are logical and behave rationally. It was suggested by the proponents of behavioural finance that while most of the biases will not be simultaneously present in all investors, however some or the other bias will be prevalent impacting the financial market in general.

Objectives:

- To study the investment pattern in India.
- To understand the behavioral biases of individual investor of Delhi NCR .
- To analysis the impact of behavioral bias on investment decision .

2. LITERATURE REVIEW

A review of literature consigns a research study in proper perspective by showing the quantity of work already carried out in the related area of the study. The purpose of this part is to understand the results of various studies already undertaken in the relevant field.

Byder,J, Agudelo, D.A & Arango I (2019) examines the way investors in an emerging market react to a domestic financial crisis. It was conjectured that risk aversion increases following such events. The paper described manner in which financial crisis affect risk preferences of investors in emerging markets.

Jacob Niyoyita Mahina, Willy Mutori, Memb & Florence (2017), Studied the effect of behavioural biases on investment in stock exchange. As per Kaur I and Kaushik (2016), Mutual fund in India is not a favourable investment alternative as in developed countries. As per Thaler R. (2016), A paradigm shift can happen due to the failure of orthodox ideas and policies or when new technology is introduced that radically alters the production process.Coffie William (2013), reveal the main issues of individual stock investors and examine whether there is any positive correlations between major stock investment strategies and behavioural finance theories.William N. Goetzmann and Alok Kumar (2008), Commented on diversified portfolio. Diversified choices of more than 60,000 individual investors were analyze at a large US discount brokerage house.Campbell John Y and John H. Cochrane (1999), Presented a consumption based model that explains the pro-cyclical variation of stock prices .Thaler R. (1985), framed a new model of consumer behaviour using a hybrid of cognitive psychology and micro economy.Kahneman D. and Trersky A. (1979), criticized the expected utility theory and an alternative model called prospect theory was developed. A prospect is a contract that yields outcome n , with probability P_i , where $P_1 + P_2 + \dots + P_n = 1$.

Sharpe W C (1964) predicts the behaviour of capital market in the absence of a body of positive micro-economic theory dealing with conditions of risk. Friedman M, and I J Sarage (1948) suggested that an important class of reactions of individuals to risk can be rationalized by a rather simple extension of orthodox utility analysis. He usually chooses certainty in preference to uncertainty.

Syed Aliya Zahera, Rohit Bansal (2018), the aim of the study was to understand and describe various biases in investment decision making – A new Era of understanding of human emotions, behaviour and sentiments has been started and the study had identified different types of biases. According to Ashby, N.J.s., Rakow, T & Yechiam, E (2017) Re-framing a certain zero option as an option to observe the results of other options without choosing would lead to increased selection of risky options rather than the zero option. Katherine D, Arbuthnott, Andrea Scerbe (2016) examined whether goal framing also influences decisions about public resources such as economic development. It was revealed that decisions bias associated with goal framings applies to decisions

about public as well as personal resources. Results also indicated loss aversion higher ratings when losses associated with failing to adapt development were emphasized. Eyal Ert, Ido Erev (2013) highlighted the six specific conditions that trigger the pattern predicted by the loss assertion. It was also suggested that the contingent nature of loss aversion should be considered in the analysis of field data. Benjamin E. Hilbig (2012), proposed a multinomial processing tree model to distinguish between differences in (i) knowledge or (ii) response bias that accounts for the framing effect. Application of model revealed that the effect of framing can be considered as a bias: Given insufficient knowledge, individuals are more likely to guess “tree” when faced with a negatively framed statistical statement. More Van Buiten, Gideon Keren (2009), examined preferred message framing of and its correspondence persuasiveness was assessed with the help of listeners responses. The results revealed that speakers exhibit a marked and consistent preference for positive framing over negative. Born, J and J.C. Hershey (1988), explored the evidence of outcome bias in an economic game experiment consisting of two player where reward allocated was to be made.

Atkars M, Evangelos N, Davur R. S. Kulkarni (2019), investigated Six cognitive biases resulting from the use of the representativeness Heuristics less than 50% of the respondents made biased decisions. Results showed that in all six scenarios. Magdalena Mikolajek- Gocejna (2017), studied Complexity of capital market causes that people use heuristics, it also explains the reasons for the market to act in an irrational manner. Anomalies in economic theory lead to the formation of behavioural finance.

Montibeller G, Detlof von Fedt Winterfeldt (2015), identified the cognitive and motivational biases that are relevant for decision and risk Analysis. Peer E. Gammeli (2012), found that The participants used the percentage heuristic more often, perhaps because it predicated linearly, increasing values of time small when speed is increased. As per Jordi Caballe, Kobsef Szekovics (2003), Two components of self confidence in a financial market were distinctive private self confidence measures the self confidence of speculators, while public self confidence measures the self confidence, they attribute to their competitors. A model of trading was presented where the underlying beliefs are not different.

3. RESEARCH METHODOLOGY

The research primarily descriptive in nature and qualitative in approach. The research will use make use of various methods like questionnaire, interview with expert and information available on the sites of various stock exchange in India. Random sampling method will be used. Sekaran (2003) stated that personally administer the questionnaire is a good choice when conducting the survey in a local area. The data for the study will also be collected from the site of stock exchange.

Delhi NCR (National Capital Region) has been selected as study area. Random Sampling was selected for the study, the findings reported are based on a survey that was developed and tested over a period of six months (April 2019 – September 2019). The sample size for the final study consists of 352 respondents

4. CONCEPTUAL FRAMEWORK

Economic Approach to Investor Behaviour

In economic theory of investment decision making, the investment decision of the individual investor is treated as a macroeconomic aggregate and intertemporal wealth criteria while making a choice between consumption and investment through time. The theory assumes rational behaviour of investor. The theory of expected utility was introduced by Bernoulli, D in 1738. The expected utility is calculated by adding the weighted average of all possible outcomes with the weights being assigned by probability under certain situation. Traditional finance has dominance in the market. The body of knowledge was built on the of pillars of arbitrage principles of Miller and Modigliani, the portfolio principal of Markowitz, capital assets pricing model (CAPM) of William Sharpe, Linter and Black and option pricing model of Black and Scholes, and Merton (Statman, 1999).

Arbitrage principle of Miller and Modigliani (1958)

According to the theory, a company can attain an optimum capital structure consisting of a mixture of debt and equity. The company can gain from this mixture due to its ability to minimize its weighted average cost of capital, thereby maximizing its market value. By purchasing and assets at a lower price in one market and selling it immediately at higher price in the other market, the investor can make an arbitrage gain.

Portfolio Principles of Harry M. Markowitz (1952, 1959)

Harry M. Markowitz developed a model which is theoretical framework for analysis of risk and return and their inter-relationships. It has been created with introduction of new concepts of risk measurement and their application to the selection of portfolios.

Mean-Variance Portfolio Theory

According to Markowitz mean - variance portfolio theory, rate of return on assets is modeled as random variable. The aim of investor is to choose the portfolio weighting factors optimally. An optimal set of weights is one in where the portfolio achieves an acceptable baseline i.e expected rate of return with minimum volatility.

Capital assets pricing model by William Sharpe (1964) and Linter (1965)

The model is useful for determining a theoretically appropriate required rate of return of an asset, which aids in decision making regarding adding assets to a well-diversified portfolio. CAPM developed a way to measure systematic risk.

Option pricing theory

It is primarily a mathematical model, use that makes use of variables like stock price, exercise price, volatility, interest rate and expiration time to theoretically value an option. Black-Scholes-Merton model was the first model, which was widely used for option pricing.

Capital Market Efficiency

Capital Market efficiency is a measure of how quickly and completely the price of a single asset reflects all available information regarding the asset's value.

Criticism

Accordingly to these standard finances theories, people value wealth, investors act rationally while making financial decisions and investors would like to maximize their expected utility. Kahneman and Tversky (1971, 1979) and Slovic (1972) had challenged the rationality assumption and served the foundation for behaviour finance theories.

Behavioural Finance

Behavioural Finance is thus, a combination of behavioural and cognitive psychological theory with conventional economics and finances. It is a sub field of behavioural economics, which proposes psychology based theories to explain stock market anomalies, such as, service rise or falls in stock price. It focuses upon how investors interpret and act on information to make informed investment decision. It was also found that either market was not as efficient as once purported or that the assets during models were inadequate.

According to Pompian (2006), behavioural finance has two sub topics – Behavioural Finance Micro – It analysis behaviour or biases of individual investors that distinguish them from the rational actors envisioned in classical economic theory. Behavioural Finance Macro – It detects and describes anomalies in efficient market hypothesis that behavioural model may explain.

5. TYPES OF BIASES

Frame Dependent Biases: Framing is the way in which a question is structured with regard to the issue being evaluated. It implies how a concept is presented to individual matters

Prospect Theory. As per Tversky and Kahneman (1981). “Prospect theory and the scales should be viewed as an approximate, incomplete and simplified description of the evaluation of risky prospect.

Loss Aversion. Kahneman and Tversky (1979) explained the degree to which investors are averse to taking losses. According to it, the impact of loss is 2-5 times more than the impact of gains of the same magnitude.

Mental accounting. Mental Accounting was proposal by Richard Thaler. It describes the tendency of people to place particular events into different mental accounts based on superficial attributes, for example, some people keep a special “Money jar” or similar fund set aside for a vacation on a new home while at the same time corresponding substantial credit card debt. For example, some people keep a special “Money jar” or similar fund set aside for a vacation on a new home while at the same time corresponding substantial credit card debt.

Disposition Effect. It relates to the tendency of investors to sell assets that have increased in value, while keeping assets that have dropped in value.

Cognitive Dissonance. With regard to investment decisions, cognitive dissonance can be regarded as pain of regret stemming from wrong beliefs.

Regret Aversion. Regret averse people may fear the consequence of both errors of omission (e.g. not brought the right investment property) and commission (e.g. buying the wrong investment property) (Seiler et al, 2008).

Heuristics and Biases: The term “heuristics” is a way of teaching by encouraging students to learn through doing and discovery things themselves rather than telling them about thing. It widely consists of Representatives. The representative`s heuristics is commonly used while making judgements concerning the probability of an incident under uncertainty. According to Kahneman and Riepe (1998), “The Human mind is a pattern seeking device and is strongly biased to adopt the hypothesis that a casual factor is at work behind any notable sequence of events.

Overconfidence. Overconfidence can lead an investor to experience issues as he may not prepare properly for a scenario or may get into a dangerous situation that he’s not equipped to handle. Investors may not be aware that the available information is not adequate to develop an accurate forecast in uncertain situations and hence, can enter in a risky investment.

Availability bias. The availability bias is the tendency of humans to assume the examples of things that come readily to mind i.e without any delay are more representative than is actually. It hampers critical thinking. It ignores any defected study of past events and thereby become biased to the latest news because of this bias, our perceptions of risk may be in error and we might wrong about the wrong risk.

Anchoring. Anchoring is a cognitive bias. It occurs when, during decision making, an individual relies on an initial piece of information to make subsequent judgements .

Endowment Effect. Endowment effect implies the finding that people are more likely to retain an object they own than acquire that some object when they do not own it. For example – People who inherit shares of stock from deceased relatives exhibit the endowment effect by refusing to divert those shares, even if they do not fit with that individual’s risk tolerance or investment goal and may neglect impact of portfolio’s diversification.

Conservatism. In cognitive psychology and decision Science, Conservatism bias is a bias in human information processing, which refers to the tendency to revise ones belief insufficiently when presented with new evidence. People prefer to stay on the things have normally been.

6. ANALYSIS AND INTERPRETATION

It can be observed that majority of respondents were male (81.818%) and were married (83.806%). Majority of respondents were below 30 years of age constituting 53.409%. Most of the respondents were well qualified. 24.715% of them are doctorate, 39.488% postgraduates, 30.397% graduates, while only 5.397% are below graduation.

Most of the respondents belong to middle income class constituting 57.95% of the population.

Table 1.2 Behavioral bias of Investors

Question no	10	11	12	13	14
Not at all	19	43	6	20	3
Not too much	26	105	67	77	26
somewhat	113	138	140	170	44
highly	148	43	115	62	117
extremely	46	23	24	23	162
Total	352	352	352	352	352

Question 10 measures herd bias, majority of them are highly biased and question 11 measures overconfidence bias, majority of investors are somewhat biased (39.204%). Question 12 and Question 13 measures availability bias and mental accounting respectively and majority of investors are somewhat biased.

ANOVA

ANOVA test is used to find the influence behavioral bias of the respondents on their investment decision.

Hypothesis

H0: There is no significant difference between behavioral bias of the respondents and its influence on their investment decision.

H1: There is a significant difference between behavioral bias of the respondents and its influence on their investment decision

Decision criteria

Reject the null hypothesis (H0) if the level of significance is less than 5%.

Table 1.3 Results of one way ANOVA

Sl no	name of bias	F value	level of significance	result
1	Herd bias	11.84	0	significant
2	Overconfidence	11.84	0	significant
3	Availability bias	9.76	0	significant
4	Mental accounting	9.413	0	significant
5	Regret aversion	6.533	0	significant

Source: SPSS Output

7. RESULTS

According to one way ANOVA, there is a significant relation between investment decision and behavioral bias of the respondents i.e. herd bias, overconfidence, availability bias, mental accounting and regret aversion.

8. CONCLUSION

This research paper is an attempt to study the influence of behavioral bias of individual investors in Delhi NCR. Psychology plays a significant role in determining investment behaviour. Hence, the understanding of behavioural bias is important. It was found that on average, all the investors are influenced by behavioural bias to a large extent. Behavioral bias has a significant impact on decision making. It is due to this effect that they avoid taking risk and prefer to invest their money in less risky avenues. Hence, it can be concluded that Awareness and knowledge of various financial products has changed the perception of investors. It was found that there is a significant relation between investment decision and behavioral bias of the respondents i.e. herd bias, availability bias, overconfidence, mental accounting and regret aversion.

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LAW

INTELLECTUAL AWARENESS IN JUDEX JURIS CONTRADICTION AGAINST THE IRREGULARITY OF IUS CONSTITUTUM AND IUS CONSTITUENDUM

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Abstract: *This research will unmask the essence of a more comprehensive legal context by reviewing a Supreme Court (MA) ruling, Cassation Decision Number 1555 K/PID.SUS / 2019. The verdict is contradicted by ius contitutum and ius constituendum. The case that appealed against the alleged corruption with the issuance of the issuance of the BLBI Declaration Letter to the Indonesian National Trade Bank conducted by Syafruddin Arsyad Temenggung was acquitted by the judges of the Supreme Court, who had previously been sentenced to a high court criminal sentence of 13 years in prison and a fine of Rp. 700 million and 3-month confinement, which later sentenced Syafruddin to be increased to 15 years in prison and a fine of Rp.1 billion with 3 months subsidiary confinement on appeal. This research is classified as normative legal research, by inventorying primary and secondary legal materials as well as approaching legal concepts which are then drawn conclusions and presented theoretically. In this study it is more interesting that the Supreme Court judges are more likely to protect public officials from the bondage of the law.*

Keywords: *Supreme Court, Bank Indonesia Liquidity Assistance, Contradiction, ius contitutum, ius constituendum.*

1. INTRODUCTION

The rule of law as a discipline of rules or rules has a general nature and tends to be normative. In the Dutch legal literature, law is called "objectief recht" and in Dutch legal language it is also divided into two, namely "objectief recht" which means law and "subjectief recht" which means rights and obligations. (W, 2014) Thomas Hobbes sees law as a basic need for individual security. (Bernard L. Tanya, 2013) Is this the case, special attention to ethics in the court of first instance, appeal, cassation feels increasingly relevant and urgent to be able to achieve a legal system that can provide security for each individual. There, it is not only the fate of one's "prisoner" humanity at stake. But also, the quality of humanity of a law enforcer is at stake. (M. Sholehuddin, 2014) That is because in carrying out and obeying the rules of legal discipline as an important matter to note. Fundamentally the norms and rules of law that form the basis for the fate and the spirit of the law itself, the community, law enforcement officers, prosecutors, judges,

lawyers and the government itself must understand the legal domains that act as instruments of the path of good.

The occurrence of ethical irregularities in the trial of the legal method which includes exceptions and fraud. Against fraud, legal actions can be held 1) Juridical, which includes (a) civil action; (b) criminal action; (c) enforcement of the state administration; (d) enforcement of the state system; 2) Extra-juridical, as stated by supporters of the theory of "social defense" which states, that in certain incidents of misappropriation the community is guilty. (Soerjono Soekanto, no date) It is clear that in the deviation of the rule of law a claim can be held in accordance with the applicable legal domain. In the struggle law enforcement, the court arena is certainly not as easy as understanding the study of existing theories, it is far more severe than its application which is still colored by cheating in bribery, playing political law, bargaining over decisions with a number of enforcers law, etc. Of course all of that is considered bad for the image of the law itself in the eyes of the public so far.

In 2019 a contradiction in the *Judex juris* (appeal) Decision issued by the Supreme Court, the Cassation Decision numbered 1555 K / PID.SUS / 2019 dated July 9, 2019 was decided by the Panel of Justices chaired by Salman Luthan and consisted of Supreme Court Judge Syamsul Rakan Chaniago and Mohamad Aski. (Aida Mardatillah, 2019) Being a concern of academics and legal practitioners who had previously been convicted of this case by the Corruption Court, chaired by a panel of judges Yanto, with a sentence of 13 years imprisonment and a fine of Rp. 700 million and 3 months confinement confinement. Not stopping there then on January 2, 2019, Syafruddin's sentence was increased to 15 years in prison and a fine of Rp. 1 billion with a 3-month confinement in appeals.

The contradiction of dissenting opinion begins to be seen with the judges' decision at the *judex facti* level, each of which has a different perspective, meaning that this decision is still not fully ended in the first level verdict, it can be seen from one of the panel of judges who wants an effort to submit an appeal. . Not only that, interestingly the contradiction in seeing this case from legal experts considers that this case is not a criminal act of corruption, but in the scope of civil law, some also say that this case falls within the scope of state administrative law.

When viewed from the standpoint of the legal system schematically, three different systems of law enforcement can be distinguished, namely: the system of civil law enforcement, the criminal law system, and the administrative law enforcement system. (Sudarto, 2006) In line with that, there is a series of sanction systems that have a different scope for both civil law, criminal sanction systems and administrative legal sanctions (state administration) systems. Of the three legal systems, each of which is supported and implemented by a state apparatus or law enforcement apparatus that has its own rules and domains.

The problem that is currently faced by us, especially with academics, researchers and legal practitioners, is that ironically a verdict handed down by a judge, why is that? A ruling without regard to justice, is the same as eliminating the human future and legal image. Even more than that can cause greater chaos. Hugo de Groot, a Dutch philosopher once warned that "*vbi iudicia devicivnt incipit bellvm*", meaning "when a ruling does not

provide justice, then the war begins. (Tumpa, 2015) To collaborate this statement, this section is ideal to be studied more deeply, so that the discussion can focus on the independence of judicial power can be seen and felt more comprehensively.

In a paternalistic culture, a judge can become "uncomfortable" and "feel uncivilized" if he has to defeat the government or his officials in a case. (MD, 2017) Meaning: judges domiciled as public servants find it difficult to be neutral and independent in cases involving the government as one of the parties. This is marked by the existence of a paternalistic culture that is familiar with the term understand fatherhood.

2. MATERIALS AND METHODS

To note that in the literature of jurisprudence approach to problems is determined and limited by the scientific traditions that developed in this era. This research is a normative legal research carried out by examining various legal literature review materials (commonly called secondary data). The approach taken in this research is normative (dogmatic) including the approaching statutory or legislation-regulation approach, conceptual approach, history approach, and comparative approach. The conceptual approach is carried out by examining the overall legal framework that applies to be reflected and theoretically argued based on the basic concepts of law. To complement the above approach, it can also be used to study non-legal science. (Prasetijo Rijadi, 2017)

3. RESULTS AND DISCUSSION

a. Economic Policy Instruments

In the economy there is a strong correlation between economic growth and inflation. High growth is usually accompanied by high inflation. Conversely, low inflation growth is followed by low inflation. This shows the trade-off between economic growth and inflation, and this relationship is often illustrated through the Philips Curve.

1) Fiscal policy

Fiscal policy is an instrument owned by the government to influence and control the economy by regulating government spending, regulating the amount of subsidies given to the public, or by regulating the amount of tax imposed on society. This can occur because physical policies affect various economic activities in society related to the allocation of various resources between the public and private sectors which greatly affect the stability and economic growth.

2) Fiscal Policy Implementation

Physical policies are implemented by the government directly at various levels of government consisting of provincial, district / city governments, as well as through various public business entities at every level of government. On the

demand side, physical policies can encourage economic growth through a "pump priming" policy that encourages public consumption through the "multiplier" effect, which through the "accelerator" effect can drain investment spending from the business world.

The general conclusion of the description is that in the implementation of physical policies which are basically "counter-cyclical", it is necessary to have a variety of rules that are transparent and avoid the implementation of "discretionary" policies. The implementation of physical policies based on "rules" will reduce the direction of uncertain policies so that the business climate that is less conducive due to uncertain policies can be corrected immediately.

Some rules that need to be considered so that the implementation of fiscal policy is always transparent, disciplined and prudential are as follows:

- a. Revenue follows functions. An illustration of this rule if applied in reverse is if the regional government which has been autonomous in advance demands an increase in revenue without being able to clearly define what tasks will be carried out.
- b. Fiscal sustainability. To assess this sustainability, the rule that applies is: growth in the ratio of the country's debt stock to GDP is set in such a way as to achieve maintenance of low nominal interest rates and low inflation rates (or low real interest rates) along with high GDP growth.
- c. Tax productivity. Taxation system that has high revenue productivity. This rule is known as the Tanzi Diagnostic Test. A taxation system must be structured in such a way that it has a high index number for the following: a) Concentration Index; b) Dispersion Index; c) Erosion Index; d) Collection Delay Index; e) Objectivity Index; f) Enforcement Index; g) Collection Fee Index;
- d. Tax elasticity. Types of taxes that are elastic, in the sense that the taxation system should have types of taxes whose growth is higher than GDP growth (tax elasticity of more than one GDP).
- e. High tax buoyancy. In this taxation system there can be an increase in tax revenue due to the improvement of tax administration in spite of an increase due to GDP growth.
- f. Balance. A balance must be maintained between state expenditures that are routine (current expenditures) with expenditures for investment (capital expenditures). The proportion of routine expenditure will sacrifice the state's function to provide development infrastructure so that it can increase business overhead costs, which in turn will weaken the ability of the economy to grow.

b. State / Regional Owned Enterprises Management Principles

In order for BUMN / D to be able to cultivate profits and continue to exist, and to be able to maintain its social presence and function, the BUMN / D manager must prioritize and apply the principles of good corporate governance, such as: 1) Accountable; 2) Transparent; 3) Competent; 4) Competitive; 5) Building a corporate

culture both internal and external; 6) away from unhealthy practices; 7) Independent. (Negara, 2003)

c. Justice Theory

The issue of justice, is not a new problem that was later discussed by experts, but furthermore the discussion about justice has begun since the time of Aristoteles until now. Aristoteles also divides justice into two types, namely:

- 1) Distributive justice;
- 2) Corrective justice;

Distributive justice is carried out in distributing honor, prosperity, and other assets that are considered important and can be distributed to the community and its worshipers equally or unevenly by the legislator. The principle of distributive justice places more emphasis on proportional equality.

Corrective justice, is justice that provides corrective principles in private transactions. Corrective justice is carried out by a judge in resolving disputes and providing penalties for the perpetrators of crime. (H. Salim HS, 2017) So in the role of a judge deciding a case, more emphasis is placed on corrective justice that is based on the independence of a judge's freedom in finding law that is equivalent to the form of crime committed by a criminal irrespective of that the judge's decision must be able to provide legal certainty and not neglect the rights of the accused.

d. Legal ideal

To realize the aspired law enforcement (*ius constituendum*), the judge in examining, adjudicating, and deciding a case is protected and given free and free power by the state from various interventions from any party even in the form of any intervention, as a manifestation of guarantees and ensure the impartiality of a judge except the priority of law and justice for the implementation of the rule of law in Indonesia. (Maggalatung, 2014) Can be found in Article 24 of the 1945 Constitution concerning Judicial Power. Although it is still found in practice there is a general tendency (mainstream) of judges to follow the legal positivism mindset and it is still rare to find judges who follow non-positivistic ways of thinking in deciding cases. (Syamsudin, 2011) So in that context, the legal system is needed to make a positive contribution in delivering the dynamics of a nation's legal system towards the renewal of a legal product by adjusting the changing times.

The embodiment of *Ius Constituendum* includes three things: First, reform the old law into a new law. Second, legal changes to the applicable law. Third, the formation of law. Change the old law into new law, especially when it is cooled down by all the people of Indonesia. Whereas legal changes are made by always reviewing positive laws / laws and regulations in force. The formation of law occurs when legal experts, lawyers, judges, legislators, or law teachers can understand and describe precisely the positive law itself (*Ius Constitutum*). Through legal discovery (*rechtsvinding*) the judge can also play a role in efforts to realize the *Ius Constituendum*.

Satjipto Rahardjo in "Teaching Order to Find Disorder" (Teaching Order Finding Disorder) states that the type of law arises and changes from time to time. Who's positive law or lawyer's occupy only one small corner of the map in the whole and large order. Next Soeharjo Sastrosoehardjo stated that the process of the *Ius Constitutum* (positive law) to become *Ius Constituendum* must be comprehensive, both its institutions, institutions, and their implementation / implementation. (Maemoenah, 2003)

e. Difference between *Lijdelijke Rol* and *Leidende Rol*

With *lijdelijke roll* the judge only accepts and gives decisions based on what is recognized or not and is proven or not by the parties who carry out an active role. *Leidende roll* rather than the judge who acts to lead the judicial process is the basis of H.I.R in criminal and civil cases. Closely related to the difference in the role of the judge is the difference in understanding "*materiele waarheid*" and "*formele waarheid*" although it can be said that the two differences are in pairs "*lijdelijke rol: formele waarheid*" and "*leidende rol: materiele waarheid*". The judge found the law to fill the void by using analytical thinking methods, legal constriction methods and a *contrario* method. (Hidayat, 2013)

Based on the history of the recruitment mechanism of justices there is still no one that can guarantee that the justices are truly reliable and satisfying. In the first system, the Chief Justice is proposed by the Supreme Court to the President. Although the quality of Supreme Court justices is quite good, there are weaknesses that lie in the mechanism, namely judges known by the Supreme Court who can be captured. The second system, the Supreme Court proposed by the Supreme Court to the DPR, the weakness lies in the very high political nuance. The interests of political parties are sometimes very prominent. The third system, the same as the second system, political approach has more role than individual ability. The fourth system, namely the Judicial Commission proposes to the DPR then the DPR continues to the President. If the candidate is rejected by the House of Representatives, it will give more power to the Judicial Commission and thus require more supervision of Judicial Commission. What will be the result, history will speak. (Binsar M. Gultom, 2014)

f. Upholding of the Eetic Code of Conduct and Judge Guidelines

Various kinds of legal regulations that normatively regulate the entire judicial process which in the end is still very difficult to overcome judicial corruption. According to the International commission of Jurists, Judicial corruption is the highest type of corruption because it destroys part of the pillars of a democratic government. (Hormati, 2017) That is because the markers in the courtroom are still fertile, especially in the integrity of a judge who is seen as a representative of God in determining one's fate so that the need for upholding KEPPH is still a discussion that is still ideal for researchers, academics, and the community at large. Although there is an institution that oversees the behavior of judges, namely the Judicial Commission, it is still not enough without self-awareness for a judge who carries out his duties and responsibilities.

What was revealed by Lord Denning, it appears that to achieve justice is a matter of quality from a judge who decides and is very decisive. In criminal law, the achievement of obtaining a fair verdict requires a long struggle and a process, namely through the legal process. In the process the essence that will be achieved is to find material truth, which is a legal basis in the imposition of criminal sanctions for the achievement of a sense of justice. A fair decision can be obtained if it is handled by a judge who not only has a high personality / scientific integrity, but must also be based on the soul of ahlakul karimah. But we also need to realize that in this world there is no essential justice (only belongs to God), but rather relative justice/relative. (Indonesia, 2014)

g. Analysis of Case Verdict and Position

For the Judicial Commission, the judge's decision is not just a string of words and sentences that summarizes the process of examining, adjudicating and deciding a case, but also a picture of the personal quality, the quality of the assembly, and the quality of the trial process itself. Judges' decisions are living documents that can talk and explain many things, which can be interpreted with various interpretations. The verdict illustrates the legal paradigm, commitment, impartiality of the judge, accuracy, accuracy; it even illustrates the struggle of the humanity of the judge as a court in a case. (Komisi Yudisial Republik Indonesia, 2014) It is very clear what was conveyed by the Judicial Commission that the entire set of criminal, civil, and administrative cases of judges play a vital role as a determinant of one's fate.

1) Brief Chronology of Case Position

Decision of the Supreme Court No.1555 / K / PID.SUS / 2019 who released Syafruddin Arsyad Temenggung as the Head of IBRA (Indonesian Bank Restructuring Agency). It was the main legal consideration that stood out from the Supreme Court when granting Syafruddin Arsyad Temenggung's appeal because of the issuance of the BLBI Payment Certificate (SKL) to the Indonesian National Trade Bank (BDNI) owned by Sjamsul Nursalim which was qualified as administrative or civil error because the settlement could not be resolved. done with criminal punishment. Based on the decision, it is felt that there are many irregularities which become the main attraction to be studied more deeply in the scientific space to be described more comprehensively.

(1) Judex Facti Perspective

The perspective illustrates that the consideration of the Supreme Court which states that judex factie does not consider the aspects of emergency and occasional demand that encourage the chronology of the birth and formation of IBRA as delegated legislation based on Article 37A of Law No. 10 of 1998, which then has reason to be accepted as one of the solutions that cannot be avoided by the Government to solve the BLBI problem.

(2) *Judex Juris's perspective*

That the *judex juris* consideration above is seen from the value (value) wanting to place criminal sanctions as a final instrument (*ultimum remedium*) and not vice versa (*premium remedium*). In terms of utility, the *judex juris* consideration provides legal protection to public officials whose duty is to carry out banking economic recovery to take concrete steps that are urgent so that the monetary crisis does not penetrate into other economic pillars. (Isman, 2019) The Supreme Court believes that the legal policy model through banking restructuring from the perspective of positive claims is an efficient policy so it should be maintained as a basis for all parties related to IBRA to comply with.

4. CONCLUSIONS

That the position of a judge is aware in deciding a case is a determination of one's fate in showing the legal authority itself, and in teaching order to better understand the complex legal reality of the embodiment of *ius constitutum* and *ius constituendum*. The judge's reasoning in finding the law is demanded to be able to create a balance between the act and the punishment. The jurisprudence that should be the source of reference for the next judges in deciding a case will be a path that misleads the next judges when in a ruling not in accordance with current law will also be far from the law that has been aspired so far.

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THE SIMPLIFICATION OF UPSTREAM OIL AND GAS BUSINESS LICENSE IN INDONESIA

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Abstract: *Oil and Gas is natural resources in Indonesia which is the business related to is regulated in Law Number 22 of 2001 about Oil and Gas. There are two kinds of business related to oil and gas that are upstream and downstream. In upstream oil and gas business, there still a lot problem faced by the government and the enterprises. Thus, it is needed simplification license for upstream oil and gas in order to increase investment which will lead into effective and efficient public services. Normative law here is applied as method to analyse the regulations related to oil and gas industry license. Furthermore, the approach used here are statute approach and conceptual approach. The results reveal that the Licensing for Utilization of Resources and/or Infrastructure of Upstream Oil and Gas Business does not yet have a synchronization of authority in the issuance of these licenses. In order to obtain effective and efficient upstream oil and gas business licensing services, it is necessary to synchronize and harmonize regulations and it is need a one-stop licensing service as referred to the Presidential Regulation Number 97 of 2014 concerning Implementation of One Stop Integrated Services.*

Keywords: *Indonesian law, license simplification, oil and gas business, upstream oil and gas.*

1. INTRODUCTION

Natural resource has strategic position in promoting the public's welfare, so therefore it needs to be well-managed and used for prosperity. It is in line with Article 33 verse (3) Republic Indonesia Constitution 1945 stated that "Earth, water, and natural wealthy are overpowered by the state and thus used for society prosperity." The right to manage earth, water and natural resource means that the state has authority to regulate legal relation between legal subject and the natural resources based on Article 2 Constitution Number 5 of 1960 about Basic Rules of Agrarian Principles (Later known as UUPA or Constitution of Agrarian Principles).

Natural resources contained in the earth include minerals and coal, geothermal, oil and gas are regulated in the Constitution Number 22 of 2001 about Oil and Gas (later known as Constitution Number 22 of 2001). The regulation regarding with oil and gas industry is divided into upstream and downstream. The industry activity for upstream oil and gas is divided into two, namely exploration and exploitation. Exploration is the way

to obtain information about geological condition. Also, to obtain how much the oil and gas supply in the work area determined. Afterwards, exploitation is the way to produce oil and gas in the work area determined. The exploitation process are including drilling and completion of wells, construction of transportation, storage and processing facilities for the separation and refining of Oil and Gas.

In the implementation of upstream oil and gas industry, hence it is need legal instrument in a form of license. The license is such requirement for the owner of industry and as control instrument for each of activities in upstream oil and gas. However, the license regulation in upstream oil and gas industry are still overlapping and thus it becomes a challenge that should be overcome by the government and industry players. The Ministry of Energy and Mineral Resource, since January 2018, has been performed series of simplification steps for regulation and license. On the February 5th, 2018, the government has revoked 32 regulations in which 11 regulations exist in the sub sector oil and gas. Further, the simplification of oil and gas regulation from 7 regulations becomes 6 regulations.

Several efforts in simplification of oil and gas industry license regulation isperformed by the government to improve investment climate and to implement effective and efficient public service. It is in accordance with the government task to serve the resident in fulfilling the right and basic need for public service through license. In the license system contains of several purposes license, including:

- a. Controlling certain activities
- b. Preventing the harm for environment
- c. Willing to protect certain objects
- d. Willing to divide little things
- e. Briefing and selecting certain people and activities (Spelt & Berge, 1993).

According to the note of Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas), the exploration and exploitation of upstream oil and gas should be following 341 licenses process which involving at least 17 institutions, recommendatory, and license issuer. The license arrangement for survey can takes time more than a year. Moreover, the construction process can take for more than 3 years (Setyadi, 2008).

The licensesimplification have purpose to ease investment and encourage the investor to invest in Indonesia. It can be seen that there are only two licenses regulation for upstream oil and gas industry including survey and utilization permit for oil and gas, and is conducted by online. But in its implementation does not yet conduct through one way as mandated in President Regulation Number 97 of 2014 about One-Door Integrated Services Implementation. It can be seen from several regulations in the Minister dealing with the licensing resource and infrastructure utilization which the characteristic is duplicative and unreachable by the Ministry of Energy and Mineral Resource Number 29 of 2017. Due to the absence of law certainty to regulate and coordinate all the institution and regional government about licensing simplification for upstream oil and gas industry, thus it assumes that there will be another problems faced in the future.

2. RESEARCH METHOD

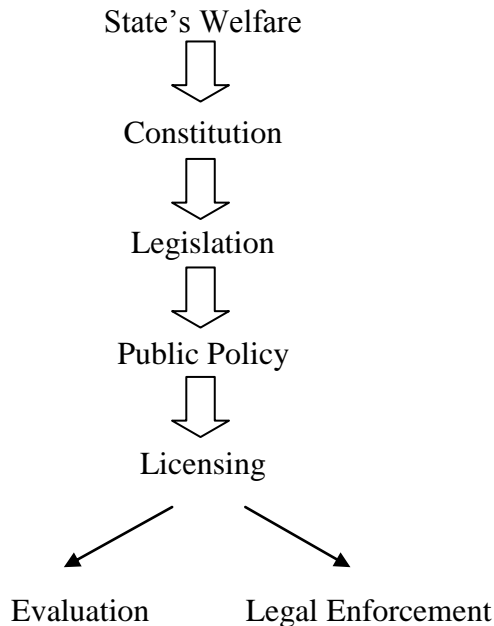
This research includes into normative law research in which aims to find out law regulation, law principals, or law doctrines in order to face law issues faced (Peter Mahmud, 2005). In this case, the normative law is used to analyse the regulations related to oil and gas industry license. Furthermore, the approach used here are statute approach and conceptual approach.

Statute approach is defined as approach used to analyse all regulations related to the law issues. Meanwhile, conceptual approach is an approach related to the doctrines developed in law. By learning the doctrines in law field, the researcher will obtain relevant legislations with the faced issues (Peter Mahmud, 2005).

3. RESULTS AND DISCUSSION

3.1. Political Law in Oil and Gas Business License

Basically, the diagram the regulation of political law licensing in Indonesia flow can be described as follows:



Spelt et al. (1993) distinguish license into broad meaning and narrow meaning. License in the narrow meaning are including dispensation, concession, recommendation, registration mark, license letter and registration letter. Meanwhile, the broad meaning of license is an agreement of the government in accordance with the Legislation or Government Regulation.

The legal meaning for license is a permission given to the forbidden things. Andrian (2010) stated license as one-sided administrative law that applies the concrete rules based on the appointed requirement and procedure in applicable regulation.

License can be described as government tools which has juridical preventive and used as administration instrument to control the society behaviour. Hence, the characteristic of such license is preventive due to its instrumental that cannot be separated from obligation that should be obeyed by the concessionaire. Besides, the license function is repressive in which it can overcome the problem dealing with the human activity under the basic of licensing. As the part of government decision, so licensing can be defined as legal actions of the government based on the public rights which allow an individual or legal entity to conduct activity based on law regulation. Licensing instrument is needed by the government to concretize government authority. This action is conducted through the state administration decision (KTUN).

Licensing as public service should involve the society in the planning, implementation and supervision. The involvement of society considers being important since the society is the inhabitant of the region; so therefore, they had to be familiar with the region itself. Further, it is possible for the government to abuse the authority, thus the role of non-governmental organization is needed to control the performance of the government in providing public service. The ombudsman organization is also obligated to be pro-active in giving comprehensive feedback in the public service implementation through licensing instrumental.

The simplification attempt for licensing system generally has been conducted by the government from the side of regulation and organization. One of the regulations is the Interior Ministry Regulation Number 24 of 2006 about the Guidelines for Organizing One-Door Integrated Service. This regulation has purpose to increase the public service quality and providing broad access to the society. The definition of organizing one-door integrated service is the licensing and non-licensing service in which the processes start from supplication up to publication of document. In fact, the implementation of licensing system is not giving positive impact to the public service, since the licensing system practice is merely collecting the related technical institution in one place.

3.2. The Mapping of Resource Utilization License and/or Upstream Oil and Gas Infrastructure

By the authorised of Legislation Number 23 of 2014 about Regional Government, it is not merely changing the distribution power or authority from central to region. But, it is also changed the regional authority which formerly become the authority of province government. These authorities are including the authority in the field of mineral and coal mining. For oil and gas mining remain to be the authority of central government and cannot be distributed vertically. These provisions are in accordance with the legislation as follows:

Table 1 The Arrangement of Upstream Oil and Gas Management

Article 33 verse (3) The 1945 Constitution of Republic Indonesia	Law Number 5 of 1960	Law Number 23 of 2014	Law Number 22 of 2001
The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.	Article 2 verse (1) Based on the provision Article 33, paragraph (3) of the Constitution and matters meant in Article 1, the earth, water and airspace, including the natural resources, contained therein are in the highest instance controlled by the State being and Authoritative Organization of the whole People.	Article 14 verse (3) Government Affairs field of energy and mineral resources referred to in paragraph (1) relating to the management of oil and natural gas under the authority of the Central Government.	Article 4 verse (1) Oil and Gas as strategic non-renewable natural resources existing within the Indonesian Legal Mining Territory constitute national assets which are controlled by the state. Article 4 verse (2) The control by the state as referred to in paragraph (1) shall be conducted by the Government as the holder of the Mining Authority.

As stated in the table above, the authority to manage oil and gas in several statutory provisions is the authority of the Central Government. Since the ability of the government in managing oil and gas is still limited, thus in accordance with Article 6 Law Number 22 of 2001, the upstream oil and gas business is conducted through mechanism of cooperation contracts with business entities and/or permanent business entities. Given that the upstream business is always conducted in the autonomy region and is very risk, then the upstream oil and gas business performed by the business entity needs licensing from the central government or regional government.

In line with the explanation above, the authority of license issuance can be delegated to the authorized institution in purpose to create simple, effective, efficient, transparent and accountable permission. It can be proved from several arrangement of the legislation provisions below:

Table 2 Authority Delegation to Manage Licensing of Upstream Oil and Gas Business Activities

Government Regulation Number 55 of 2009	Government Regulation Number 24 of 2018	President Regulation Number 97 of 2014	Ministry of Energy and Mineral Resource Regulation Number 40 of 2017
Article 86 verse (1): The development and supervision of Upstream Business Activities shall be	Article 3 verse (1) The Central Government determines the policy for the authority implementation in order	Article 7 verse (1) In organizing PTSP in the field of Planting Capital as referred to Article 6:	Article 1 verse (1) The Minister of Energy and Mineral Resources delegated the authority to grant licenses in the field of

<p>carried out by the Government, the implementation of which shall be conducted by the Minister.</p> <p>Article 87 verse (1): The handling of Government affairs referred to in paragraph (2) item a of Article 86 shall include: a. planning; b. license, approval and recommendation; c. Oil and Gas Data management and utilization; d. education and training; e. technological research and development;</p> <p>Article 89 verse (1): The responsibility for the development referred to in Article 87 shall rest with the Department and the related departments in accordance with their respective areas of duties and authority.</p>	<p>to grant Business Licensing as regulated in this Government Regulation and other relevant laws and regulations.</p> <p>Article 3 verse (2) Other related legislation as referred to paragraph (1) is a statutory regulation that regulates sectorial authority or regional authority in Business Licensing as long as it is not regulated in law and does not lead to conflict with the Government Regulation.</p> <p>Article 3 verse (3) Business Licensing as referred to paragraph (1) includes the provision of facilities and/or facilities for conducting business.</p> <p>Article 3 verse (4) The Central Government provides guidance and supervision over the implementation of the authority to grant business licenses.</p>	<p>The Head of the Investment Coordinating Board receives a authority delegation from the technical Minister/ Head of the Institution which has the Licensing and Non-licensing authority which is the Government's business in the field of Investment; The Head of the Investment Coordinating Board may delegate the authority granted by the technical Minister/Head of Institution with substitution rights to the provincial PTSP, district / city PTSP, PTSP Free Trade Zone and Free Port, or Administrator of Special Economic Zones; The technical minister/head of the institution can assign its officials in the Investment Coordinating Board to receive and sign permits and non-permits whose authority cannot be delegated in accordance with the provisions of the legislation.</p> <p>Article 7 verse (2) Delegation of Authority as referred to paragraph (1) letter (a) is determined through a technical Ministerial Regulation/Head of Institution.</p>	<p>oil and gas activities hereinafter referred to Licensing in the framework of implementing Integrated Services One Door to the Head of the Investment Coordinating Board Capital with substitution rights.</p>
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Based on the table above, several regulations related to the authority to grant licenses in the upstream oil and gas business activities are delegated to the competent authority based on the relevant laws and regulations. In this case the type of licensing arrangement in the Upstream Oil and Gas business activities can be explained as follows:

1. Survey Licensing

By the issuance of Minister Energy and Mineral Resource Regulation Number 29 of 2017 about the licensing on the Oil and Gas Business bring several changes on the licensing amount in its relation with the upstream oil and gas business activity which including survey licensing and oil and gas data utilization as regulated in the Article 3 letter (a) and (b). The survey licensing is given for general survey of conventional oil and gas and non-conventional oil and gas survey. The process starts from submitting an application to the Minister through the Directorate General by attaching administrative and technical requirements. Meanwhile, the administrative and technical requirement as well as the procedure of applying survey licensing both conventional and non-conventional is listed in the Ministry of Energy and Mineral Resource Regulation Number 29 of 2017. Afterwards, the General Director will perform evaluation toward obligation fulfillment and completeness of administrative and technical requirement.

2. Oil and Gas Data Utilization Licensing

The license of oil and gas data utilization is including data utilization activity results of general survey activities, joint study, exploration, and exploitation for the purpose of evaluation and data processing in the country or outside and/or in order to interest diversion as stated in the Article 4 verse (2) Ministry of Energy and Mineral Resource Regulation Number 29 of 2017 about upstream oil and gas business licensing.

3. Location Licensing

The location licensing has been regulated in the Minister of Agrarian Affairs Regulation and the Head of National Land Agency Number 2 of 1999 about location licensing. In the provision of Article 1 Number 1 stated that “location licensing is license given to the industry or company to have the necessary land in order to investment as well as for rights transfer licensing. As related to the upstream oil and gas, these businesses are using concession in a form of cooperation contract law, while the investment is based on the investment licensing. Besides, in accordance with the provision on Article 35 about Oil and Gas stated that “the right holder for land is prohibited to allow enterprise or permanent enterprise to perform exploration and exploitation on the land:

- a. before the business activity begins, firstly it suggest to show the Cooperation Contract or a valid copy, and notify the purpose and place of the activity to be carried out;
- b. The settlement or guarantee of settlement should agree first by the holder of land rights or the user of land on state land is carried out.

Noting to the provisions of Article 35 of Law Number 22 of 2001, it is clear that there is no need for a location license anymore, but there is an obligation of landowners to allow legal entities or permanent establishments to carry out activities by firstly completing a settlement with the rights holders or land users on state land, in accordance with statutory provisions laws applied. The applicable laws and regulations is Law Number 2 of 2012 Concerning Land Procurement for Development in the Public Interest.

Afterward, based on the above description as if there is a norm conflict between the Regulation of the Minister of Agrarian Affairs BPN number 2 of 1999 with Law no.

22 of 2001 Jo Law Number 2 of 2012. In the case of conflicting rules which do not have the same degree of principle, the principle that “higher regulations negate lower regulations” (*lex superior derogatlegiinferiori*). Thus, land acquisition for upstream oil and gas business interests is categorized as land acquisition for public use. In this case land acquisition does not require a location license anymore.

4. Granting Building License

As stated in the attachment to Law Number 23 of 2012, that the operation of buildings, including the granting of building permits (IMB) and certificates of building-worthy functions are the authority of the Regency/City Government. To carry out this authority, each regency/city has regional regulations governing the granting of building permits. This authority is also stated in Article 3 paragraph (1) letter (a) of the Minister of Domestic Affairs Regulation Number 32 of 2010 concerning Guidelines for Granting a Building Permit (hereinafter referred to as PMDN Law Number 32 of 2010).

In accordance with Article 1 number 5 of Domestic Investment Law (PMDN) Number 32 of 2010 states that, “Building license, hereinafter abbreviated IMB, are permits granted by local governments to applicants to build new, rehabilitate / renovate, and / or restore in order to preserve buildings in accordance with administrative and technical requirements in force.” The meaning of the building consists of building and non-building. Furthermore, Domestic Investment Law (PMDN) Number 32 of 2010, a building is defined as a physical form of the results of construction work that is integrated with the place of domicile, partially or wholly on top and/or in land and/or water, which functions as a place for humans to carry out their activities, both for residential, religious activities, business activities, social activities, culture, and special activities. Meanwhile, non-building construction is defined as a physical embodiment of the results of construction work that is integrated with the place of domicile, partly or wholly on top and/or in land and / or water which is not used for residential areas.

Then, noting to the provisions of Article 7 and Article 8 above, it is clear that the authority of regencies/cities in granting permits to construct buildings is substantially limited by PMDN Number 32 of 2010 means that besides what has been regulated in Article 7 and Article 8 PMDN Number 32 of 2010` does not require a license to build buildings. Bearing in mind that the authority to issue building permits is a regency/city authority which is an autonomous authority, in which to be able to exercise its authority the regency/city must first be stipulated in a regional regulation, so that according to the legal principle, the regional regulations governing the permit to construct the building in substance must not contradict with PMDN Law Number 32 of 2010. Based on this description, there are buildings related to the upstream oil and gas business which necessary to obtain a permit to build buildings. In the case, if the regency/city governments issuing permits to construct buildings as not stated in Article 7 and Article 8 by PMDN Law Number 32 of 2010, then the action contained substantial authority flaws (*onbevoegd hoed ratione materiae*), and also contradicted with PMDN Law Number 32 of 2010.

5. Disturbance License

The disruption Law (Hinder Ordonantie Stb. 1926 Number 226, most recently amended or supplemented with Stb. 1940 Number 450), is a regulation governing the type of licensing that is closely related to environmental pollution before the enactment of Law Number 4 of 1982 concerning Provisions-Principal Provisions for Environmental Management, this law has been replaced by Law Number 23 of 1997 concerning Environmental Management, and most recently Act Number 32 of 2009 concerning Environmental Protection and Management. Hinder Ordonantie Stb. 1926 Number 226 can be considered as one of the regulations that deal directly with the problem of environmental pollution in Indonesia.

In addition to the Hinder Ordonantie as mentioned above, disturbance licenses is also regulated in the Minister of Home Affairs Regulation Number 27 of 2009 concerning Guidelines for Determination of Disturbance Licenses in Regions, Article 1 Number 3 states that, "Disturbance license is the granting of a permit for a place of business/activity to an individual or entity in a certain location that can cause danger, loss and disruption, not including a place of business/activity that has been determined by the Central Government or Regional Government." It is necessary to understand that the upstream oil and gas business in accordance with Article 12 of Law number 22 of 2001 is carried out in the work area determined by the Minister after consultation with the Regional Government. Moving on from the provision of Article 12 of Law number 22 of 2001 is associated with the provisions of Article 1 number 3 of the Minister of Home Affairs Regulation number 27 of 2009, the upstream oil and gas business is a business that does not require a disturbances permit, it is given that the activities the business is in a work area that has been determined by the Central Government or Regional Government.

6. The Use of Radio Frequencies License

The use of radio frequencies is regulated in Law Number 36 of 1999 concerning Telecommunications. This is stated in Article 11 of Law Number 36 Year 1999, that:

- 1) The operation of telecommunications as referred in Article 7 may be held after obtaining permission from the Minister.
- 2) Permission as referred to in paragraph (1) is given by taking into account:
 - a. Simple procedures;
 - b. Transparent, fair and non-discriminatory processes; and
 - c. Completion in a short time.
- 3) Provisions regarding licensing for the operation of telecommunications as stipulated in paragraph (1) and paragraph (2) shall be regulated by Government Regulation.

Telecommunications operations include:

- a. Telecommunications network operations
- b. The operation of telecommunications services;
- c. Special telecommunications operations.

The implementation of this special telecommunications can be intended:

- a. Own needs;
- b. The need for national defense and security;

c. Broadcasting needs.

The provision of special telecommunications can be carried out for the purposes of:

- a. Individuals;
- b. Government agencies;
- c. Special service;
- d. Legal entity.

From the description above which is sourced from the provisions of Law Number 36 Year 1999 relating to upstream oil and gas business activities, the telecommunications operations carried out by business entities or permanent business entities are special telecommunications operations organized by legal entities. The use of these radio frequencies for telecommunications operations is also clearly stated in Article 7 of Government Regulation Number 53 of 2000 concerning the Use of Radio Frequency Spectrums and Satellite Orbits. The article states:

- (1) The use of a radio frequency spectrum for the operation of telecommunications must obtain a Ministerial license;
- (2) License for the use of radio frequency spectrum as referred to paragraph (1) is a determination of the use of radio frequency spectrum in the form of radio frequency band or radio frequency channel;
- (3) Provisions regarding licensing procedures and operational provisions for the use of radio frequency spectrum as referred to paragraph (1) shall be regulated by a Ministerial Decree.

Ministerial Decree as referred to Article 7 paragraph (3) of Government Regulation Number 53 of 2000 is the Regulation of the Indonesian Minister of Communication and Information Number 4 of 2015 concerning Operational Provisions and Procedures for Licensing for the Use of Radio Frequency Spectrums. The spirit of the Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 4 of 2015 is to simplify licensing, as referred to in Article 11 paragraph (4) letter (a), that “Changing ISR to IPFR as referred to paragraph (4) is carried out at least taking into account: a. simplification of licensing; b. increased utility in the use of radio frequency spectrum; and c. the economic value of the radio frequency spectrum.” Although the Ministerial Regulation is intended to provide simplification of procedures, however, with the limitation of the validity period of the permit as referred to Article 9 of the Minister of Communication and Information Regulation of the Republic of Indonesia Number 4 of 2015, this will result in inflation in licensing. Article 9 of Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 4 of 2015 states more clearly:

- (1) The validity period of IPFR as referred to in Article 6 paragraph (1) letter (a) is for 10 (ten) years and can be extended 1 (one) time for 10 (ten) years.
- (2) The validity period of the ISR as referred to in Article 6 paragraph (1) letter (b) is for 5 (five) years and can be extended 1 (one) time for 5 (five) years.
- (3) The validity period for the use of radio frequency spectrum with the Class Permit category ends with the revocation of the Ministerial Regulation as referred to in Article 6 paragraph (4).

Referring to the provisions of Article 9 above which are related to oil and gas upstream business activities that have a long period of time, hence by the existence of a license with a clear term there will be inefficiency for legal entities or permanent business entities in the upstream oil and gas business. This is clearly stated in paragraph (1) and paragraph (2), where the license can only be extended once, absolutely this is contrary to the principle of efficiency in the administration of government. In addition, the license for the use of radio frequency can also be categorized as a material decision, meaning that the decision is not based on the quality of the applicant (individual), but the nature of the material is related to the activity, where the license is still valid as long as the activity is carried out. In addition, the material license can be transferred if the upstream oil and gas business activities take management action, or transfer ownership.

4. CONCLUSION

Based on the discussion explanation, it is clear that related to the Licensing for Utilization of Resources and/or Infrastructure of Upstream Oil and Gas Business which includes Survey License, Oil and Gas Data Utilization License, Location License, Building Construction License, Disturbance and Usage Permit Radio Frequency License as regulated in the relevant laws and regulations does not yet have a synchronization of authority in the issuance of these licenses. Besides, the general principle of license issuance procedures cannot be carried out optimally, thus it is very far from the implementation of the principles of public service delivery and general principles good governance.

5. SUGGESTIONS

In order to obtain effective and efficient upstream oil and gas business licensing services, it is necessary to synchronize and harmonize regulations and it is need a one-stop licensing service as referred to the Presidential Regulation Number 97 of 2014 concerning Implementation of One Stop Integrated Services. In accordance with Article 1 number 1 of Presidential Regulation Number 27 of 2014, “One Door Integrated Services, hereinafter abbreviated as PTSP, is an integrated service in a single process starting from the application stage to the completion of service products through one door.”

To simplify the licensing service, the Government has issued Government Regulation Number 24 of 2018 concerning Electronic Integrated Business Licensing Services, which is an arrangement of electronic licensing service systems or often referred as the Online Single Submission. Although licensing services are generally facilitated by using Online Single Submission, in accordance with Article 85 of Government Regulation Number 24 of 2018, only regulates only certain licenses that can be served using the Online Single Submission system, whereas for licensing in the oil and gas sector, specifically the upstream oil and gas business permit is not included as a permit that can be served using the Online Single Submission system. For this reason, it is necessary to amend the Government Regulation Number 24 of 2018 to enter the upstream oil and gas business licensing by Online Single Submission.

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FISCAL REFORM IN THE CONTEXT OF EU INTEGRATION. A ROMANIAN PERSPECTIVE

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Abstract: *Acting as EU member, Romania participates in the legislative process at this level and recognizes the principles of direct, immediate and priority applicability of EU legislation in national legal framework. Even if specialized legal literature has presented consistently the principle of fiscal sovereignty of member states within the European Union, we note the need for tax harmonization and the progress that has already been made in this direction. Tax harmonization at EU level is the complex process of aligning the normative rules in taxes levied by the Member States in order to reduce (and, if possible, eliminate) the negative effects the differences between Member States tax systems are generating on the common market. The most effective instrument for implementing tax harmonization is, in our view, achieving a Fiscal Union among the Member States. Inside the EU, the level of tax harmonization is far outweighed by the monetary harmonization, despite the fact that fiscal policy and monetary policy are linked. This lack of coordination was even more evident throughout the global financial crisis that appeared globally. In this framework, the EU Member States have negotiated and signed the Fiscal Treaty, a legal tool that provides mandatory measures on the supervision and control towards financial and fiscal stability. The effects of this piece of regulation are present, but they are not sufficient to insure the macro-economic stability of the European Union. In our opinion, the solution could be to regulate a single European tax, but the subject is currently only a research hypothesis.*

Keywords: *fiscal policy, EU area, integration, Romanian taxation*

JEL classification: *K19, K34*

1. INTRODUCTION

The Romanian legislation expressly establishes the direct, immediate and priority character of the norms within EU law, by the provisions of art.148 of the Romanian Constitution, which contains a precise rule regarding the hierarchy of the sources of law after EU integration. Par.2 and 3 of the same article stipulate that the provisions of the constitutive treaties of the European Union, as well as the other compulsory Community regulations, have priority over the contrary provisions of the internal laws, respecting the provisions of the accession act. At the same time, the effects of the revision acts of the constitutive treaties of the European Union are considered.

In this context, the financial and fiscal regulations are no exception. Compared to the classical approach to the notion of source of law, European Union law implies a series of characteristic features, deriving from the particular way of issuing and applying legal acts by European institutions. Instead of the classical division of the sources of a branch of law into material sources and formal sources, the sources of EU law involve a first classification into primary sources and derived sources. The Community legal order is constituted by an assembly organized by norms that derive their value from the basic legal norms contained in the treaties (primary law). Based on the norms contained in the treaties, the derivative law is adopted, which includes regulations, directives, decisions, opinions and recommendations.

2. THE CURRENT CHALLENGES FOR FISCAL HARMONIZATION AT EU LEVEL

European regulations have a general role, as well as a special character, for example in the area of finance and taxation; the adoption procedure also involves the legislative authorities, but also the economic actors, who will be consulted. Of course, they can show passivity, but the observance of the mandatory norms implies their knowledge and, consequently, taking the possible sanctions for the violation of the law. If not from their own legal conscience, then, at least as a result of the sanctions eventually suffered, the behavior of the taxpayer will change in order to pay due attention to the legislative process, first in the observance of the mandatory rules and, later, in the adoption phase, when precise interests are affected.

In the context of the policies of the European Union, the fiscal provisions that the member countries have to take into account when developing their own fiscal policies are included. So,

- no Member State directly or indirectly applies to the products of other Member States internal taxes, of any kind, higher than those directly or indirectly applicable to similar national products;
- the products exported by one Member State to the territory of another Member State cannot benefit from any refund of internal taxes, which exceed the taxes applied directly or indirectly;
- with regard to tax, other than turnover, excise duties and other indirect taxes may not exempt or reimburse exports to other Member States and no clearing duties may be imposed on imports from Member States;

a European framework rule establishes the measures to harmonize the legislation regarding the turnover tax, excise duties or other indirect taxes in order to ensure the smooth functioning of the internal market and to avoid distortion of competition within the European Union.

The stage of fiscal harmonization is far beyond the monetary harmonization in the EU, despite the fact that fiscal policy and monetary policy are, or rather should be, in close interdependence. A complete monetary union demands close coordination between national fiscal policies and the reduction of public sector deficits and debt, all the more imperative amid international financial crises. In our opinion, the solution for the macro-

economic stability of the Union could be the regulation of a single European tax. This measure, also avant-garde and profound in equal measure, has been discussed with other occasions, with many points of view in favor of this proposal.

In order to argue for a possible European tax, a multitude of situations and conditions must be considered. When analyzing the fiscal policy, we have to consider not only the prerogatives of the public sector, but also the level at which the decision-making act in the field of taxes and taxes is shaped. The traditional theory of fiscal federalism assumes that each level of public administration authorities has its own competence, including in the matter of taxes and other contributions to the public budget.

Each level of government must assume the responsibility of ensuring the well-being of its citizens, and the system of taxes and duties imposed on them must be tolerable and efficient at the same time. The main advantage of decentralization, the approximation of the governing act to the level of the governed one, has a number of consequences, including in the field of fiscal policies. Each administrative-territorial unit existing at the level of the EU states has its own tax system, which fragments the unit of the fiscal system 28 times more. However, when the existing differences are interpreted by the central state administration as detrimental to the citizens and to the state regarded as a unitary law subject, a series of measures can be taken in order to reduce the disparities existing between different regions.

We note, however, that this hypothesis is difficult to solve in the context of the single market that the construction and legal foundation of the EU implies. Even if notable differences are possible between the tax systems between neighboring areas of the Union, when these areas are located in the territory of two different states, then the possibility of central public administration intervention does not exist. The gap that can be created between two neighboring areas means that, at least from a fiscal point of view, the EU cannot be compared to any model of federalism, no matter how decentralized it may be. Overcoming the difficulties of accepting collaboration with less economically developed countries, the four times the number of countries initially members in the European project makes the process of fiscal harmonization even more difficult and disputed.

3. THE IMPERATIVE OF FISCAL HARMONIZATION IN THE EU

Harmonization of law in the field of taxes and duties has proved to be a thorny topic for the European Union, as each state has the right to veto the issue of fiscal harmonization (the principle of fiscal sovereignty). The existence of European taxes would be possible only if the Member States accepted the respective taxes. A number of progresses have been made along the lines of cooperation between Member States, including in this area, primarily in the field of customs duties, excise duties, VAT and even in the field of income tax and wealth tax.

Another argument for harmonizing EU tax and tax rules is the ability of national tax systems to collect revenue, which is affected by the tax regime practiced by another state within the common European market. For example, the revenues collected from the taxation of the tobacco trade will depend on the level of taxation of this trade in the

neighboring states. Therefore, there may be positive or negative influences between the tax systems practiced by different Member States. The movement of the factors of production can be affected by the taxation policy and the expenditure policy. Administrative and compliance costs for public administration and taxable subjects can be affected, and the ability of Member State governments to apply redistribution policies is subject to restrictions.

The harmonization of taxes and duties at the European Union level can only be taken into account if strict rules regarding the beneficiary of the amounts received, the usefulness of the collection operations and the coherence of the regulatory framework responsible for the single taxes are respected.

In this landscape, it is not surprising that fiscal harmonization at EU level remains a difficult topic. Such a large geographical area, where national sovereignty still largely belongs to the Member States, is facing the interest of removing obstacles to achieving the single market. It should be noted in this direction the adoption of the fiscal compact or the Fiscal Treaty.

In Romania, the tax legislation is constantly changing, both as an effect of the general macroeconomic context and as a response to EU integration. The fiscal code in force has long been negotiated in the national legislation and its entry into force also responds to the need to transpose imperative EU regulations. But what prevails in the decision to adopt new regulations in the field of fiscal policy is in the end the political factor, translated into the government program and the lines of action considered by the national executive. Surely, the fight for political power of the parties puts further pressure on the stability of the taxation legal framework.

Subject to unquestionable autonomous law within international law, the EU functions as and effect of integration, a complex phenomenon that necessarily includes legislative harmonization. In accordance with the fundamental principles of freedom of movement that characterize the common market, the need for uniform rules for all Member States has been present since the first steps of the cooperation between the Member States and has increased progressively, as the number of members and the directions of European cooperation. The reform of the tax systems at the level of each of the Member States would ultimately benefit the citizen, by removing barriers to the freedom of movement of goods and services. At the same time, the sovereign right of the states to legislate in the areas that have not been exclusively assigned to the competence of the European Union and the principle of subsidiarity of the norms of European law maintain the legitimacy of adopting the specific rules of each state in the field of taxes and other contributions to the state budget.

With regard to fiscal policy, EU member states (still) enjoy sovereignty, with uniform imperative rules being adopted only with the unanimous vote of members. Equally, it should be borne in mind that the current state of European integration could not be built in the absence of harmonization of fiscal law rules, even if this process was carried out with slower steps than in other areas of cooperation. In the field of direct taxation, the harmonization of the law rules regarding corporate taxation has proved to be necessary, as there is a risk that very low tax rates in one country or various tax facilities will unfairly attract firms from competing countries in the single market, with effects in

eroding the tax bases of their countries of origin. In this regard, we should mention the efforts to establish a common consolidated tax base (CCCTB) that would apply to the entire activity of companies, regardless of where they operate in the European Union.

4. THE PRINCIPLE OF FISCAL SOVEREIGNTY OF THE EU MEMBER STATES

Even if fiscal sovereignty and harmonization can be analyzed as antagonistic concepts, the Treaty on the Functioning of the European Union TFEU regulates in the same title (Title VII) common imperative rules on competition, taxation and legislative harmonization. Thus, Article 110 (ex Article 90 TEC) expressly states that no Member State directly or indirectly applies to the products of other Member States internal taxes of any kind higher than those, which apply, directly or indirectly, to similar national products. In addition, no Member State shall apply to the products of other Member States internal taxes likely to indirectly protect other sectors of production.

Moreover, Article 111 (ex Article 91 TEC) states that products exported to the territory of one of the Member States cannot benefit from a refund of domestic taxes higher than taxes applied directly or indirectly. As regards taxes other than turnover, excise duties and other indirect taxes, exemptions or refunds may be granted for export to the other Member States and countervailing duties may be introduced on imports from Member States only if the measures envisaged have been approved in advance for a limited period by the Council, which decides on a proposal from the Commission, in accordance with Article 112 (ex Article 92 TEC).

In order to respect the fiscal sovereignty of the EU member states, art.115 (ex Article 94 TEC) establishes that for the approximation of the laws, regulations and administrative provisions of the Member States, which have a direct impact on the establishment or functioning of the internal market, the Council shall act unanimously, in accordance with a special legislative procedure and afterwards consultation of the European Parliament and the Economic and Social Committee.

The fiscal sovereignty of EU member states, as regulated by art.115 of the TFEU, enjoys the legal force recognized by the sources of primary law at EU level, which makes possible a possible annotation only by unanimous vote of the states, at least until the moment of this article being modified by a legal norm with the same power (through - another treaty). This is why some well-known authors in the field of tax law have appreciated that we cannot talk about a European tax law, in the true sense of the word, but, rather, we can analyze the tax law of the Member States.

However, the literature states that the fiscal sovereignty of the EU member states can be legitimately circumvented by using the gateway clauses, but activating this procedure is also triggered by the unanimous vote of the members of the Council of the European Union. Article 48 (7) of the Treaty on European Union Reform (TFEU) provides for a general passerelle clauses. This provision allows the measures subject to the unanimous vote until then to be adopted by a qualified majority or through the ordinary legislative procedure. The possibility of using this procedure for adopting the necessary rules for the implementation of the fiscal policy was invoked by the President

of the European Commission, Mr. Jean-Claude Juncker, in his speeches on the Status of the European Union - A stronger union (2017) and in the Message for the EU Member States (2018).

5. CONCLUSIONS

At EU level, the complexity of the integration process and the cooperation that the Member States carry out necessarily impose the adoption of harmonized tax rules, in order to ensure the smooth functioning of the single market. A form of fiscal cooperation is inevitable, with progress in fiscal harmonization and integration.

With regard to direct taxes, generally, a limited harmonization is justified in the current context, which aims at avoiding discrimination, double taxation or tax evasion. Equally, closer coordination is needed in this area, in order to counteract the distortions generated by the allocation of resources. The proposal for an EU regulation for the CCCTB is an ambitious and promising objective, which, in our opinion, will drive economic growth in the EU and boost research and innovation activities.

In Romania, the legal system benefits of the effervescent tax framework and continuous reform for alignment with EU harmonized rules in the field. Both the reform of the judiciary and fiscal integration are state priority. The new Romanian Fiscal Code respond to three present demands: it provides legislative support for the government's fiscal policy, it transfers into practice the rule of harmonized law at EU level and it equally pays respect to the still recognized sovereignty of Member States. Still, we far from possess an efficient and updated taxation system and the papers proposed some means to act in the nearest future.

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