Typeset by Revistia

TABLE OF CONTENTS

The Positive Impact of a Portuguese State-Owned Company that Invested on Consumers Nutritional Education – the Case of Fish and Docapesca

Ana Oliveira Madsen

Católica Porto Business School, Portugal

Valentina Chkoniya

University of Aveiro, Portugal

Abstract

A human common need is the security of an adequate diet, which will provide energy and the various nutrients necessary for metabolic functioning. This paper presents the case of a company that considers food quality, safety, health and nutrition as a priority: Docapesca – Portos e Lotas, SA. This state-owned company (operating in the Portuguese fish sector) has taken under its wing the task – and also the responsibility – of educating consumers' preferences regarding fish. Portugal ranks number 3 in the world consuming fish which is fantastic since fish is a fabulous source of easily digested, high quality animal protein. Fish is high in lysine and sulphur amino acids, provides vitamin A and vitamin D, and (above all) contains a very powerful, almost panacea-like nutrient-called "Omega-3 fat". According to Sørensen (1996), fish provides security and it is considered a very healthy product. The company analysed in this paper, Docapesca – Portos e Lotas SA, provides the public service of organizing the first sale of fish (on mainland Portugal), and also supports the fishing harbour sector. But besides that, one of the company's main objectives include consumers' education, nutritional education and knowledge transfer on healthy food and diet. Social responsibility, quality guarantee, cooperation with society and environmental and civic responsibility are also part of its mission. To write this paper we have had access to privilege State information and we have made an exhaustive detailed analysis of the different strategies implemented by Docapesca – Portos e Lotas, SA (in-depth interviews to key decision makers in the company were the way to reach all this exclusive data). This study gathered information from entire Portuguese population but gave special attention to the young generation (16 to 34 years old). Findings showed that, as a result of all the work that has been made towards educating consumers on fish, Portuguese consumers perceive fish as more than just fish.

Keywords: Consumers education, Fish product preferences, Fish benefits, Children's food habits, Nutritional Education

Introduction

Who is Docapesca and why is it's work so relevant?

This paper is based on data collected by Docapesca – Portos e Lotas SA, a State-Owned company that provides the public service of organizing the first sale of fish (on mainland Portugal) and supports the fishing harbour sector. But Docapesca does more than this; the company's main objectives also include consumers' education, nutritional education and knowledge transfer on healthy food and diet. Social responsibility, quality guarantee, cooperation with society and environmental and civic responsibility are also part of its mission. The company was a pioneer in trying to educate youngsters. For a long time Docapesca has studied fish consumption by targeting the whole Portuguese population but in the last few years, the company has given special attention to the young consumers, trying to educate consumers' preferences regarding seafood.

Culture and its habits are deeply rooted in the food experiences of children; so the formation of children's food habits is of major interest. Docapesca's strategy intends to educate the country's population, starting with the education of its children. The constant investment in the inclusion of fish into children's meals had a very positive outcome: children's domestication

of fish into their eating habits. Fish and Seafood are present in children's meals, not just at home, but also in all kinds of school meals.

It is of extreme importance for children to see it (eating fish) as something normal, consumed all the time, by their parents, family and teachers and also very important, consumed by their peers.

Why is it so important for countries to invest in campaigns to increase fish consumption?

Human beings share a common need to meet certain fundamental conditions for survival. The ways in which these similar requirements are met are hugely diverse (Fieldhouse, 1986), but a human common need is the security of an adequate diet, which will provide energy and the various nutrients necessary for metabolic functioning. There are many ways in which careful planning of the daily balance in our various foods can improve our health and many consumers know that there are benefits on having a "daily spoon" of fish liver oil. In a special way, the sea may give us these polyunsaturated fatty acids and lessen our overreactions to the stresses in our lives on land. The protein quality of fish assessed in terms of net protein utilization (the proportion of nitrogen intake that is retained in the body) is lower than for eggs but similar to that in chicken, meat, milk, and cheese (Holt, Sidney, 1978). Most fish contains around 15 to 20% protein by weight (Kent, 1987).

Portuguese consumers give value to fish because the market system created that value and sustained it as part of Portuguese traditions. It is this knowledge and relevance given by the market that makes consumers perceive the product as more than just fish. It is a part of Portuguese identity and a way that helps consumers understand themselves in the world. Fish give a big contribution to the alleviation of malnutrition in many parts of the world and, according to Sørensen (1996), fish provides security and it is considered a healthy product. Fish is generally free of contaminants, particularly of the kinds of chemicals, which are sometimes used to produce meat (Schell, 1984). Fish provides preformed vitamin A and vitamin D if its oil is ingested. Fish bones, which may be eaten in small fish such as sardines, are particularly rich in calcium. Marine species are the best source of iodine (Masayoshi, 1984). Of course the appropriateness of fishery products for alleviating any sort of nutrition deficiency depends on particular local circumstances, taking into consideration issues such as their acceptability, availability, and cost in relation to alternative sources of the required nutrients (Kent, 1987).

Almost any attempt to replace some of our foods with seafood products seems likely to alter our average diet in a beneficial manner. Fish contains a very powerful, almost panacea-like nutrient-called Omega-3 fat. When eaten regularly, these fats improve physical and mental health and prolong life. We know that humans once ate much more fish and other sources of 0mega-3 (wild animals, nuts, berries) than we do today. They remained largely free from many of the ailments that plague us today, such as heart diseases, cancer, arthritis, psoriasis, Alzheimer's disease, diabetes, and even mental illness. Often called good fats, Omega-3 is found in seafood and flaxseed products and, to a lesser extent, in certain oils and nuts. Omega-3 fats are considered essential fats, because our body cannot manufacture them, we can get them only from foods we eat. Omega-3 are used to create signalling molecules called prostaglandin that direct blood vessels to dilate, encourage blood to stay fluid, and reduce the inflammation response associated with ailments such as heart disease and psoriasis. Omega-3 also become embedded in various cells throughout the body, making them healthier and more pliable.

Most people in Western industrialized countries tend to consume more calories than their bodies use, and these extra calories accumulate in the form of fat and cholesterol (Lands, 1986). One of the attractions of replacing meat with fish is the opportunity to decrease the amount of total fat and saturated fatty acids in the diet (Kent, 1987). Consumers should try to alter the composition of polyunsaturated fatty acids (table 1) to balance eicosanoid[1] formation, while at the same time cutting the total caloric intake and the percentage of calories in the form of saturated fat

Table 1: Polynsaturated fatty acids in fish - Expressed as grams per 100 grams of food

Fish	Total fat
Tuna (albacore)	6.8

---

[1] Eicosanoides - A term designating any of a large family of hormonelike compounds, which contain twenty carbons, for which the most common precursor is the 20-carbon acid, arachidonate. The eicosanoids include two major types of biologically active agents: prostaglandins (Prostaglandins are type of compound derived from a polyunsaturated fatty acid by oxidation and rearrangement. Prostaglandins contain a five-member ring of carbon atoms and three or more oxygen atoms) and leukotrienes (is a class of poly unsaturated eicosanoides, that is formed following the action of a lipoxygenase. These compounds have their double bonds rearranged to adjacent locations within the carbon chain and do not have the cyclic ring system that is present in prostaglandins.

Anchovy	6.4
Herring	6.2
Mackerel	9.8
Salmon	13.2
Tuna (blue fin)	4.7
Halibut (Pacific)	2.0
Flounder	1.2
Cod	0.73
Haddock	0.66

Source: Kifer and Miller (1969)

Oil from the livers of large fish is high in vitamin A, and can be taken in capsule doses. Traditionally, cod liver has been used for this purpose, but the liver oil from other species can be used as well. In some cases synthetic concentrated vitamin A may be provided in capsule form. Fish protein concentrate is a stable protein supplement prepared from whole fish, usually fish of low market value (Kent, 1987). A research project from the Cambridge University (2002) discovered that eating oily fish such as mackerel or salmon regularly could protect against asthma. It is the latest in a long list of benefits ascribed to this type of fish. " *Oily fish has already been linked with protection from heart disease, arthritis, psoriasis and dementia, (…) and it is safe to say that eating oily fish in moderation every week as part of a well-balanced diet could help reduce the risk of asthma*" ;"*As asthma has become more common (in the UK) the amount of oily fish in the diet has declined*" Dr. Bipen Patel[1]. Fish is for sure a healthier food than sugar and sweets, or meat with hormones and fat. It has many advantages to a healthier life, it reduces cholesterol and breathing problems, it has vitamin A and so on, and is for sure one possible ingredient in a healthier diet. One can be positively certain that fish helps preventing obesity (Thorsdottir et al., 2008), as well as other major health problems like arrhythmia, blood clot, bad cholesterol, asthma, Alzhaimer (table 2). And when comparing the nutritional values and contaminant levels in other protein sources, fish becomes a better and safer option.

Table 2: Advantages of Omega -3 fats – Resume

Research has shown that Omega-3 fatty acids:
Decrease risk of sudden death and arrhythmia
Decrease thrombosis (blood clot)
Decrease triglyceride levels
Decrease growth of atherosclerotic plaques
Improve arterial health
Lowe blood pressure
Lowe the levels of bad cholesterol
Protects against asthma
Lowe risk of dementia (including Alzheimer's)
DHA (essential for building nerve cells in the brain)

The need for Consumers Nutritional Education to fish products
Institutional feeding meals (kindergartens, pre-schools, high schools, universities and hospitals feeding programs) are a fantastic mean for helping youngsters eat fish. Without spending a lot of money, simply by directing it to more fish than normally, government can make a big impact in the population's diets. It is for sure agreed by everyone that the food served in public places should be healthier to eat than the food that it is sold at fast food restaurants - not less safe (Schlosser, E. 2001, pg. 263). Governments (through its start owned companies like Docapesca) should insist upon the highest possible food safety standards from every company that supplies food to schools or other public food suppliers. Public feeding cantinas should be the first one following the public founded campaigns. Seafood should be no exception. It is the government and its public feeding institutions that have the responsibility, power, duty and social function to change it, by educating their citizens. If the authorities want consumers to eat more fish, they have to teach them first. Directives should be given as to include (at the least) fish twice a week. Young people spend most of their time in schools, so it is only natural that schools should be used as one of the pivots for the "normal inclusion" to occur. The Council of Europe and World

---

[1] Lead author, and clinical epidemiologist at Cambridge University. British Thoracic Society.

Health Organization (World and Health Organization) has given the topic high priority and has opened a debate on the importance of healthiness and institutional feedings, since it is also through the food supplied by the schools cantinas that many of the future adult's preferences and habits are being formed.

Portuguese students spend 5 days a week in school, which makes improvements in food diet and nutrition at schools an important element in a strategy towards healthier eating among children and adolescents (Mikkelsen, 2006 pg 8). The food offered available to children will be, in the future, part of the individuals' mental classification of the acceptable options. Government should have in consideration that educating a nation's eating is in its hands. And please, stop blaming the bones; children can be taught to like the taste of fish not minding the bones. The school's influence in transmitting a message with the importance of fish is huge. School activities already include nutritionists talking about healthy food - with fish included-, and children pay attention and enjoy the lecture. And it becomes instilled from childhood. It is not when they are adults that suddenly someone comes and says that fish is fantastic; it has to be while they are creating habits. Starting soon, in their education, will make it normal.

It is also a fact that children have a growing influence in family decision making – they actually choose the products they want. They are influenced by and influence the parents; if they learn in school that fish is good, they will ask the parents to do it at home. Children end-up affecting the food choices at home.

Young generations and consumption - Alvin Toffler´s point of view

Alvin Toffler was a visionary. Probably one of the last "real" gurus of modern times. According to him, we live in a fast and extremely unstable world - we might even use the term turbulent if we follow Alvin Toffler' thoughts. He mentioned that somewhere in the future there would be a generation that had to live in permanent adaptation if they wanted to survive. In his capacity to predict the future, Toffler taught us (25 years ahead) the rule for surviving: constantly adapt to the immense changes that occur in the world. To him, change is the process by which the future invade our lives. To the XXI century generations, change is… normal. This is because the world is now an open system (with people, raw materials, interest rates, trends, social campaigns, environmental statements, etc.). And so Toffler recommends new generations to be extremely vigilant, always aware, always in contact with everything and everyone (Coelho et al., 2019). Following Toffler's permanent adaptation survival rule, it is vital to the food supply chain (in our case, seafood and fish) to rapidly understand that the future of consumption is in the hands of the new generations. What are their preferences regarding fish, how is that they buy fish products, how is that they consume fish, how is fish perceived and included into their meals? For sure the way fish is perceived, bought and consumed has changed drastically when comparing with their grandparents and parents; Docapesca has analysed that changed and interpreted the new ways of understanding and consuming fish.

And so, following Toffler's permanent adaptation survival rule, it is vital to seafood dealers and national governments to rapidly understand that the future of consumption is in the hands of the young generations. Acknowledging that, Docapesca has, for many years, given a special focus on building a support for the coming generations, towards the *Consumers Nutritional Education*, which focus on fish and seafood products (Coelho et al, 2018). The *Consumers Nutritional Education* focus especially on young Portuguese consumers, and, for this specific paper, especial attention will be given to consumers with ages between 16 and 34, through a 1 year evolution. We are going to understand how (if) consumers' perception of seafood has changed during that year, and look at the differences within the general population.

Methodology

To write this paper we have had access to privilege State information and we have made an exhaustive detailed analysis of the different strategies implemented by Docapesca – Portos e Lotas, SA (in-depth interviews to key decision makers in the company were the way to reach all this exclusive data). Findings showed that, as a result of all the work that has been made towards educating consumers on fish, Portuguese consumers perceive fish as more than just fish. This paper studies two analysis made by Docapesca: comparison between 2 specific years (2017 vs 2018) for the young generations and also the comparison between the young generations and the total of the Portuguese population (2017 vs 2018).

Procedure and sample

To analyse the evolution of the Fish sector in Portugal we used Docapesca Portos e Lotas S.A's data. Two surveys were conducted (each with 1000 respondents - representative of general of the Portuguese population), one in 2017 and the

other one in 2018, using plenty of variables that turned out to be extremely valuable data to market analyses and allowed a very strong comparative analysis.

Data was collected using quota sampling, representative of Portuguese population according National Statistics Institute (INE), as non-probability sampling technique, by using a socio-demographic variable such as sex (49,1% Male and 50,9% Female), age (16/24 years with 9,1%, 25/34 years with 16,8%, 35/44 years with 18,5%, 45/54 years with 18,1%, 55/64 years with 16,6%, 65 years or more with 20,9%), and region according to Nuts II (35,2% of North, 25,0% of Centre, 27,7% of Lisbon, 8% of Alentejo, 4,1% of Algarve). In terms of the descriptive statistics it represents a demographic profile with following Education level 2017 vs 2018: Primary (19,2% vs 13,8%), Secondary (48,8% vs 48,2%) and Higher (32,0% vs 38%).

Since the *Consumers Nutritional Education* had a special focus on young people, for better understanding the impact, we made a filter for young people (16/34 years). Comparison analyses was made considering one-year evolution in young generation perception about seafood and also looking at the difference with population in general.

The questionnaire about seafood consumption patterns was anonymous in order to guarantee a higher level of participation and honesty. Each question was debated by a multidisciplinary team composed of nutritionists, marketing and survey specialists, representatives of commercial companies, statisticians, and people experienced in the seafood sector. Furthermore, the attained preliminary questionnaire was sent to a group of twenty individuals outside the expert group with the purpose of assaying the clarity, simplicity, and appropriateness of the various questions. During this process, several alterations were introduced, but the overall architecture of the five sections was kept in the final form of the questionnaire. The fish products were chosen on the basis of consumption importance in Portugal.

In order to reach a large universe and different ages and geographical regions of the country, a telephonic medium was the natural option.

Statistical analysis

Statistical analysis was carried out using the Sphinx IQ software (Sphinx Company, Montréal, Canada), which enabled to analyse the overall distribution of respondents as well as the consumption preferences and frequencies affected by the independent variables. The difference of means between pairs was resolved by using confidence intervals in a Tukey HSD test. Level of significance was set for $p < 0.01$.

Results and Discussion

Concern about the origin of the fish

Young Portuguese people, as well as population in general, are more and more careful with the origin of the fish they consume. Concern ranged 2,75 and 3,27 by 5-point Likert type scale with 34,4% and 48,6% respectively for TOP 2 boxes (agree/totally agree) answers in 2017 vs and 3,37 and 3,62 with and 48,1% and 59,3% respectively for TOP 2 boxes in 2018 (p = 0.00 Khi2=231.63, dgl=4(MS)). Noticing that the attention that young Portuguese people pay to origin of the fish, grows quicker than for population in general.

Perception of the Portuguese fresh fish

Portuguese young consumers aged 16 to 34 perceive Portuguese fish as the best fish in the world, ranged 3,83 by 5-point Likert type scale with 63,1% for TOP 2 boxes (agree/totally agree) answers in 2017 vs 4,37 with 81% for TOP 2 boxes in 2018 (p = 0.00 Khi2=1158.19, dgl=4(MS)). Noticing that in 2017 Portuguese population in general gave a higher score to Portuguese fish (4,05) than young people (3.83), showing a gap in perception between different generations. In 2018, Portuguese perception of fresh fish grew significantly (in general), and even then, it became almost the same for different generations (4,37 for population in general vs 4,3 for young people), showing an impressive result of Consumers Education Campaign conducted by Docapesca in one year only.

Portuguese waters are abundant in different devalued species. Based on creating sustained value for society concerns it becomes important to understand the sustainability issue for different species, by giving proper Consumers Nutritional Education about fish species of higher stock (Docapesca, 2018). *It becomes especially challenging, when it comes to Portuguese* population, a population that is very traditional regarding fish consumption (Coelho et all, 2018).

Availability for transfer of consumption for fish of higher stock

The data reveals that young Portuguese population shows bigger availability of transfer of consumption of fish of lower stock, ranged 3,07 by 5-point Likert type scale with 39,3 % for TOP 2 boxes (agree/totally agree) answers, in 2018 vs 2,91, 32,9 % for TOP 2 boxes for population in general (p < 0.01, Khi2=39.51, dgl=4(MS)). Noticing that in 2018, after a Horse Mackerel Campaign, 50,1% of young people recognized that they started to purchase Mackerel more often and, in 2017, 40% confirmed that they were buying more horse mackerel after the campaign.

Knowledge about the fresh fish market in the Portuguese population

In 2017 only with 23% for TOP 2 boxes (agree/totally agree) answers, young people considered themselves fish connoisseurs, ranged 2,73 by 5-point Likert type scale against 3,24 with 38,9 % TOP 2 boxes for population in general (p = 0.00 Khi2=177.43, dgl=4(MS). Even less of Portuguese population considered themselves fish connoisseurs in 2018, ranged 3,14 by 5-point Likert type scale with 37 % for TOP 2 boxes, when we notice increase among young people with 2,74 and 25,8% for TOP 2 boxes.

Another relevant information taken from the analyses is that 28,5% of young people confirm that they discover new things about Mackerel after the 2018's Campaign and 20% about Horse Mackerel after the 2017's Campaign.

Various market reports indicate that population in Portugal often look for healthy food solutions and perceive seafood as a fundamental part of it (Coelho et all, 2018); that is why it is so important that *Horse Mackerel is* recognized by young people as "good for health" (3,8) in 2017 and with even significantly better results about Mackerel in 2018 (4,47 *by 5-point Likert type scale*).

However, Mackerel and Horse Mackerel are *considered by young people as suitable for varying their meals ranged 3,8 and 3,35 respectively.*

It is very important to continue to pay attention to the education of the Portuguese population regarding seafood – with focus on young generations – since almost 50% of them actually enjoy cooking and enjoy being creative in the kitchen; 7.7% love to cook and consider themselves as experts; 31.1% simply do not mind cooking - it's just one of the things they do. On the other hand, less than 12% do not like to cook (it's an annoyance) (p<0.01, Khi2=174.69, dof=3(VS)).

The global world brought new products into our tables and created new interpretations of what a meal is and young people are like to explore new fish preparation solutions (3,18). This is why it is so important to give them the best source of information.

The best source of information about seafood

People that today have 34 years, make part of the first wave of the digital generation born into the world of technology. They are highly qualified in digital knowledge therefore it is easy for them to quickly acquire the use of new tools and devices in ICTs (Bencsik et al., 2016). The data collected indicates that for young people social media (Facebook, Instagram e etc.) become the most important source of information regarding seafood for young generations with 56,3% in 2017 vs 65,8% in 2018, when for population in general, TV continuous to be the one with 60.1% in 2017 vs 61,7% in 2018. *(p = 0.00 Khi2=9852.88, dgl=20(MS)).*

Place of purchase of the fresh fish in the Portuguese population

Concerning place of purchase of the fresh fish, the universe of young respondents clearly continuous to prefer supermarkets as well as population in general, 67,4 and 54,1% respectively in 2017 vs 52% and 49,8% respectively in 2018 (p < 0.01, Khi2=632.44, dgl=3(MS) – even though it is possible to notice a slight purchase transfer from supermarkets to local markets, which goes in line with fresh food purchase, in general. This transfer is noticeable for younger generations. Preference for local markets grew 7% in one year (from 12% in 2017 to 19% in 2018).

Conclusions:

Docapesca, a Portuguese state owned company, has implemented many national fish campaigns, and has helped forming food preferences of young consumers. This State Owned Company has taken under its wings the role of educating consumers on fish, a product that helps preventing many diseases like thrombosis, arrhythmia, dementia (Alzheimer's),

asthma, and many more. Therefore, it should be a known fact that fish should be more consumed world-wide (especially in the Occidental modern world full of fast food and processed foods. Taking into account the quantitative contributions collected, this papers shows how, from one year to the other, changes have occurred when it comes to young people's knowledge, attitudes, perceptions and intentions associated to fish products. One thing that this paper illustrates is that there is an impact when consumers are exposed to fish campaigns, and that it is possible to mould young consumers' food habits. Fresh new data on young consumers (16 to 34 years old) regarding *perception of fresh fish,* availability for transfer of consumption for fish of higher stock, k*nowledge about the fresh fish market in the Portuguese population,* the best source of information about seafood and *place of purchase of the fresh fish in the Portuguese population* where some of the concepts analysed and that show obvious change.

References

[1]   Bencsik, A., Horváth-Csikós, G., Juhász, T. (2016). Y and Z Generations at Workplaces. Journal of Competitiveness. Vol. 8, Issue 3, pp. 90 – 106. https://doi.org/10.7441/joc.2016.03.06

[2]   Coelho, Teresa; Chkoniya, Valentina; Madsen, Ana Oliveira (2018): "The (R) evolution of the fishing sector in Portugal. Building a support for the coming generations" Georgiant Technical University and University of Foggia (2018) ISBN 978-9941-28-403-8

[3]   Docapesca 2018. In Coelho, Teresa; Chkoniya, Valentina; Madsen, Ana Oliveira (2018): "The (R) evolution of the fishing sector in Portugal. Building a support for the coming generations" Georgiant Technical University and University of Foggia. ISBN 978-9941-28-403-8

[4]   Fieldhouse, Paul (1986): "Food and nutrition: Customs and culture"- London, Helm

[5]   Holt, Sidney (1978): "Marine Fisheries" in Elisabeth Mann Borgese and Norton Ginsburg, eds., Ocean Yearbook 1, Chicago: University of Chicago Press.pp-66

[6]   Kent, George (1987): "Fish, food, and hunger: The potential of fisheries for alleviating malnutrition"- Boulder, Colo: Westview Press

[7]   Kifer, R.R., and Miller D. (1969): "Fish oil-fatty acid composition energy values, metabolism and vitamin content". Fish Industry. Vol 5, Nr. 25.

[8]   Lands, William E.M (1986): "Fish and human health" - Academic Press, Inc

[9]   Masayoshi, Sada (1984): "Fish Calcium" Infofish Marketing Digest, No 1/84, pp: 29-30

[10]   Mikkelsen, Bent E (2006): "Er Fødevareindustrien parat til udfordringen?". Produktudvikling. Plus Proces nr. 1.

[11]   Schell, Orville (1984): "Modern Meat", New York: Random House

[12]   Schlosser, Eric (2001): "Fast Food Nation"- Allen Lane, The Penguin Press.

[13]   Sørensen, Elin; Grunert, Klaus G; Nielsen, Niels Asger (1996): "The impact of product experience, product involvement and verbal processing style on consumers' cognitive structures with regard to fresh fish"- Aarhus School of Business. MAPP working paper no 42.

[14]   Thorsdottir, I; Birgisdottir, B; Kiely, M; Martinez, J; Bandarra, N (2008): "Fish consumption among young overweigth European adults and compliance to varying seafood content in four weight loss intervention diets". Public Health Nutrition: 12(5), 592-598.

[15]   Toffler, A. (1970). Future Shock. Random House

Credit Worthiness and Repayment Performance Among Small – Holder Farmers in Sri Lanka: Application of Probit Model

B. Sivatharshika

A. Thayaparan

Abstract

The objective of the study is to examine the factors which determine the credit worthiness and loan repayment performance among the small-holder farmers in Vavuniya district in Sri Lanka. A sample of 113 small –holder agricultural loan borrowers from five villages who get the loans from SANASA TCCS served as the respondents in the study. A set of structured questionnaire was used to collect the primary data from the respondents who lives in the five villages located in Marukkarambali GS division in Vavuniya district, Sri Lanka during the period of 2018/2019. The dependent variable is the credit worthiness measured as binary variables where it takes as one for defaulters and zero for non - defaulters and the selected demographic characters, farming characters and farmers' attributes were taken as explanatory variables in the study. To identify the above characters on the credit worthiness of the farmers' descriptive statistics, and binary probit model were employed. The results of the descriptive statistics revealed that, 43.4% of the respondents belonged to the defaulters while 56.6% of them belonged to the non – defaulters in the study. Estimated results of the probit model suggest that among the demographic characteristics, age of the farmers, levels of education, number of family members positively influenced the loan repayment performance of smallholder farmers, while among farming characters, income, farm size, land ownership, farming experience, off-farm activities, purpose of loan and possibility of crop failure were positively impact on credit worthiness and repayment performance at different significant levels. On the other hand, knowledge about the loan and responsible guarantors were the major factors of farmers' attributes influencing the repayment performance in the study. The overall findings of the study may help to the farmers as well as to the micro finance institutions to predict the repayment behaviour of the new loan applicants and to make the decision to grant loans in future.

Keywords: Repayment performance, Defaulter and non-defaulter, Pobit model

Introduction

Sri Lanka is an agricultural background country where the agricultural sector plays a predominant role as the third largest contributor to the Gross Domestic Product (GDP) .It helps to achieve the economic development in order to fulfil the countries' demand for food, supplying raw materials for industries, generating employment opportunities, and earning foreign exchange. In Sri Lanka, agricultural sector contributes 7.0% to the GDP and generates 32.6% employment opportunities (National Accounts of Sri Lanka-Census Department 2018). Among the developing countries especially in Sri Lanka the farmers are playing a key role to the growth of GDP and most of them are farming based on the credit finance than their own money. Especially in developing countries mostly the farming and investment activities are still not modernized because of the financial barriers and problems. To invest more money on their farming or to adapt new techniques their financial background is not support them. Thus, they mostly depend on the agricultural credits for their cultivations. The government is providing loans for the farmers through various Micro Finance Institutions (MFI) and they are the one of the main financial institutions contributing many ways in the rural community.

In recent years, the number of financial institutions starts to function and thus many chances to access the agricultural loans that are emerging among the farmers especially who are living in North and East provinces in Sri Lanka. Even though the requirement to the agriculture credits are high and most of the banks seem to be reluctant to issue credits to farmers due to the prior experience on poor recovery of agricultural loans. According to Central Bank of Sri Lanka, Bank of Ceylon and People's banks fail to recover 17% and 45% of agricultural credits in 2009 respectively.

In Vavuniya district, among the banks and other financial institutions SANASA TCCS established mainly focus to promote the living standard of rural people and to support to the poor farmers by lending the loans them. They mostly consider the societies, and through the groups they motivate poor people to practice the micro finance systems especially the compulsory saving for the members and provide farming loans and some special loans with the aim to promote the sustainable development among rural farmers in the district. When the SANASA TCCS provides loan mostly on two types one is farming loans for paddy cultivation and other loans such as cow loans and special loans at low level interest rate than the other financial institutions.

However, SANASA TCCS provides facilities some of the farmers reluctant to repay the loans with in the effective time duration. The inability of the borrowers to repay the loans according to the loan terms will create number of problems to the borrowers and also to the lending institutions. In this current scenario, there is an instant need for the remedial actions have to be taken in order to reduce the number of defaulters among the farmers in SANASA TCCS and to educate the borrowers to perform in a correct way to reduce the loans burden in future.

Objectives of the study

The study has mainly the two objectives. They are,

To identify the association between credit worthiness of the farmers and demographic characteristics, farming characteristics, farmers' attribute in SANASA TCCS in Vavuniya district, Sri Lanka.

To analyse the impact of the above three major characteristics on the repayment performance of the farmers in the study area.

Literature Review

Ajah E.A,Eyo E.O. and Ofem U.I (2014) examined the credit worthiness among the poultry farmers in Nigeria. They found that the nearly 51% of the respondents were credit worthy.120 poultry farmers were used in this study, the results revealed that older farmers with adequate supervision were credit worthy than the farmers with better educational level and with the large farm size. Finally recommended that older and experience farmers should be taken into consideration when loan applications are received. Furthermore Aniekan Jim Akpaeti. (2015) examined the agricultural loan default and repayment performance among Farmers in Nigeria: Simple random sampling technique was used to select a total of 100 loan beneficiaries. Tobit model was used to analyse the explanatory variables influencing default rates loan beneficiaries ,namely marital status, household size, off-farm income, total farm cost, enterprise profitability, debt-asset ratio, ratio of amount request ,and number of visits of supervisors were significant factors influencing loan repayment among the beneficiaries. This study revealed somewhat different point of view than other as, It is recommended that Government should organize regular training programmes for the bank Supervisors to enhance effective supervision and appraisal of the agricultural projects

Kapila Premarathne (2017) examined the Factors affecting to loan repayment behaviour and credit risk of farmers in Kotiyagala village in Monaragala District in Sri Lanka. This study was carried with randomly selected 100 farmers. Primary data were collected through the structured questionnaire and small group discussions. A multiple regression model was used in the process of data analysis. The study concluded that the demographic characters like age, income and family size have strictly significant impact on the loan repayment. Finally the researcher suggested the need to create an Awareness regarding the problems regarding the un-credit worthiness and where the rural farmers are needed to introduce proper micro credit facilities and affordable interest rates to overcome from the loan burden and from the perusing inefficiencies in the loan repayment**.**

 Another study was carried by Dr. W.P. Wijewardana, H.H.Dedunu (2017), on the topic of Loan Repayment Ability of Farmers in Sri Lanka: Exploring North Central Province dependent variable was loan repayment and independent variables were information about income, information about loan amount, background investigation, time taken to lend money and information about guarantee. The collected data were analysed by using reliability test, descriptive analysis, correlation analysis and multiple linear regression analysis. The result was generated from answers taken from 125 randomly selected borrowers . Finally this study concluded that background investigation and information about guarantee are the factors which significantly affect for the loan repayment. Hamid Safaynikou, Mohammad Taher Ahmadi Shadmehri, at el (2017) provided empirical evidence from Iran to modelling the effective factors on bank loans default rate using Delphi and they applied structural equation modelling and Tobit techniques on the case study of branches of Melli Bank in Khorasan Razavi province. For this purpose, a set of data about loans made to 300 small and medium enterprises were selected between years 2004 to 2015 and the results showed that 48 factors affect the default ratio in Iran.

Osman Yibrie and Ramakrishna, R (2017) has analyzed the determinants of loan repayment performance in ACSI using fourteen variables and out of them eight variables were found to be statistically significant. Those data were analysed with maximum likelihood estimates of multinomial logit model which showed that sex, age, level of education, loan size, interest rate, loan tenure, training and monthly sale were significantly affecting loan repayment performance of borrowers of ACSI. Factors influencing loan repayment performance: A Case study of lift above poverty organization micro-credit agency in Nigeria evaluated by Olatomide Waheed Olowa, Omowumi Ayodele Olowa (2017). They used Tobit model to analyze the data and their results of the analyses showed at 0.92 repayment rates and 0.08 default rates, and borrower experience, positive effects of the volume of loans borrowed, number of borrowers, number of credit agency staff, and volume of loans repaid.

Determinants of smallholder farmers loan repayment performance in Assosa District, Western Ethiopia was investigated by Gebre-Egziabher Fentahun Destaw Kefale Yasin Ahmed (2018). For this study a total of 1571households' credit users and from these 94 households were selected randomly followed by probability proportional sample from Assosa woreda with primary data which was collected by direct interview of sample respondents whereas, secondary data also collected from published and unpublished documents. In their study descriptive statistics were used to summarize the demographic profile of the respondent and logistic regression model was employed to identify factors influencing loan repayment performance of farmers. Out of the total thirteen explanatory variables included in the model, livestock ownership, age, family size, income from crop product, get extension agent, off farm income, and sex were found to be statistically significant in determining loan repayment performance of smallholder farmers.

Another study conducted by Girma Gudde Jote (2018) to determine the loan repayment in the case of Microfinance Institutions in Gedeo Zone, SNNPRS, Ethiopia. Out of total population of 6662 which consists of 1610 defaulter and 5052 non-defaulter borrowers, 364 representatives from borrowers are selected by using stratified random sampling techniques. A total of ten explanatory variables were included in this model and out of these, six variables namely educational level, method of lending, nearness of borrower's residence to the institutions, family size, and income from activities financed by loan and training were found to be statistically significant to influence the probability of loan repayment in the country.

Nwafor Grace O.et al. (2018) examined the loan repayment behaviour among member of multipurpose cooperative societies in Anambra State. The study was investigated the socioeconomic factors affecting the farmers' credit repayment ability and ascertained major problems affecting the farmers in loan repayment using t-test statistics and a multiple econometric model of the Ordinary Least Square (OLS). Findings of the study revealed that there is a significant difference between the amount of loan received and amount repaid by the cooperative farmers and the joint effect of the explanatory variable in the model account for 91.9% of the variations in the factors affecting the farmers' credit repayment ability. Four variables such as educational qualification, farm size, loan application cost, and collateral value are significant whereas, age, membership duration and income of the farmers are not significant but they show a positive relationship with loan repayment. Based on the study, they recommended that among others cooperative societies should endeavour to educate the farmers on financial discipline and management because it has proven to significantly influence loan repayment.

Methods of Analytical tools

The population of this study comprised the farmers who borrower the loans from SANASA TCCS in Vavuniya district in Sri Lanka during the period of 2018 December to 2019 January. The relevant primary data were gathered with a set of questionnaire using simple multi - stage sampling technique. Out of 25 districts in Sri Lanka, Vavuniya was selected as the major study area which has 4 Divisional secretariats (DS) divisions in the district. The 4 DS divisions have many Grama Sevaka (GS) divisions and out of them, only Marukkampalai GS division was selected in the study. Several villages located in the division and out of them finally, 113 total small – holder farmers were selected randomly from five villages in the study.

To examine the impact of demographic characters, farming characters and farmers' attributes on credit worthiness, different analytical tools as descriptive statistics, frequency analysis, chi-square test (χ^2), probit model with marginal effects were employed in the collected data.

Descriptive statistics

Descriptive statistics are used to describe the basic features of the data and provide the simple summaries about the sample and measures in terms of mean, median and standard deviations of the variables used in the study.

Frequency Analysis

The frequency analysis is a way to explain the data which gives more attraction and helps to give clear understanding of the study. Credit worthiness whether the borrower belongs defaulter or non- defaulter, selected demographic, farming and farmers' attributes were analysed using frequency analysis in the study.

Chi-square test

The cross table and chi-square test is used to examine the association between credit worthiness among the small- holder farmers and some selected characteristics related to demographic, farming and attributes of the farmers on loans in the study.

Probit model or Binary Probit model

Addition to the above analytical tools, this study adopts probit model to investigate the impact of different characteristics on the credit worthiness among the small – holder farmers in the study area. Credit worthiness measured by binary variables namely 1 for non- defaulter and 0 for defaulter taken as dependent variable and as the dependent variable in the form of zero or one probit model is more applicable than the multiple regression. The probit model is applied into three models where the explanatory variables have three main characteristics and their impact on credit worthiness was examined by estimating the following models.

Demographic characteristics: ………………..…….………..……….…………….……….……..….Model 01

$Y_i = \beta_0 + \beta_1 \text{age} + \beta_2 \text{gender} + \beta_3 \text{education} + \beta_4 \text{civil status} + \beta_5 \text{family members} + \varepsilon_i$

Farming characteristics: ……………..……….…………….…………….……….…………….…..Model 02

$Y_i = \beta_0 + \beta_1 \text{income} + \beta_2 \text{farm size} + \beta_3 \text{land ownership} + \beta_4 \text{farming experience} + \beta_5 \text{off-farm activity} + \beta_6 \text{purpose} + \beta_7 \text{crop failure} + \beta_8 \text{weather} + \varepsilon_i$

Farmers' attributes………………….……….…………….……………….…………………….………. Model 03

$$Y_i = \beta_0 + \beta_1 \text{knowledge about loan} + \beta_2 \text{type of loan security} + \varepsilon_i$$

Where,

Y_i = the borrowers' credit worthiness, which was categorized as.

1 if the borrower belongs to a non - defaulter

0 if the borrower belongs to a defaulter

β_0 = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$………$\beta_8$ are the coefficients of each respective independent variable.

ε_i = Error term

Marginal Effects

After estimates the probit model, marginal effect was calculated which measure the expected instantaneous change in the dependent variable as a function of a change in a certain explanatory variable while keeping all the other covariates held constant. The co-efficient of the marginal effect in probit model explains the effect of independent variable on dependent variable in terms of probability.

Results and Discussions

In the beginning, the collected data were examined using descriptive statistics and frequencies which are the basic statistical tools analysed for selected variables used in the study.

Results of descriptive statistics analysis

In this section, some selected demographic and farming characteristics of the 113 borrowers in the sample were analysed using the following descriptive statistics.

Table 01: **Results of descriptive statistics**

Variables	N	Minimum	Maximum	Mean	Standard deviation
Age	113	21	80	46	14.595
Family members	113	2	8	4.04	1.326
Income	113	10000	50000	25946.9	7873.8
Farm size	113	1	13	4.96	2.737
Farming experience	113	1	50	15.44	12.517

Source: Calculated by author, 2018/2019

Results of descriptive statistics reveal that, an average age of the famer is nearly 46 years old and this age group peoples were listed out by the World Bank as an effective work force among the Asian countries (Labour market statics 2017). Age of the sample respondents ranges from 21 to 80 years with the standard deviation age of 14.59. The average number of family member is 4 which is an indication of the household ensures that the availability of huge family support for their farming activities. As an average income per month they are earning Rs 25946/= by producing agriculture products with nearly 5 acres of land and of 15 years of experience in the farming.

Results of frequency analysis

Frequency is the way of analytical tool which illustrates the basic features of the demographic and farming characteristics used in the study.

Table 02: Frequency of the variables

Variables	Frequency	Percentage (%)
Credit worthiness [a]		
Non-defaulter	64	56.6
Defaulter	49	43.3
Gender		
Male	63	56
Female	50	44
Civil status		
Married	89	79
Unmarried	24	21
Education		
Uneducated	17	15
Primary	46	41
Secondary	50	44
Land ownership		
Own	88	78
Tenant	25	22
Off-farm activities		
Yes	65	58
No	48	42
Purpose of getting loan		
For agriculture	70	62
For others	43	38
Crop failure		
Yes	38	34
No	75	66
Weather		
Yes	36	32
No	77	68
Knowledge about loan		
Yes	69	61
No	44	39
Types of loan security		
New members	42	37
Responsible members	45	40
Irresponsible members	26	23

Note :(a) indicate the dependent variable used in the study

Source: Survey data, 2018/2019

Table 02 shows that, out of 113 sampled borrowers 64 of the borrowers belong to non-defaulters which accounts nearly 57% while 49of them belongs to defaulters which accounts nearly 43% in the study area. Frequency analysis across demographic variables specially gender and civil status refers that, 56% of the borrowers were males whereas 44% of them were females. In case of civil status, majority (79%) of the respondents were married while21% of them were single. Only 15% of the farmers not educated while 41% and 44% of them acquire primary and secondary education levels respectively. Ownership of cultivated land represents that 78% of them cultivating the crops on their own land and rest of them used tenant land. Even agricultural is the main income earning sector in the study area, 58% of them have off - farm income while 42% of them mainly depends on farm income. In similar way, frequency of other variables also explained in the above table.

Results of Chi-square test

To verify whether there is any significant association between credit worthiness and the selected demographic and farming characteristics of the samples, chi – square test was analysed in the study.

Table 03: Estimated results of chi-square test

Variables	Non- defaulter (%)	Defaulter (%)	χ^2	Significant
Off-farm activity			12.44	0.000*
Yes	70.8	29.2		
No	37.5	62.5		
Type of land			13.92	0.003*
Own	65.9	34.1		
Tenant	24.5	76.0		
Gender			0.68	0.795
Male	55.6	44.4		
Female	58.0	42.0		
Civil Status			0.54	0.460
Married	58.4	41.6		
Unmarried	50.0	50.0		
Education			11.32	0.003*
Uneducated	23.5	76.5		
Primary	54.3	45.7		
Secondary	70.0	30.0		
Purpose of loan			8.26	0.004*
For agriculture	67.1	32.9		
For others	39.5	60.5		

Note: * represent the 1% level of significant.

Source: Survey data, 2018/2019

In the above results in table 03 suggest that all the variables have statistically significant association with credit worthiness except gender and civil status. The borrowers who have engaged in off-farm activities, out of them 70.8% of the borrowers belong to non-defaulters while 29.2% of them belong to defaulters. This indicates that when the borrowers have other income sources, they are able to repay their loans on time and the default ratio is lower than others who don't have off – farm income.

The chi- square value for types of land has significant at 1% level reveals that, the farmers whether they cultivate own land or tenant significantly associated with credit worthiness where the borrower belongs to defaulter or not. According to the results, 65.9% the farmers who are cultivating the crops on their own land belongs to non-defaulter while 76% them who are cultivating on the tenant land belongs to defaulter. These findings conclude that, own land cultivators have more motivation to settle their loans without any time delaying than tenant cultivators in the study area. However, among the

three demographic characteristics only level of education has significantly associates with credit worthiness whereas gender and civil status of the borrowers have no associated with credit worthiness. Further, 76.5% of the farmers who have uneducated belong to defaulters but most of the primary educated (54.3%) and secondary educated farmers (70%) belong to non – defaulters respectively.

Chi- square value for purpose of loan has significant at 1% level indicates that 67.1% of the farmers, who got the loans for agricultural purpose, belong to non- defaulters while 60.5% of them received for other purposes become as defaulter in the study.

Regression outcomes of the binary probit model

Binary probit model was applied to satisfy the second objective of the study to investigate the impact of demographic characteristics of the borrowers, farming characters and farmers' attributes on the credit worthiness whether the particular borrower is a defaulter or non – defaulter in the study. Total independent variables belongs to three sets of different aspects, three models were employed in the analysis.

Table 04: Estimated results of probit model for demographic characters

Number of observation = 113   Log like hood =- 54.89
Probability > Chi^2 = 0.000
Pseudo R^2 = 0.29

Variable	Coefficient	Standard error	z	P > (z)	Marginal effects
Age	0.041	0.01	3.20	0.001*	0.011
Gender	0.041	0.29	0.14	0.889	0.011
Primary	0.837	0.40	2.06	0.040**	0.228
Secondary	1.638	0.42	3.89	0.000*	0.448
Civil status	0.536	0.37	1.43	0.152	0.145
Family members	- 0.422	0.13	- 3.21	0.001*	- 0.115
Constant	- 1.493	0.86	- 1.72	0.085	....

Note: * and ** represents the 1% and 5% levels of significant respectively

Source: Survey data, 2018/2019

Table 04 represents the estimated results of probit model for demographic characteristics of the borrowers and out of six variables, four were found to be statistically significant impact on credit worthiness of the borrowers while gender and civil status have insignificant in the model. Log likelihood test of the probit model which is equal to the 54.89 with the probability value of 0.000 suggest that the model is good fitted one. Based on the statistically significant coefficients secondary education and age of the farmers and family size have 1% level of significant whereas, primary education has significant at 5% level in the model.

The coefficient of age has positive sign reveal that, as age increase the farmers will have more likely to repay the loan and thus their repayment performance also increases. In other words, young farmers have less likely to repay the loan than elder farmers which indicate that, young farmers have less responsibility in settle the loans than elders. These results conclude that, elder farmers belong to non – defaulters while young farmers mostly belong to defaulters. The same finding represented by the marginal effect of the age and it has 0.011 which shows that elder farmers have 1.1% of more probability to repay the loans than young farmers. The coefficients for both primary and secondary education levels have positive sign with the marginal effects of 0.228 and 0.448 illustrates that, the borrowers who have primary and secondary educational qualifications, the probability to become as a non- defaulter increases by 22.8% and 44.8% respectively. Thus, educated farmers who borrow the loans from the bank will have more likely to repay the loans than uneducated farmers. Negative

sign of the family members shows that, the respondents who have more members in the family, the probability to repay the loans is less and they mostly become as non – defaulter.

The impact of farming characters on credit worthiness was examined using probit model and the results were depicted in table 05.

Table 05: Estimated results of the probit model for farming characters

Number of observations   = 113
Probability > Chi^2 = 0.000   Log like hood = - 29.72
Pseudo R^2 = 0.61

Variable	Coefficient	Standard error	z	P > (z)	Marginal effects
Income	0.321	0.074	3.41	0.021**	0.051
Farm size	0.340	0.088	3.83	0.000*	0.049
Land ownership	2.143	0.555	3.83	0.000*	0.308
Experience	0.048	0.020	2.40	0.016**	0.007
Off-farm activities	1.535	0.444	3.46	0.001*	0.220
Purpose	0.724	0.401	1.80	0.071***	0.104
Crop failure	- 1.079	0.544	- 1.98	0.048**	- 0.155
Weather	- 0.276	0.519	- 0.53	0.594	- 0.039
Constant	- 4.573	0.977	- 4.68	0.000	....

Note:*, ** and *** represents 1% , 5% and 10% significant levels respectively.

Source: Survey data, 2018/2019

According to the table 05, goodness fit of the binary choice probit model was measured by the pseudo R^2 which is equal to 0.61 refers that 61% of the variations in dependent variable explained by the above explanatory variables in the study. Also, the estimated results of probit model for farming characters were shown in the above table and out of eight farming related variables, seven were found to be significantly influencing the probability of being defaulter or non – defaulter at different significant levels. Coefficient for borrowers' income was found to be positive as expected sign and its marginal effect has 0.051 means that, as their income increased the probability of being non defaulter is increased by 5.1% assuming that other factors held constant. Farm size is one of the major significant factors which determine the credit worthiness and according to its marginal effect suggest that the farmers who cultivate with large farm size, the probability of repayment also increase by 4.9% . Thus, the larger farm size cultivators belong to non – defaulters compared to smaller farm size cultivators in the study area.

Marginal effects of land ownership is 0.308 reveals that, the farmers who cultivate the crops in their own land, the probability to happen to non – defaulter will increase by 30.8% . In other words, tenant land cultivators have 30.8% of less probability to repay the loans on time and they fall into defaulters. The coefficient of farming experience has 0.048 with its marginal effect of 0.007 shows that the borrowers who have more years of experience in farming, the probability to belong to non-defaulter also increase by 0.7% . This may be due to the fact that when the borrowers had enough experience in farming, they already know the potential risks that they will face in the farming and able to make remedial actions.

According to the results, borrowers who engaged in other off –farm activities they were the best loan re- payers than others who depends on agriculture only. When they have other income sources the probability to become as a non –defaulter also increases by 22% and this variable also significant at 1% level. The loans given by the bank mainly focused on two purposes like for agricultural and other purposes and the probit results reveal that, the farmers who received loans for agricultural activities have better repayment performance and their default risk is less compared to the borrowers who get the loans for other targets. Repayment performance may depends on whether the farmers face crop failures or not and according to the coefficient of crop failure which has negative sign proves that, crop failure discourage them to pay the loans and they belong to defaulter in the study.

Finally, credit worthiness of the farmers influence by their attributes and the estimated results from probit model given in the following table

Table 06: Estimated results for the Farmers' attributes

Number of observation　= 113
Probability > Chi^2 = 0.000　　　　　　　　　　　　　　　　Log like hood = - 47.47
Pseudo R^2 = 0.38

Variable	Coefficient	Standard error	z	P > (z)	Marginal effects
Knowledge					
about loan	1.261	0.328	3.84	0.000*	0.298
New member	0.710	0.427	1.66	0.097**	0.168
Responsible members	2.088	0.436	4.79	0.000*	0.494
Constant	- 1.666	0.38	- 4.43	0.000	

Note: * and ** represents the significant levels at 1% and 10% respectively

Source: Survey data, 2018/2019

The above results suggest that, all three variables related to attributes of the farmers statistically significant at 1% and 5% levels and they have positively impact on repayment performance and when they have positive attributes on these aspects make them belong to non- defaulters in the sample.

Conclusion

This study intended to examine the impact of demographic characteristics of the borrowers, farming characters and attributes of the farmers about loans on credit worthiness in Vavuniya, Sri Lanka. For this purpose, descriptive statistics, frequency analysis, chi-square test and binary probit model were employed in the study. The probit regression outcomes indicated that, among demographic variables age, primary and secondary education levels and family members were significantly influence the credit worthiness while among farming characters, income, farm size, land ownership, experience in farming, availability of off – farm incomes, purpose of receiving the loans and possibility of crop failure were the significant determinants on credit worthiness in the model. On the other hand, all three attributes about loans have positively impact on credit worthiness among the small-holder farmers in the district in Sri Lanka.

Finally, the micro finance institutions and banks should focus on the repayment challenges and issues which found by the researchers and take remedial actions to improve the repayment performance among the small holder farmers in the study area. Micro finance institutions to take more precautions before granting the loans with regard to the farmers who face the crop failure with large members in the family and they mainly can provide their services focusing on the farmers who have more income with other off – farm income cultivating the crops in large size of farm using own land and farming experience. Thus, this study recommended that those financial institutions have to consider the above factors and issues in granting the loans which may help them to improve the recovery loan repayment ratio in future.

References

[1]　Aiah,E.A, (2014). "Loan repayment among bank of Agricultural loan beneficiaries in Nigeria" *International Journal of livestock production*, vol.5 (9), pp 155-164, sep 2014.
[2]　Assifaw Lemessa, and Adeba Gemechu (2016). Analysis of Factors Affecting Smallholder Farmers' Access to Formal Credit in Jibat District, West Shoa Zone, Ethiopia, *International Journal of African and Asian Studies*, Vol.25, 43-53.
[3]　Gebre-Egziabher, Fentahun Destaw Kefale Yasin Ahmed (2018). Determinants of
[4]　Girma Gudde Jote (2018). Determinants of Loan Repayment: The Case of Microfinance Institutions in Gedeo Zone, SNNPRS, Ethiopia. *Universal Journal of Accounting and Finance*. Vol. 6(3), 108-122.

[5]   Hamid Safaynikou, Mohammad Taher Ahmadi Shadmehri, Ahmad Sabahi and Mohammad Javad Razmi (2017). Modelling the Effective Factors on Bank Loans Default Rate Using Delphi, SEM and Tobit Techniques (Evidence from Iran). *Modern Applied Science*; Vol. 11(4), 13-22.

[6]   Kapila Premarathne (2017) "Factors affecting to loan repayment behaviour and credit risk of farmers in Kotiyagala village in Monaragala District in Sri Lanka".

[7]   Nwafor Grace O, Agu Aguiyi Fortune, Anigbogu Thersa and Umebali E.E. (2018). Loan Repayment Behaviour among Member of Farmers Multipurpose Cooperatives in Anambra State. *International Journal of Community and Cooperative Studies.* Vol.6 (1). pp.28-49.

[8]   Olatomide Waheed Olowa, Omowumi Ayodele Olowa (2017). Tobit Analysis of Factors Influencing Loan Repayment Performance: A Case Study of Lift Above Poverty Organization (LAPO) Micro-Credit Agency in Nigeria. *Mathematics Letters*, PP.58-64. Retrieved from http://www.sciencepublishinggroup.com/j/ml.

[9]   Osman Yibrie and Ramakrishna, R (2017). Determinants of loan repayment performance in ACSI. *international Journal of Advanced Research in Management and Social Sciences.* Vol. 6 (4).

[10]   Smallholder Farmers Loan Repayment Performance in Assosa District, Western Ethiopia. *Journal of Economics and Sustainable Development.* Vol.9(5), 46-57.

[11]   W.P. Wijewardana, H.H.Dedunu (2017), " Loan Repayment Ability of Farmers in Sri Lanka"

Strategic Management as Key Influencer on the Development of Textile Industry in the Country of Kosovo

Hana Gashi

University of Prishtina, Kosovo

Rrezarta Gashi

AAB College, Kosovo

Abstract

Considering the impact of strategic management, today all companies of all sectors must have a strategic plan compiled in details. In the frame of this plan, there must be included also human resources, investments in marketing, investments in technology, and noticeably the last one is recently going through great modifications. Based on statistic data Kosovo during recent years have made advanced steps toward the development of all sectors, specifically in textile sector. Therefore, this paperwork aims to step up the priorities and challenges that have the textile sector in the country of Kosovo, a country that is in transition phase. The focus of this study will be textile companies, including manufacturing companies. For the conclusion of this research will be used primary and secondary data. Primary data will be the data received directly from field work, through questionnaire that will be used especially for this research, whereas secondary data will be received by the use of foreign and local literature, also from researched made previously, that have to do with textile sector in all countries of the world.

Keywords: strategic management, textile industry, advantages, disadvantages

Introduction

On account of globalization, strategic management is becoming more and more important. Strategic plans are important nowadays not only for huge businesses, but also for small and medium ones. The reason of the small companies is because of the business future growth forecast. Another importance is mainly for businesses that operate in transition countries, as it is the country of Kosovo.

Strategy is the core of the essence of positioning for competitive advantage in the market. In order to come up with strategic and liable alternative it must be conceptual creation, based on knowledges of the certain industry, competitions, markets, technologies and other respective tendencies (Avdiu & Gashi, 2017).

In this period it would be easy to manage a business that in its sector has no great changes, which is recently impossible. Strategic management must contain some key elements (Khemesh, 2017):

- Consumer tracking due to their increased demands on the quality and variety of products
- Tracking technology, due to their rapid changes being made
- Tracking competitors in every possible segment
- The development of the multinational enterprises and integration of traditional cultures with other cultures
- The spread and facilitation of communication through internet and other information technologies.

External factors that surround Kosovo businesses are still more complex to face with them. Same with the majority of market in transition around the world, same also in Kosovo, the market has almost the same actors with the same roles and "rules" that every business has (Gashi & Avdiu, 2013).

Textile industry is a great contributor on the development of the country economy, including production and employment. Textile industry is one of the greatest industries in the world (Chokalingam, Maruthavanan, & Prakash, 2009).

Considering that transition countries everyday have different difficulties to adapt to the images of globalization competitions, also Kosovo is a country in transition that is facing those difficulties. Therefore in this, a great importance will be given to the effect of strategic management in the development of textile industry, obstacles that businesses meet during the operation, advantages that those businesses have, as well as many other issues that we will discuss in the parts of research analyses.

Literature review

Strategic management is organized development of resources in functional zones, financial, production, marketing, technology, manpower etc. in following its objectives (Wells, 1996). Analyzation is one among main sections and one of the most important phases in the process of strategy creation. This phase is the main because of the information collection, where that information is valuable during the all processes in steps and further business way (Brecker, 1980).

The first step of developing strategy is the analyzation of collected information after their collection process. Beside this there shall be determined which are the resources that currently are possessed by business or company and which will be valuable and usable to help toward the achievement of purposes and objectives defined in advance. In this phase, it is important to be required and identified other external resources. The formulation of strategy includes the issues that must be listed as priority depends on their value on achievement of the company success. After the selection of priorities, starts the formulation of strategies. Considering that business and as well economic situation are unsustainable, it is very important in this phase to be developed different alternatives methods that aim to arrive every step of the plan (Ulwick, 1999).

According to author (Gasparotti, 2009), SWOT model (strength, weakness, opportunities and threats) is one of the best instruments for analyze of external and internal environment factors. Based on this model, companies' strategies can be formulated by combining strongest and weakest points, whereas factors of the external environment, combining: possibilities and threads.

Moreover one of the analyses that must be given importance during the compile of strategic plan is also PEST analyze, which includes: political, economic, social and technology factors.

Based on the writing of the (Meyer, 2009), not all companies, that aim and have focus the development in global markets, they have easy expansion and operation in countries outside of where they are established, where they have created their image with products, services or both. Studies around this phenomen on of aspiration for international expansion and crossing many obstacles and difficulties highlight the challenges and failures to reach the expansion goals in the global marketplace. But, in order that companies to achieve their goals or similar, must be kept in mind many factors, that according to some authors and researchers of globalization have concluded that must be followed is there is a wish for success in this field.

In order to survive in the market, companies try to expand the process of production also in global markets, but this can cause the fragmentation of supply chains around the world, increasing the risk of supply chain interruptions. Nevertheless, new chain supplies can prevent or soften such interruptions (Sardar & Lee, 2015).

The situation of the textile industry in Kosovo and countries around the world

Based on the presented table as below, it can be seen that China is the greatest producer and exporter of two textiles and unprocessed clothes, whereas USA is the main producer and exporter of unprocessed cotton, they also take the price for the greatest importer of textile and unprocessed clothes.

Textile Production		Garment Production	
Country	%	Country	%
China	50.20%	China	47.20%
India	6.90%	India	7.10%
United States	5.30%	Pakistan	3.10%
Pakistan	3.60%	Brazil	2.60%
Brazil	2.40%	Turkey	2.50%
Indonesia	2.40%	South Korea	2.10%
Taiwan	2.30%	Mexico	2.10%
Turkey	1.90%	Italy	1.90%
South Korea	1.80%	Malaysia	1.40%
Thailand	1.10%	Taiwan	1.40%
Mexico	0.90%	Poland	1.40%
Bangladesh	0.80%	Romania	1.20%
Italy	0.80%	Indonesia	1.10%
Russia	0.70%	Bangladesh	1.00%
Germany	0.50%	Thailand	1.00%
Others	18.40%	Others	22.70%
Total	100%	Total	100%

Source: (study.com)

Based on studying, textile export of China is increased approximately 3% during 2018. China is the main country of producing textile and worth almost 1/4 of the global textile industry with an export value of more than 100 milliard $. Whereas, regarding the European Union has Germany, Spain, France, Italy and Portugal with a value of more than 1/5 of the global textile industry and actually is evaluated in more than 160 milliard $. India is the thirst greatest industry of textile and have a export value of more than 30 milliard dollar. India is responsible for more than 6% of textile total production in global level and is evaluated around 150 milliard $. USA now is one of the greatest consummators of textile that are responsible for around 75% of textile import in total. China, Japan, India and United States dominate in global textile industry (www.medium.com, 2018).

This is the situation related to textile industry of neighbor countries. Textile industry in country of Albania is progressing year by year. In 2014 the export value has been 85.936 million €, in 2015 has been 90.091 million €, in 2016 106.608 million €, whereas in 2017 there was apparently great growth, in value of 117.389 million €. The value of the export of the textile industry in 2017 has 13% of the total value of export of this country (www.atlasi.al, 2018). By this is noticed that how important is this industry for the economy of this country. One of the challenges that this sector is facing, is the lack of qualified employees, because of the migration of the population toward other world countries (Shehi, 2018).

On the table presented below are presented the values of the imports and exports of the country of Kosovo, since 2012 to 2018.

Textiles and textile articles (.000)							
	2012	2013	2014	2015	2016	2017	2018
Export	11,433	12,751	14,693	11,957	8,784	9,941	10,643
Import	82,236	87,616	120,372	122,589	136,688	139,910	162,501

Source: (Kosovo Agency of Statistics, 2019)

Based on this table is noticed that export has regressed since 2012. The most successful year of export was 2012. Whereas, the import has regressed from 2012 up to now. 2018 is the year that has the greatest value of import of such industry. Analyzing in this table, we can say that the situation of this industry is not good, same as in other countries that have progression in this direction. Since the value of import is greater that export value, than this industry need rapid interventions. Unfortunately the value of export has had increase, this occurrence is quite worrisome.

Research methodology

For the realization of this research, were used primary and secondary data. Primary data are the data that were received directly from the field.In this research are included 115companies of this industry. The research in total contains 14 questions, where some questions are with a possibility of more than one answer. The processing of those data is done through excel. The presentation of results is done graphically, where each graphic is followed with textual description. Confirming the hypothesis is made based on descriptive analyses.

Research question of such research are:

Should textile industry companies have qualified persons on their managerial staff?

Should institutions support companies dealing with this industry, in order those companies to succeed on their development?

Hypothesis of this research are:

H1: Textile industries companies in Kosovo, face with the lack of qualified employees

H2: Textile industry in Kosovo has lack of institutional support .

Research analyses

In this part will be presented descriptive analyses of the paper, as it was mentioned in previous chapter they must be presented in excel and followed by textual description
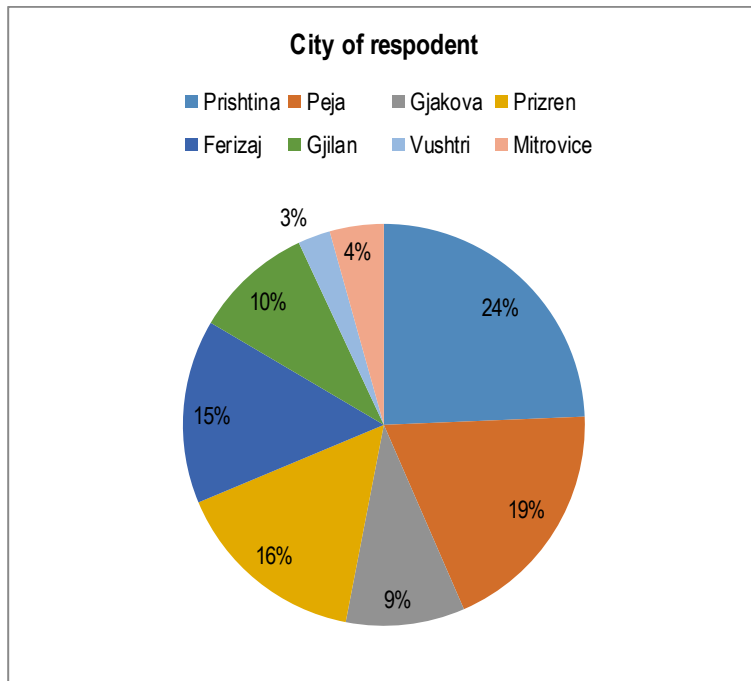
Graphic 1: City of respondent

In graphic no. 1,were presented cities of the respondents, where the largest part of questionnaires have been distributed in capitol city, since the greatest number of businesses is focused in this city.

Your company is:

■ Local company   ■ Foreign company

3%

97%

Graphic 2: Your company is:

In graphic no. 2, it is seen that part 111 companies of 115 interviewed, or 97% of them are local company, whereas only 4 or 3% of them are foreign companies.

Do you have cooperation with other companies?

■ Yes ■ No ■ Sometimes

18%

10%

72%
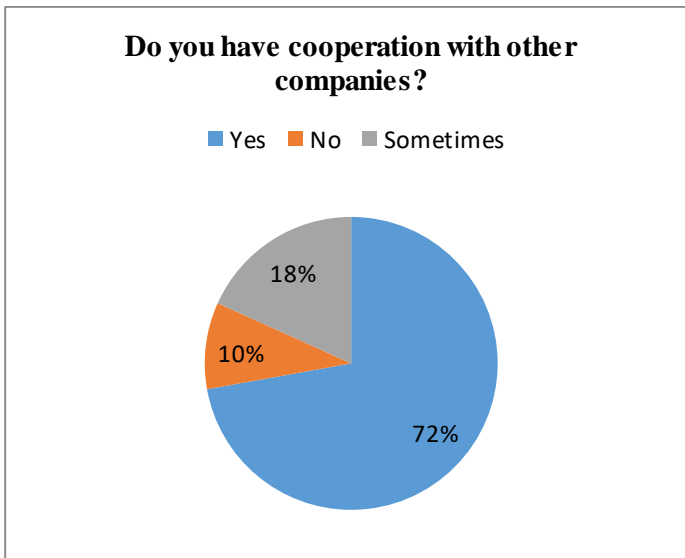
Graphic 3: Do you have cooperation with other companies

In graphic no. 3, is seen that 83 or 72% of the interviewed declared that have collaboration with other companies, 11 or 10% of them stated that they do not collaborate with other companies, whereas 21 or 18% stated that sometimes collaborate with other companies. Based on these answers we can confirm that this is very good issue, since companies of the same subject have collaboration between each other, despite their emulation.
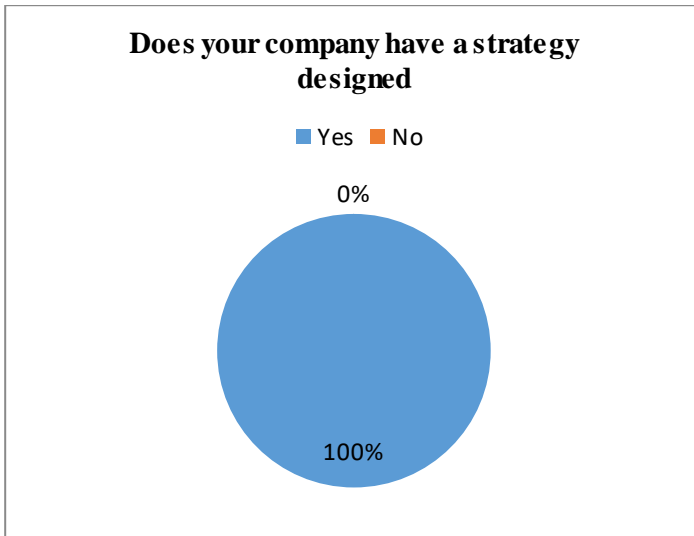
Graphic 4: Does your company have a strategy designed

Since we are living in the era globalization, every company must have a compiled strategic plan in order to survive in operating market. Fortunately, today Kosovo businesses, have approved strategy, such evidence is presented in graphic no. 4.

In graphic no. 5, a question is raised "Which strategies do you use to fight the competition", on which the answer could be made in more than one option. 91 or 31% of the respondents have stated that main strategy to fight competition they use the lowest price, 45 or 16% respondents answered on higher quality, 32 % of the respondents have been that as their main strategy to fight competition is the design of the articles, whereas 21% of the respondents have been marketing as their main strategy.
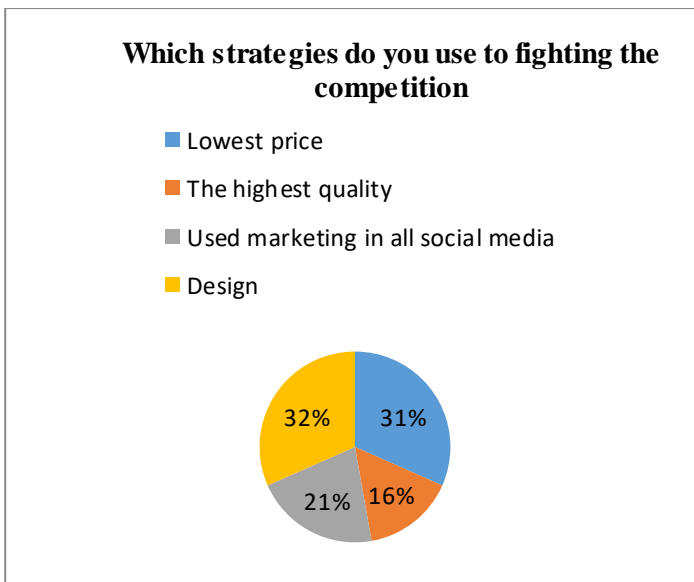
Graphic 5: Which strategies do you use to fighting the competition

Which strategy will you use to keep this position in the market

- ■ Lower prices
- ■ Raising the quality of the articles
- ■ The biggest focus on marketing
- ■ Transportation of articles at home

34% 35%
13% 18%

Graphic 6: Which strategy will you use to keep this position in the market

In graphic no 6, as it is seen, the main strategy to hold a position in the market is the lowest price, where 85 or 35% of the respondents have been this way. 45 or 18% of the respondents have been with the improvement of the quality of articles, 34% have been that the strategy will have the delivery of the s to the home of the client, whereas 13% or 32 of the respondents have been that their strategy will be the focus in marketing.

Where is the company's intention to invest during the year

- ■ Teknology   ■ Human resources
- ■ Raw material   ■ Marketing

13%
31%
26%
30%
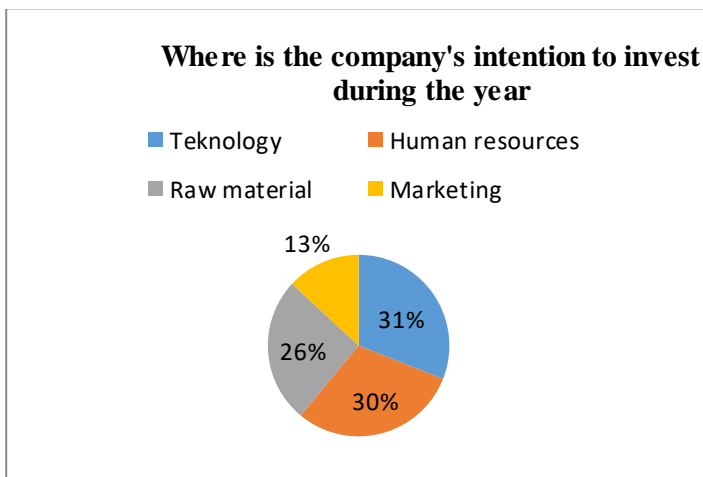
Graphic 7: Where is the company's intention to invest during the year

Whereas the question "Where is the company's intention to invest during the year ", this question have more than one answering option, the higher percentage have been that the target of the company for investment during the year is the investment in technology with 97 answers were yes 31% , and 94 or 30% in human resources. Whereas, 26% have been in raw material and 13% in marketing.

Graphic 8: What are the challenges you face most often

The most challenges that the majority of companies of this sector face are, non-support of the institutions and high bank interests. Related to the non –support of the institutions were111 answers, whereas for high interest rate answered 100 of them. Other challenges that companies face are the lack of investment capital, lack of qualified human resources, as well as lack of new technology. All those are the greatest challenges that every company face with.

Graphic 9: What are the challenges you face in human resources

Whereas a challenge for human resources, by which face those companies, are lack of qualified persons that are citizens of Kosovo with 85 answers, 45 of them said that there are high costs of inviting a qualified person from other country.

ISSN 2601-8659 (Print)
ISSN 2601-8667 (Online)

European Journal of
Marketing and Economics

September December 2019
Volume 2, Issue 3

Whereas, answered the less, so by 7% in total has been the challenge irresponsibility of the employee during their working hours.
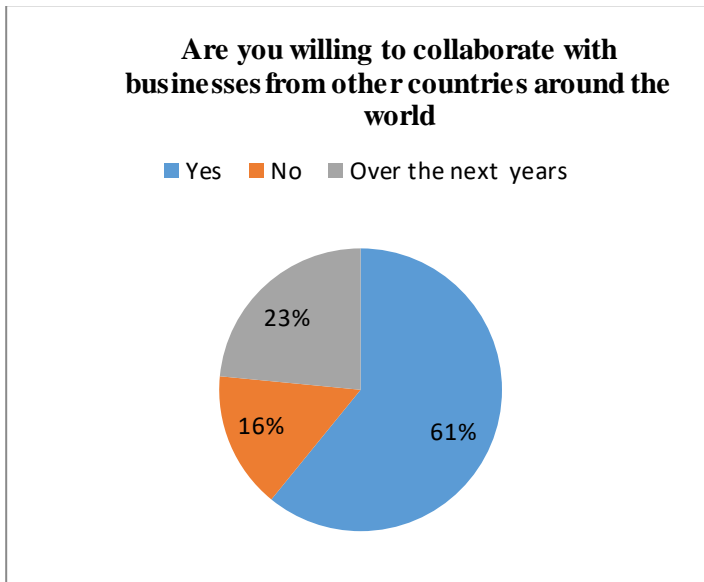
Graphic 10: Are you willing to collaborate with businesses from other countries around the ëorld

In the graphic no. 10, is submitted the question "Are you willing to collaborate with businesses from other countries around the world", where 61% of them declared that they are ready to collaborate with other world businesses, 23% said that at the moment they are not ready. They will be ready after many years. Whereas 16% of the answered that they are not ready for international business.
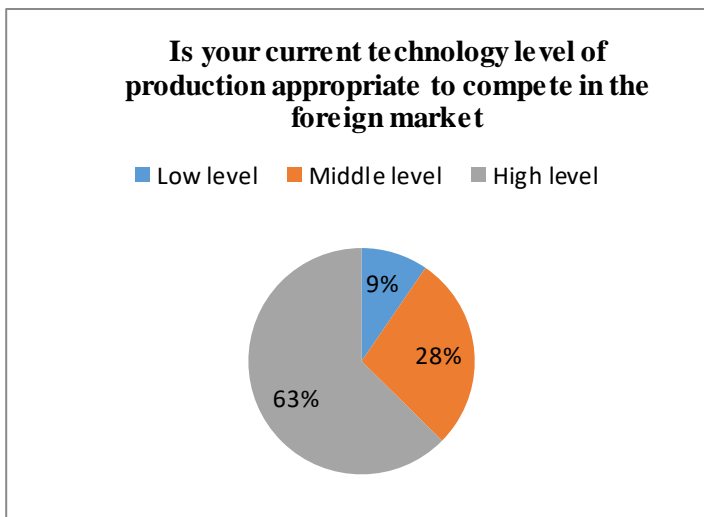
Graphic 11: Is your current technology level of production appropriate to compete in the foreign market

On the question that what is the level of the technology in these companies, 63% or 72 of the companies, answered that have high level of technology, 28% or 32 answered that have middle level of technology, whereas 9% have answered that the level of technology in their company is low.
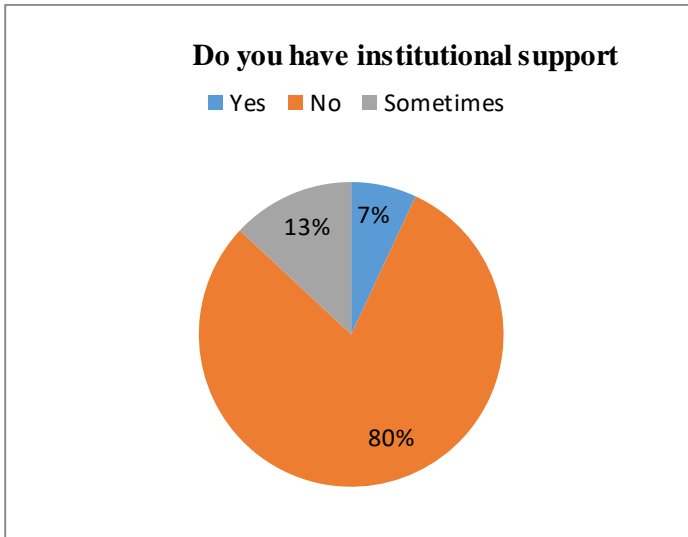
Graphic 12: Do you have institutional support

In graphic no. 12, is seen that businesses of this sector have no institutional support. The result with 80% answered NO, 7% of the answered YES; whereas 13% of them answered that sometimes have institutional support.
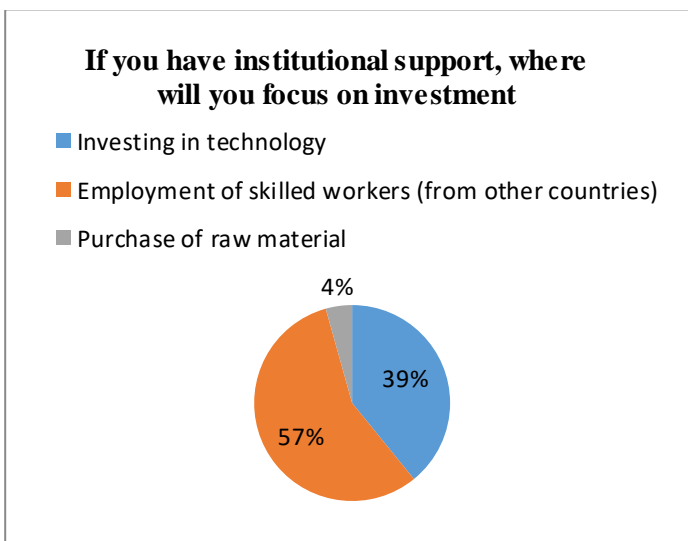
Graphic 13: If you have institutional support, where will you focus on investment

In case if those businesses would have institutional support, 45 answers or 39% of them answered that those means would direct to technology investment, whereas 57% answered that those means would invest in the employment of qualified employees from world countries, whereas only 4% of them said that will invest in raw material.

In question "Did you get credit for business development" 84% of them answered that have taken credit for the development of business, whereas only 16% of them answered that they have not taken credit for the development of the business.
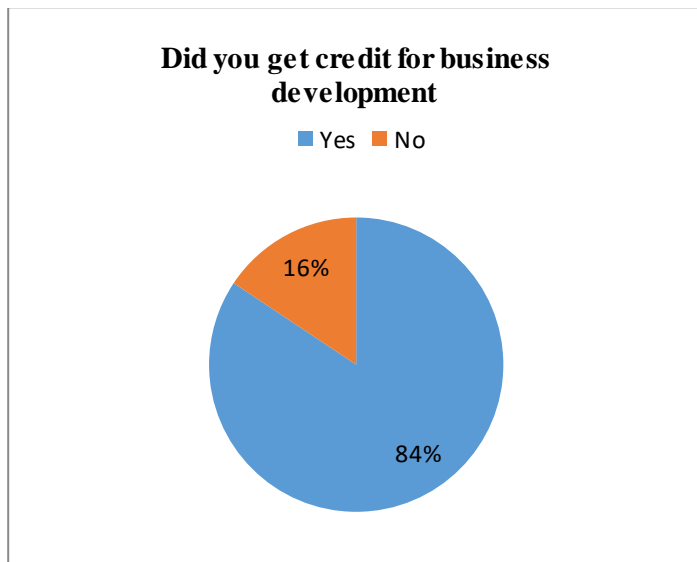
Graphic 14: Did you get credit for business development

Based on descriptive analyses, we can say that the first hypothesis has been confirmed since the majority of companies answered that have lack of qualified local employee orstaff. If they had staff with good qualification, they claimed they could compete earlier in foreign countries. This case they present as main challenge of the company. Whereas, regarding the second hypothesis, we can also say that it is confirmed, since the majority part of companies declared that have no institutional support. Such institutional non-support pushed most of them to take credit for the development of the business where then for those credits were obliged to pay high rates of interest.

Conclusions and recommendations

During this research we have noticed that also businesses of our country, a country under transition is following the trend. All interviewed companies declared that have approved strategy, since we know that through strategic plans every business is aware of where they want to achieve. Meanwhile, a majority part of textile industry companies declared that their main strategy to fight competition in the market, are low prices, as well as the design of products. The challenge of those businesses are many and different, the main ones are, lack of institutional support, lack of qualified persons in this direction, high bank interests, lack of new technology. Even though, most of them declared that have high level of technology, but if we do the comparison of technology which is used in developed countries, those businesses have lack of them. Moreover, another challenge is the lack of capital for investment in the development of current business.

The recommendations of this research are, that those businesses to have greater institutional support, bank interests to be lower for businesses that aim to develop business. Qualified person should not migrate in different countries of the world, but to try to find employment in their country, since even here they can find good jobs, same as in other countries of the world. Since businesses are able to pay for the staff from international countries, they can give a good salary also to qualified persons that live in Kosovo. The strategy to fight the competition not to consider only the lower price but also to give a special importance to the quality of s, in order that this company to be in real competition with other countries around the world.

Bibliography

[1] Avdiu, A., & Gashi, R. (2017). Strategic Management Key to Success for Kosovo Companies - Expansion in International European Market. European Journal of Interdisciplinary Studies , 3 (3), 149.

[2] Brecker, J. (1980). The Historical Development of the Strategic Management Concept.

[3] Chokalingam, P., Maruthavanan, T., & Prakash, C. (2009). www.researchgate.com. Retrieved July 2019, from www.researchgate.com:
https://www.researchgate.net/publication/284578601_Environmental_impacts_of_textile_industries

[4] Gashi, R., & Avdiu, A. (2013). Strategic Management Application into the Small and Medium businesses in Kosovo. International Journal for Innovation Education and Research , 3 (4), 44.

[5] Gasparotti, C. (2009). The Internal and External Environment Analysis of Romanian Naval Industry ëith Sëot Model. Management & Marketing , 4 (3).

[6] Khemesh, S. (2017). Strategic Management-Basic concepts. Anadolu University.

[7] Meyer, K. (2009). Corporate strategies under pressures of globalization: Global focusing. Journal of management studies and strategic change , 18 (6).

[8] Shehi, E. (2018). Tekstile dhe konfeksione. Tirane.

[9] study.com. (n.d.). Retrieved July 2019, from https://study.com/academy/lesson/global-textile-industry.html

[10] Ulwick, A. (1999). Business strategy formulation: theory, process, and the intellectual revolution. London: Library of Congress Cataloging-in-Publication Data.

[11] Wells, D. (1996). Strategic Management for Senior Leaders: A Handbook for Implementation. Department of the Navy Total Quality Leadership Office Publication .

[12] www.atlasi.al. (2018). www.atlasi.al. Retrieved July 2019, from http://atlasi.al/industria-e-tekstileve-fason/

[13] www.medium.com. (2018). Retrieved July 2019, from https://medium.com/@jashimohan01/global-textile-industry-recent-trends-in-the-market-45d2d2b86392

Interpretive Theorizing on the Development of Management Accounting in Russia: Constructivist Grounded Theory Approach

Pavel Lebedev

IEDC Bled School of Management, Slovenia

Abstract

In this paper, the author discusses a method of interpretive theorizing to construct a grounded theory and discusses its application to management accounting research. It is exemplified by the study of the development and the current state of management accounting in Russia and is conducted by the author with a main phase of investigation between 2014 and 2019. These studies employed various methods including archival research, an extended survey study, and a longitudinal case-based study of particular companies, all of them having produced diverse results. An interpretive approach, as demonstrated in this paper, is an effective vehicle to pursue the ambitious goals of reconciling findings from multiple studies while searching for patterns among them. Such a process allows the author to explore, formulate, and explain a holistic, but a systematic picture of the state and development of management accounting and contribute to the development of theory. The paper demonstrates how the author applied a cornerstone of the qualitative analysis—various coding approaches—to develop categories as foundations for formulated theoretical propositions. The emerging theory claims that the influence of external factors on the development of management accounting in Russia has been spontaneous and unsustainable, while management accounting competencies of the decision-makers of mid-sized companies (internal factors) were not sufficient to arrange a proper management accounting function, which led to the "managerial dead-end" and created a "vicious circle" that does not give rise to financial leadership.

Keywords: Emerging Markets, Grounded Theory, Interpretive Theorizing, Management Accounting, Russia

Introduction

The transition to a model of a developing economy in Russia after the collapse of the Soviet Union has led to the need to build and implement new systems and institutions that operate on the basis of market mechanisms in all social and economic areas. These processes experienced many hardships and still are far from their completion. The development and implementation of management accounting—a key element of business infrastructure—had an especially thorny path. The inertia of the external environment, lack of leadership, lack of understanding the essence, possibilities and objectives necessary for management accounting by the majority, opportunism and selfishness of a small number of those who had some expertise, along with other similar factors all determine the way management accounting in Russia has been emerging over the past three decades (Lebedev, 2014; 2015; 2018; 2019e; 2019d; 2019f).

In general, the research on management accounting in Russia is scarce. At a global level, there are only a few attempts to look systematically into its dynamics and scope. Some studies only have a local outlook, meaning that they are never disseminated beyond national boundaries since most of them do not comply with internationally acceptable standards of academic work and Russian is their only working language. Most of the research that has scientific value and is worthy of attention is explorative and qualitative in nature, thus naturally possessing a certain degree of subjectivism and uniqueness of the employed methodology. This accounts for an objective need to provide a common basis for summarizing the existing attempts to explore and explain the phenomenon. Even in the case of a study conducted by a single researcher, like the study by Lebedev mentioned earlier, there is a need to bring some structure into the project on the meta-level to facilitate the development of generalizations and higher-level propositions. An interpretive methodology and a grounded theory approach can effectively support researchers in their meta-level assessments. This paper summarizes the key components of the interpretive approach and demonstrates its application at the concluding phase of the research project conducted by the author.

The next section discusses opportunities from qualitative studies and interpretive methodologies for management accounting research and, in particular, for the abovementioned study of the development of the current state of management accounting in Russia. This is followed by a section presenting the conceptual framework of the research project. The two subsequent sections focus on a constructivist grounded theory approach and cover its main aspects including an overall framework for interpretive theorizing, an overview of coding and sense-making practices, and an application of the constructivist grounded theory approach used in the undertaken study. The concluding section provides a summary of the emerged explanatory theoretic propositions regarding the evolution and current state of management accounting in Russia.

1. The Study of Evolution and Current State of Management Accounting in Russia: Justification for an Interpretive Methodology

The interpretive research genre in management accounting has truly come of age, and the ongoing discussion about it affirms the broad scope of what currently counts as "good practice" for such methodology (Lukka & Modell, 2010). Since the 1950s, positivism and normative approaches to finance have developed in response to the unstructured and unsystematic nature of prior research and theory provided that the world has changed much. Qualitative research methods were established elsewhere in the social sciences and were recognized by authors in finance and accounting as practical ways to directly explore the "how" and "why" of complex interpersonal and social interactions that influence and determine the dynamics of the financial function (Stoner & Holland, 2004).

Vaivio (2008) argues that qualitative studies can address fundamental, practical problems related to how management accounting is used and transformed in different settings. He claims that qualitative research in management accounting takes us beyond a narrow and functionalist view of the management accounting phenomenon—beyond the textbook view. Qualitative research also protects us against a scientific imperialism that reduces management accounting to an issue of mere economic choice, and it critically scrutinizes normative prescriptions for improving management accounting.

Qualitative research may be conducted in dozens of ways. Saldaña (2011) describes more than twenty different qualitative research genres, with many more are available to investigators, noting that when you have been doing qualitative research for a long time, the genres start to blur. However, the core approaches include ethnography, grounded theory, case studies, and content analysis can be clearly distinguished. Most genres of qualitative inquiry share the following common features that distinguish their interpretive nature:

qualitative research is conducted through intense and/or prolonged contact with participants in naturalistic settings to investigate the everyday lives of individuals, groups, societies, and organizations;

the researcher's role is to gain a holistic overview of the context under study: its social arrangements, its ways of working, and its explicit and implicit rules;

relatively little standardized instrumentation is used. The researcher himself is essentially the main instrument in the study;

the researcher attempts to capture data on perceptions of local participants from the inside through a process of deep attentiveness, of empathetic understanding, and of suspending or bracketing preconceptions about the topics under discussion;

most of the analysis is done with words. The words can be assembled, subclustered, or broken into segments. They can be reorganized to permit the researcher to compare, contrast, analyze, and construct patterns;

reading through these empirical materials, the researcher may construct certain themes and patterns that can be reviewed with participants;

the main task is to describe the ways people in particular settings come to understand, account for, take action, and otherwise manage their day-to-day situations;

many interpretations of material are possible, but some are more compelling for theoretical reasons or on grounds of credibility and trustworthiness (Miles, Huberman, & Saldaña, 2014).

The interpretive approach accounts for the social nature and the contextual peculiarities of management accounting. Interpretive theories aim to understand meanings and actions and how people construct them. Interpretive theories are

helpful for several reasons. First, they help conceptualize the studied phenomenon to understand it in abstract terms. Second, they help articulate theoretical claims pertaining to scope, depth, power, and relevance of a given analysis. Third, they help acknowledge subjectivity in theorizing and hence recognize the role of experience, standpoints, and interactions, including one's own standpoint. Finally, they offer an imaginative theoretical interpretation that makes sense of the studied phenomenon (Charmaz, 2014).

Qualitative research and interpretive approaches may produce especially fruitful results and contributions if applied in the context of dynamically changing environments. The lack of status-quo in design and functioning of economic and social mechanisms encourage the researcher to explore, understand, and explain the emerging relationships and their underlying factors since qualitative data are a source of well-grounded rich descriptions and explanations of the human process. The scope of possible studies includes research in management accounting. In contrast to the relatively well-established systems of management accounting in the West, they are more dynamic in the context of emerging markets, where often they are still in search of its identity as in the case of Russia (Lebedev, 2014). As directly prescribed by Kasanen, Lukka, & Siitonen (1993), researchers may consider the constructive approach when management accounting looks for its identity as a respectable discipline. Another important reason is to consider the gap between management accounting theory in the West compared to locally developing (Eastern) practices.

So far, studies about the evolution of management accounting in Russia produce diverse results. Thus, as evidenced by a study of Lebedev (2014; 2019b), the external factors[1] such as academics, education of students and employees, government intervention and regulation, professional associations, consultants, technology, and transfer of management accounting ideas and practices across national boundaries, did not have any significant influence on the development of management accounting in Russia (except consultants, who have had a rather strong but very specific impact). At the same time, the influence of these factors had been spontaneous, lacking leadership and unsustainable, driven by ignorance, opportunism, and self-interest of main actors. Another historical study based on archival methods found some similarities in how Russian management accounting developed compared to advanced economies in terms of the transformation of its' roles—from more technical to advisory functions (Lebedev, 2019e). However, this same study had found that the driving forces of the development of management accounting were different in regard to how external shocks accelerated the change in Russia. Further, the benefits of management accounting to the overall corporate success were not evident or significant. Two different extended survey-based studies (Lebedev, 2018, 2019d) investigated the use of management accounting practices by mid-size Russian companies; the findings disputed this position in that the economic development was similar to the paths covered by companies from developed economies, showing that:

this is a rather idealistic position reflecting wishful thinking. The desired goal, in this case, is formulated and articulated in the relatively artificial environment of the academic and consulting community, as well as in the rare public relations attempts of individual companies to present to the general public the results of their implementing certain "best-practice" instruments. (Lebedev, 2018, 2019d)

The abovementioned study also demonstrated that management accounting practices in mid-size Russian companies generally exist in a very rudimental form with core practices consisting of cost management, compliance, and commonly used practices like budgeting, resource management, and external reporting. However, the extent of their usage and their contribution to the management accounting principles are modest. Other practices of management accounting were classified in this study as the "occasional", the "emerging", or the "ignored". This view was supported by findings from a case-based study of management accounting practices in mid-size Russian companies. It revealed that there are no significant influences of management accounting on the decision-making process in Russian mid-sized companies; management accounting rather acts as a decoration (Lebedev, 2019c).

Reconciling these findings with others while searching for patterns allows investigators to explore, formulate, and explain a holistic, but a systematic picture of the state and development of management accounting, and it could reveal important contributions to the development of the theory. The interpretive approach, as discussed above, is an effective vehicle to pursue these ambitious goals and offers a necessary toolset to effectively assist a researcher along this journey.

---

[1] The study follows the model originally used by Bhimani (1996) in his research on the evolution of management accounting in European countries.

2. The Conceptual Framework of the Study of Evolution and Current State of Management Accounting in Russia

A conceptual framework for a qualitative study explains, either graphically or in narrative form, the main factors, variables, or constructs along with the presumed interrelationships among them (Miles et al., 2014). Figure 1 presents a conceptual framework for the research project of the evolution and the current state of management accounting in Russia, conducted by the author with the main phase of investigation between 2014 and 2019.

Figure 1. The conceptual Framework of the Study
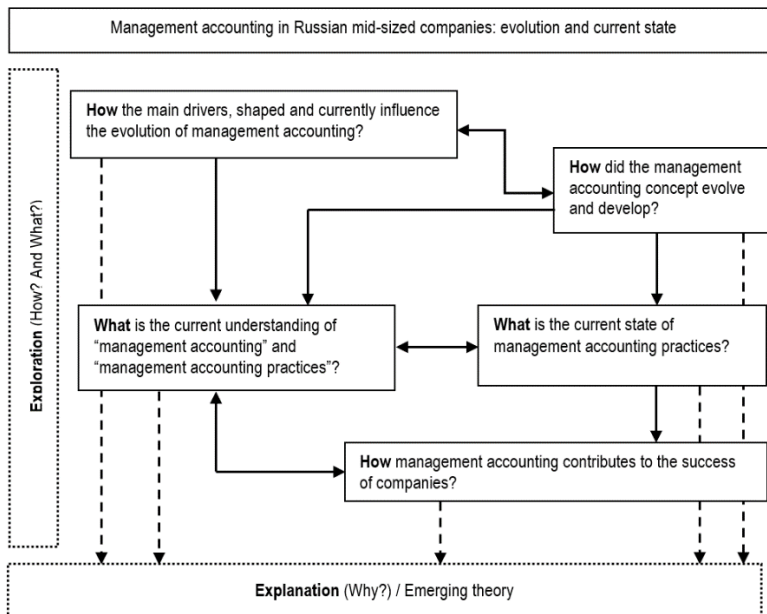
Note: The figure is the author's original depiction of the conceptual framework for the present study.

This is a case study in a broad and narrow sense of the term. Miles, Huberman, & Saldaña (2014) define a case as a phenomenon of some sort occurring within a bounded context, suggesting that a case is in effect a unit of analysis. Accordingly, in a broad sense of the term, the case under investigation is the Russian way of developing management accounting during the three decades after the collapse of the Soviet Union. The study has a narrowing focus on the state of management accounting in mid-sized companies since the most market-oriented representatives of the country's economy. In a narrow sense, the research includes detailed longitudinal case studies of management accounting practices in three Russian regional market leaders and fully adopts an interpretive approach and grounded theory perspective.

Miles, Huberman, & Saldaña (2014) argue that a researcher should keep in mind the focus of the study and what will not be studied since the boundary defines the edge of the case. These boundaries, and accordingly the focus of the study, are to be set within several dimensions of the case: its conceptual nature, its social size, its physical location, and its temporal extent.

In Table 1, the abovementioned dimensions are presented for the discussed research project. The dimensions cover its broad perspective since the boundaries of the company's focused case studies are discussed elsewhere.

Table 1. Dimensions of the Research Project

Dimensions	Description of Dimensions
Conceptual nature	A study of evolution and current state of management accounting
Social size	Focus on the "soft" side of management accounting, stressing the first word in the term and looking at the phenomenon through such dimensions as change, leadership, and stakeholders' roles and aspirations
Physical location	Russia
Temporal extent	Three decades after the collapse of the USSR

Source: own work.

3. Constructivist Grounded Theory Approach: A Framework for Interpretive Theorizing

Corbin and Strauss (1990) provide a systematic overview of canons and procedures of the grounded theory approach. They include the following:

- data collection and analysis are interrelated processes;
- coding;
- concepts are the basic units of analysis;
- categories must be developed and related;
- sampling in grounded theory proceeds on theoretical grounds;
- analysis makes use of constant comparisons;
- patterns and variations must be accounted for;
- process must be built into the theory;
- writing theoretical memos is an integral part of doing grounded theory;
- hypotheses about relationships among categories are developed and verified as much as possible during the research process;
- a grounded theorist needs not to work alone;
- broader structural conditions must be brought into the analysis, however microscopic in focus is research.

Evidently, in the heart of qualitative analysis lies coding. Codes are labels that assign symbolic meaning to the descriptive inferential information compiled during a study; they are attached to data "chunks" of varying size and can take the form of a straightforward, descriptive label or a more evocative and complex one (e.g., a metaphor) (Miles et al., 2014, p.71). A classic set of analytic moves in qualitative analysis follows the next sequence:

- assigning codes or themes to a set of field notes, interview transcripts, or documents;
- sorting and sifting through these coded materials to identify similar phrases, relationships between variables, patterns, themes, categories, distinct differences between subgroups, and common sequences;
- isolating these patterns and processes, and commonalities and differences, and taking them out to the field in the next wave of data collection;
- noting reflections or other remarks in jottings, journals, and analytic memos;
- gradually elaborating a small set of assertions, propositions, and generalizations that cover the consistencies discerned in the database;
- comparing those generalizations with a formalized body of knowledge in the form of constructs or theories (Miles et al., 2014).

Saldaña (2013) divides coding into two major stages: First Cycle coding and Second Cycle coding. First Cycle coding methods are codes initially assigned to the data chunks. The portion of data to be coded during the First Cycle coding process can range in magnitude from a single word to a full paragraph to an entire page of text to a stream of moving images. Second Cycle coding methods generally work with the resulting First Cycle codes themselves. In Second Cycle coding processes, the portions coded can be the exact same units, longer passages of the text, analytic memos about the data, and even reconfigure the codes developed thus far. First cycle coding methods include up to 25 different approaches, each one with a particular function or purpose. However, a researcher does not need to stick with just one approach, rather they can be compatibly combined as needed (Saldaña, 2013).

Table 2 presents an overview of particular coding approaches.

Table 2. An Overview of Particular Coding Approaches

Coding Approach	Summary of the Approach	Possibilities for Application	Type of Methods
Descriptive Coding	A descriptive code assigns labels to data to summarize in a word or short phrase (most often a noun) the basic topic of a passage of qualitative data	Provides an inventory of topics for indexing and categorizing. Especially helpful for ethnographies and studies with a wide variety of data forms	Elemental methods
In Vivo Coding	Uses words or short phrases from the participant's own language in the data record as codes	Appropriate for all qualitative studies and for the beginning researchers learning how to code data	
Process Coding	Uses gerunds ("-ing" words) exclusively to connote observable and conceptual action in the data.	Appropriate for all qualitative studies, but particularly for grounded theory research that extracts participant action/interaction and consequences	
Emotion Coding	Labels the emotions recalled and/or experienced by the participant or inferred by the researcher about the participant	Particularly appropriate for studies that explore intrapersonal and interpersonal participant experiences and actions.	Affective methods
Values Coding	Application of three different types of related codes onto qualitative data that reflect a participant's values, attitudes, and beliefs, representing his or her perspectives or worldview	Appropriate for studies that explore cultural values, identity, intrapersonal and interpersonal participant experiences, and actions	
Evaluation Coding	Applies primarily nonquantitative codes onto qualitative data that assign judgments about the merit, worth, or significance of programs or policy	Appropriate for policy, critical, action, organizational, and evaluation studies, particularly across multiple cases and extended periods of time	
Dramaturgical Coding	Applies the terms and conventions of character, play script, and production analysis onto qualitative data	Is appropriate for exploring intrapersonal and interpersonal participant experiences and actions	Literary and language method
Holistic Coding	Applies a single code to a large unit of data in the corpus, rather than line-by-line coding, to capture a sense of the overall contents and the possible categories that may develop. The coding unit can be as small as one-half a page in length or as large as an entire completed study	Often serves as a preparatory approach to a unit of data before a more detailed coding or categorization process through First and Second Cycle methods	Exploratory methods
Provisional Coding	Begins with a "start list" of researcher generated codes, based on what preparatory investigation suggests might appear in the data before they are collected and analyzed. Provisional codes can be revised, modified, deleted, or expanded to include new codes	Appropriate for qualitative studies that build on or corroborate previous research and investigations	
Hypothesis Coding	Application of a researcher-generated, predetermined list of codes onto qualitative data specifically to assess a researcher-generated hypothesis. The codes are developed from a theory/prediction about what will be found in the data before they have been collected and analyzed	Is appropriate for hypothesis testing, content analysis, and analytic induction of qualitative data set, particularly the search for rules, causes, and explanations in the data	
Protocol Coding	Coding of qualitative data according to a preestablished, recommended, standardized, or prescribed system. The generally comprehensive list of codes and categories provided to the researcher are applied after her own data collection is completed	Appropriate for qualitative studies in disciplines with previously developed and field-tested coding systems	Procedural methods

Causation Coding	Extracts attributions or causal beliefs from participant data about not just how but why particular outcome came about	Appropriate for discerning motives, belief systems, worldviews, processes, recent histories, interrelationships, and the complexity of influences and effects on human actions and phenomena	
Attribute Coding	This method is a notation of basic descriptive information such as the fieldwork setting, participant characteristics or demographics, data format, and other variables of interest for qualitative and some applications of quantitative analysis	Appropriate for all qualitative studies, but particularly for those with multiple participants and sites, cross-cases studies, and studies with a wide variety of data forms	Grammatical methods
Magnitude Coding	Magnitudes consist of supplemental alphanumeric or symbolic codes or subcodes applied to exist coded data or a category to indicate their intensity, frequency, direction, presence, or evaluative content	Most appropriate for mixed methods and qualitative studies in education, social science, and health care disciplines that also support quantitative measures as evidence of outcomes	
Subcoding	A subcode is a second-order tag assigned after a primary code to detail or enrich the entry. It can be employed after an initial, yet general coding scheme has been applied and the researcher realizes that the classification scheme may have been too broad	Appropriate for all qualitative studies, but particularly for ethnographies and content analyses, studies with multiple participants and sites, and studies with a wide variety of data forms	
Simultaneous Coding	Application of two or more different codes to a single qualitative datum, or the overlapped occurrence of two or more codes applied to sequential units of qualitative data	Appropriate when the data's content suggests multiple meanings (e.g. descriptively and inferentially) that necessitate and justify more than one code	

Source: adapted from (Miles et al., 2014).

The main intermediate step between data collection and summarizing research findings is memo-writing, which is a crucial method in grounded theory because it prompts a researcher to analyze the data and codes early in the research process (Charmaz, 2014). Saldaña (2013) argues that analytic memos are somewhat comparable to researchers' journal entries or blogs, while coding and analytic memo writing are concurrent with qualitative data analytic activities with the goal not only to summarize the data but to reflect and expound on them.

An analytic memo is a brief or extended narrative that documents the researcher's reflections and thinking processes about the data, and it acts as a rapid way of capturing thoughts that occur throughout data collection, data condensation, data display, conclusion drawing, conclusion testing, and final reporting (Miles et al., 2014). Memos vary, but Charmaz (2014) suggests that a researcher may do any of the following in a memo:

- define each code or category by its analytic properties;
- spell out and detail processes subsumed by the codes or categories;
- make comparisons between data and data, data and codes, codes and codes, codes and categories, categories and categories;
- bring raw data into the memo;
- provide sufficient empirical evidence to support your definitions of the category and analytic claims about it
- offer conjectures to check in the field settings;
- sort and order codes and categories;
- identify gaps in the analysis;
- interrogate a code or category by asking questions of it.

Analytical memos are primarily conceptual in intent. They are one of the most useful and powerful sense-making tools at hand (Miles et al., 2014). Whatever tactics for generating meaning are applied, analytic memos can effectively facilitate the process of reflection and sense-making of data. Table 3 presents an overview of various tactics for generating meaning from a particular configuration of data. These tactics are arranged from the descriptive and explanatory to the concrete, conceptual, and abstract.

Table 3. Tactics for Generating Meaning

| Research task	Tactics	Summary
Understanding "What goes with what"	Noting Patterns, Themes	Recurring patterns, themes, or "gestalts" pull together many separate pieces of data. We can expect patterns of variables (involving similarities and differences among categories), and patterns of processes (involving connections in time and space within a bounded context)
	Seeing Plausibility	Plausibility works as a sort of pointer, especially in the early stages of analysis. It draws the analyst's attention to the conclusion that looked reasonable and sensible on the face of it and stimulates to search further – for the real basis involved. E.g. it is an initial impression that needed further checking through other tactics
	Clustering	Understanding a phenomenon better by grouping and then conceptualizing objects, that have similar patterns or characteristics. It can be applied at many levels to qualitative data: at the level of events or acts, of individual participants, of processes, of settings/locales, of sites or cases as wholes, of time periods, and so on. Clustering also can be seen as a process of moving to higher levels of abstraction.
	Making Metaphors	Metaphors involve comparing two things via their similarities and ignoring their differences. They provide richness and complexity, which are useful. They are data-condensing, patternmaking, decentering devices. They are ways of connecting findings to theory.
Understanding "What goes with what" and "what is there"	Counting	A lot of counting may go in int the background of the qualitative research when judgments of qualities are being made. When a researcher identifies a theme or pattern, he is isolating something that (a) happens a number of times and (b) consistently happens in a specific way. When qualitative judgments are made (e.g., saying that something is "important", "significant" or "recurrent"), they are often based on estimates, in part, by making counts, comparisons and weights.
Sharpening understanding	Making contrasts/Comparisons	It is a classic way to test a conclusion – to draw a contrast or make a comparison between two sets of things (persons, roles, activities, variables, cases as a whole, etc.) that are known to differ in some other important respect.
	Partitioning Variables	Subdivision variables can occur at many points during the analysis. In the early stages (conceptualizing, coding) it allows for the avoidance of monolithism and data blurring. It is also useful when a variable is not relating well to another variable as a researcher's conceptual framework has led him to expect
Seeing things more abstractly	Subsuming Particulars into the General	It is a conceptual and theoretical activity in which a researcher shuttles back and forth between first-level data and more general categories that evolve and develop through successive iterations until the category is "saturated" (new data do not add to the meaning of the general category)
	Factoring	"Factoring" comes from a statistical technique of factor analysis allowing to represent a large number of measured variables in terms of a smaller number of hypothetical variables. In qualitative research, this tactic allows to condense the bulk of data and find patterns in them.
	Noting the Relations between Variables	This tactic involves trying to discover what sort of relationship (if any) exists between two (or more) variables.
	Finding Intervening Variables	Finding two variables having an inconclusive interrelationship, that "ought" to go together according to the researcher's conceptual expectations, or his early understanding of events in the case. Efforts to clarify plausible but puzzling relationships may lead to a much clearer and more complex formulation.
Systemically assemble a coherent understanding of data	Building a Logical Chain of Evidence	Several participants with different roles have to emphasize the factors independently and indicate the causal links, directly or indirectly. The researcher has to verify the logical predictions and claims, and countervailing evidence has to be accounted for
	Making Conceptual/Theoretical Coherence	Moving from metaphors and interrelationships to constructs, and from there to theories. Tieing the findings to overarching and wider propositions that can account for the "how" and "why" of the phenomena under study.

Source: adapted from (Miles et al., 2014).

4. Constructivist Grounded Theory Approach: An Application in the Study of the Development of Management Accounting in Russia

4.1. An Overview of the Coding Process

The principal approach to coding that the author has taken is presented in Figure 2 and explained below.

Figure 2. The Coding Approaches Applied in The Study
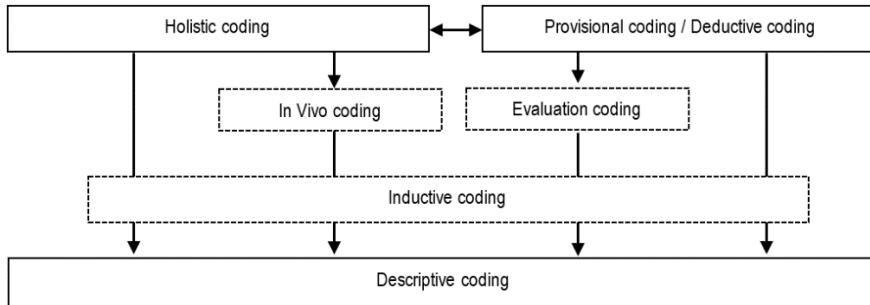
Note: The figure is the author's original depiction of the conceptual framework for the present study.

Over the course of the project, the author applied the following coding techniques. At an initial phase of coding a deductive approach was taken, based on a preliminary developed provisional start list of codes. The list was based on the prior work, knowledge, and experience, on the conceptual framework for the research, list of research questions and the preunderstanding brought into the study from the previous phases of the project. The start list consisted of fifty preliminary codes. Two exploratory methods, holistic and provisional coding, supported this process by serving as its foundation, and it was enriched by In Vivo and evaluation coding techniques where appropriate. As noted by Miles et al. (2014), for all approaches to coding, several codes will change and develop as field experience continues. At the same time, other codes flourish and too many segments get the same code, thus creating the problem of bulk. These issues lead to inductive coding when other codes emerge progressively and some of the existing codes are being changed, amended, updated, and rearranged, which was exactly how the project developed. Table 4 summarizes the coding methods applied during the project.

Table 4. Summary of the Coding Methods Applied During the Project

Type of coding	Summary of the process
Holistic coding Provisional coding	Initially, a holistic coding process was applied at a first cycle coding stage. Large units of data were assigned a single code to provide some structure to the data. It was supported by provisional coding based on a preliminary generated list of 50 codes developed during a preparatory phase (as a result of obtained preunderstanding)
In Vivo coding	In Vivo coding was applied at a first cycle coding stage at some intermediate phases of the project, namely, at the stages which assumed interactions with different participants (industry specialists, academics, consultants, etc. and participants at case sites). It helped to revise and modify the initial list of codes to address the specifics of the actual situations studied and the improved understanding of the researched subject
Evaluation coding	Evaluation coding was applied at a first cycle coding stage during the meta-analysis of survey study findings and at some points as a supplement to In Vivo coding (where judgments needed to be "measured"). It helped to revise and modify the initial list of codes to address the intermediate findings and the improved understanding of the researched subject
Descriptive coding	Based on the previous steps a revised list of 29 unique codes was applied to refine the results of a first cycle coding and in a course of a second cycle coding, they were grouped in 8 categories (see Table 5). At a final stage, 2 additional categories were added to the list. They emerged from the codes, which were simultaneously related to 4 different categories at the preceding stage of analysis (see Figure 3 in Section 4.2.).

Source: own work.

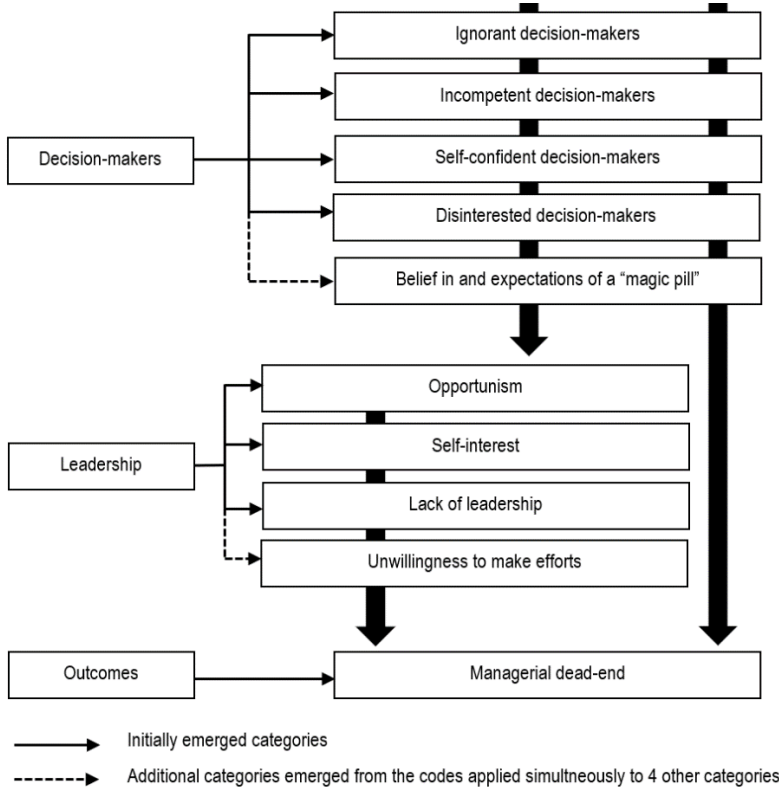Table 5 presents the results of the coding process for the conducted research project.

ISSN 2601-8659 (Print)
ISSN 2601-8667 (Online)

European Journal of
Marketing and Economics

September December 2019
Volume 2, Issue 3

Table 5. Coding Results of the Project

Categories	Codes	Number of categories sharing the code
Ignorant decision-makers	Soviet traditions in academia	1
	Poor infrastructure for education	1
	Nihilism	2
	Skepticism	2
	Firm belief in own obsolete knowledge	2
	Lack of desire to learn	1
	Belief in and expectations of a "magic pill"	4
	Lack of education	2
	Basic knowledge of finance only	1
Incompetent decision-makers	Nihilism	2
	Bravado	1
	Firm belief in own obsolete knowledge	2
	Belief in and expectations of a "magic pill"	4
	Lack of education	2
	Lack of financial literacy	1
	Lack of skills to unlearn	1
	Lack of skills to learn	1
	Biased	2
Self-confident decision-makers	Conservatism of decision-makers	2
	Skepticism	2
	Short-term orientation	2
	Autocratic style of management and leadership	2
	Biased	2
Disinterested decision-makers	Non-involvement of non-financial managers	2
	Transactional approach to change management	2
	Autocratic style of management and leadership	2
	Narrow-focused management	1
	Unwillingness to make efforts	4
Opportunism	Gap between needs and outcomes of management accounting	2
	Unwillingness to make efforts	4
	Conservatism of decision-makers	2
	Fashion for foreign solutions	1
	Belief in and expectations of a "magic pill"	4
Self-interest	Lack of professional community	1
	Short-term orientation	2
	Unsustainable consulting practices	1
	Promises never to be fulfilled	1
	Commercial focus	1
	Cynicism	1
Lack of leadership	Unwillingness to take responsibility	2
	Unwillingness to make efforts	4
	Non-involvement of non-financial managers	2
	Belief in and expectations of a "magic pill"	4
	Transactional approach to change management	2
Managerial dead-end	Gap between needs and outcomes of management accounting	2
	Unwillingness to take responsibility	2
	Unwillingness to make efforts	4

Source: own work.

4.2. Categories Emerging from the Coding Process

Over the course of the analysis, a list of 29 unique codes was applied and during a second cycle coding, they were grouped into eight categories, which are shown in Table 5. During the final stage, two additional categories were added to the list. They emerged from the codes, which were simultaneously related to four different categories at the preceding stage of analysis. Figure 3 presents the summary of categories that emerged from the analysis.

Figure 3. Categories Emerged from the Analysis (the Final List)

Initially emerged categories

Additional categories emerged from the codes applied simultneously to 4 other categories

Note: The figure is the author's original depiction of the conceptual framework for the present study.

5. Evolution and Current State of Management Accounting in Russia: Emerging Theory

The constructivist grounded theory arose as an alternative to objectivism. Objectivist grounded theorists aim to conceptualize the data without taking an interpretive stance. For example, Glaser (2002) treats data as something separate from the researcher, which implies that data are untouched by the competent researcher's interpretations. However, constructivists study how and why participants construct meanings and actions in specific situations (Charmaz, 2014). Theories try to answer questions by offering accounts for what and how a phenomenon happens and may aim to account for why it happened, and theorizing consists of the actions involved in constructing these accounts (Charmaz, 2014). Saldaña (2015) with reference to Tavory and Timmermans (2014) and Gibson and Brown (2009) suggests that a social science theory has four main characteristics, as it is traditionally conceived:

- it predicts and controls action (through an if-then/when-then/since that's why logic);
- it accounts for variation in the empirical observations;
- it explains how and/or why something happens by stating its causes and outcomes;
- it provides insights and guidance for improving social life.

He also notes, that "[a]t its most practical, a theory is an elegant statement that proposes a way of living or working productively" (Saldaña, 2015, p. 278), suggesting that a "theory is a condensed lesson of wisdom we formulate from the experiences that we pass along to other generations" (Saldaña, 2015, p. 278). Grounded theory has had a long history of raising and answering analytic "why" questions in addition to the "what" and "how" questions; our answers to "why" questions range from explanatory generalizations that theorize causation to abstract understandings that theorize relationships between concepts (Charmaz, 2014).

At the finalizing stage of the study (Lebedev, 2014, 2018, 2019a, 2019b, 2019c, 2019d, 2019e), the author developed two theoretical propositions. The first concerns the development of management accounting at a macro level and the second one considers the development of management accounting at the level of mid-sized companies. First, the influences of external factors on the development of management accounting in Russia has been spontaneous (lack of leadership) and unsustainable (driven by ignorance, opportunism, and self-interest of main actors).

Second, management accounting competences of the decision-makers of mid-sized companies are not sufficient (incompetent, ignorant, self-confident, and disinterested decision-makers) to arrange a proper management accounting function (inferior management accounting practices). As a consequence, a company gets the level of management accounting at best corresponding to the level of decision-makers' incompetence or lower (managerial dead-end), which creates a "vicious circle" not allowing to give rise to financial leadership.

These theoretical propositions explain the findings regarding the development of management accounting in Russia that the author explored throughout the project, and they serve as the basis for further research, including the possibility of reframing and operationalizing them for future theory testing studies.

Conclusion

Scapens (2004) points out that case study research is remarkably hard because it is not just a matter of going to visit companies and writing up the results, as some critics seem to believe, but it is a process that requires clear research questions, a thorough understanding of the existing literature, and a well-formulated research design with sound theoretical underpinnings. The author's experience fully confirms this position. Not only the case-based part of the project, but the whole journey of sense-making under the paradigm of interpretive inductive theorizing turned out a somewhat unusual, given the applied large scale of the study. However, it was an intellectually stimulating and exciting experience that has yielded fruitful results. Still, there is much to be explored and explained further.

Building on the project discussed in this paper, future studies may focus on (of course not being limited to) the three following areas. Firstly, it is a study of cases that contradict the generalizations made. An attempt to do so, already made by the author of this paper, revealed that in extremely rare cases unique companies exist that have all the attributes of best-practices in management accounting (Lebedev, 2019c). More such examples should be discovered and investigated. Secondly, reconfiguration of social, political, economic, and technological factors (which had a new impulse especially since 2014 inside of Russia, and also including its' outside configurations) possibly change the dynamics of factors determining the development of management accounting. The research in this direction could supplement and enrich the existing knowledge. Last, but not least, a deeper investigation of various management accounting practices employed (or not) by companies could provide important insights and details to enrich the big-picture already available and to further stimulate its practical applicability.

References

[1] Bhimani, A. (Ed.). (1996). Management Accounting: European Perspectives. Oxford: Oxford University Press.
[2] Charmaz, K. (2014). Constructing grounded theory (2nd Edition). London: Sage.
[3] Corbin, J. M., & Strauss, A. (1990). Grounded theory research: Procedures, canons, and evaluative criteria. Qualitative Sociology, 13, 3–21.
[4] Gibson, W., & Brown, A. (2009). Working with qualitative data. Sage.
[5] Glaser, B. G. (2002). Constructivist grounded theory? In Forum qualitative Sozialforschung/forum: Qualitative social research (Vol. 3).
[6] Kasanen, E., Lukka, K., & Siitonen, A. (1993). The constructive approach in management accounting research. Journal of Management Accounting Research, 5, 243–264.

[7]   Lebedev, P. (2014). Evolution of management accounting concept in Russia: In A search of identity. Procedia-Social and Behavioral Sciences, 156, 580–584.

[8]   Lebedev, P. (2015). Getting insight into management accounting and control systems: a framework for survey-based research design for emerging markets context. Procedia-Social and Behavioral Sciences, 213, 293–298.

[9]   Lebedev, P. (2018). Management accounting in Russian mid-sized companies: Results of an extended survey-based study. In Globalization and its socio-economic consequences (Vol. 3, pp. 1196–1203).

[10]   Lebedev, P. (2019a). Getting Insight Into Management Accounting and Control Systems: A Framework for a Case-Based Research Design for Emerging Markets. Bled.

[11]   Lebedev, P. (2019b). Main Drivers of the Evolution of Management Accounting Concept in Russia: Global Ambitions vs. Local Way. In MIC 2019. Opatija.

[12]   Lebedev, P. (2019c). Management Accounting Practices In Emerging Markets: A Multiple-Case Study Of Russian Midsized Private Companies. Bled.

[13]   Lebedev, P. (2019d). Management Accounting Practices in Mid-Sized Companies in Emerging Economies: An Evidence from Russia. Bled.

[14]   Lebedev, P. (2019e). Three decades of management accounting in Russia: The evolution of understanding of management accounting concept. In Proceedings of 6th International Scientific Conference Contemporary Issues in Business, Management and Economics Engineering '2019. Vilnius Gediminas Technical University. https://doi.org/10.3846/cibmee.2019.036

[15]   Lebedev, P. (2019f). Three decades of management accounting in Russia: The evolution of understanding the concept of management accounting. Bled.

[16]   Lukka, K., & Modell, S. (2010). Validation in interpretive management accounting research. Accounting, Organizations and Society, 35(4), 462–477.

[17]   Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). Qualitative data analysis: A methods sourcebook. 3rd. Thousand Oaks, CA: Sage.

[18]   Saldana, J. (2011). Fundamentals of qualitative research. New York: Oxford University Press.

[19]   Saldaña, J. (2013). The coding manual for qualitative researchers (2nd ed.). London: Sage.

[20]   Scapens, R. W. (2004). Doing case study research. In The real life guide to accounting research (pp. 257–279). Elsevier.

[21]   Stoner, G., & Holland, J. (2004). Using case studies in finance research. In The Real Life Guide to Accounting Research (pp. 37–56). Elsevier.

[22]   Tavory, I., & Timmermans, S. (2014). Abductive analysis: Theorizing qualitative research. University of Chicago Press.

[23]   Vaivio, J. (2008). Qualitative management accounting research: Rationale, pitfalls and potential. Qualitative Research in Accounting & Management, 5, 64–86.

Networking and Support - Determinants of the International Performance of Enterprises

Silviya Georgieva

University of National and World Economy, Sofia, Bulgaria

Maria Vasilska

University of National and World Economy, Sofia, Bulgaria

Abstract

The paper explores and analyses networking and usage of available support opportunities and services for participation and competitive performance of enterprises on international markets. The empirical results are part of a representative survey of enterprises in Bulgaria, varying in size, type of activity, location, ownership (family and non-family), age and sex of the founder entrepreneur, and other characteristics. The paper focuses on small and medium-sized companies due to their importance for the economy, as well as due to their not fully deployed potential for more active participation and successful performance on the international markets. The aims and advantages of networking have been investigated in the paper, as well as the relationship between participation in networks and providing public services to the enterprises. Furthermore, the connection between the entrepreneurs' specific characteristics, on the one hand, and the involvement of their companies in networks and looking for institutional support for different initiatives (including internationalisation), on the other hand, has been analysed. Based on the conclusions drawn, some recommendations to the stakeholders have been made.

Keywords: networking, support, international performance, small and medium-sized enterprises, entrepreneurs

Introduction

During recent decades, small and medium-sized enterprises (SMEs) are preferred objects for investigation of many researchers, institutions and organizations. The reasons for that are numerous but they can be summarized in two groups – the significant share of these enterprises in the economies of many countries, as well as their valuable contribution to generating growth and creating employment. However, this group of companies has the potential for much more active participation in international markets. One way to do this is through their involvement in business networks, which can also help SMEs to overcome their inherent constraints and to gain important competitive advantages. Another mechanism for promoting the international performance of enterprises is the provision of various services and support to increase their competitiveness.

For these reasons, the paper focuses on small and medium-sized enterprises and their successful presence on international markets by participating in networks and receiving assistance from various business support institutions and organizations.

The empirical study covers companies having 10 to 250 employees, operating in different sectors, differing in type of ownership, characteristics of the entrepreneur-founder and other criteria.

The paper is structured in four parts. The first part reviews the literature on the SMEs' participation in networks and providing support to the enterprises as mechanisms for internationalisation of their activities and their competitive performance in global business environment. The second part presents the methodology of the empirical study. The third part is devoted to overall information about the investigated SMEs and analysis of the results obtained. The final fourth part draws conclusions on networking and support in the internationalisation process of SMEs. In addition, recommendations to stakeholders are made – to SMEs' entrepreneurs and managers, as well as to business support institutions and organizations.

Theoretical framework

Networking as a tool for SMEs' competitive performance on the international markets

The network concept is not new in the economic science and in the companies' practice. In response to the growing demands of the complex and changing environment, connected with technological progress, ever-growing competition and globalization of business activities, enterprises (especially SMEs) are forced to form and develop sustainable partnerships and networks aimed not only at their survival, but also at increasing competitiveness. Generally, the business network can be defined as a specific form of cooperation between two or more enterprises or between enterprises and non-profit entities with the aim to build, maintain, or improve their market and competitive positions. Business networks can assume different forms and be analysed from different perspectives. One classification distinguishes vertical networks from horizontal networks (Vasilska et al., 2014). Vertical networks are created between different actors in the value chain (most often customers, producers and suppliers) or between firms and other organizations or institutions (e.g. NGOs, local authorities, etc.). Horizontal networks consist of enterprises located at the same level of the value-adding chain, belonging to one sector or having similar activities (and they may be competitors).

Networking is particularly applied by SMEs. Working in business networks is one of the few means available to SMEs to remain competitive against stronger and often highly integrated partners. The main assumption of the network approach is that firms enter into cooperative relationships with other firms to gain access to network resources, i.e. to achieve synergetic effects from their interaction (Porter, 2004). The main advantage of a business network is gaining access to additional funds, abilities and markets. Therefore cooperation and tendencies toward networking emerge as a preferred form of small business strategy (Pichler, 2007).

The aims and motives of SMEs' owners or managers to include their firms in different types of networks, incl. international ones, can be various. In addition to the already mentioned advantages and benefits of networking, other motives of the entrepreneurs could be:

- Increasing specialization and concentrating on SMEs' core competencies;

- Cost reduction, when networking allows division of labour among partnering firms;

- Obtaining technical, technological and managerial know-how from other network participants;

- Achieving development and growth – in a number of ways, such as:

    – Providing markets within and outside the network,

    – Using the experience and famous name of other network participants,

    – Distribution of risk – networking allows to explore new opportunities (such as those offered by foreign markets) by sharing the risks,

    – Accumulating experience for working in a dynamic, and in many cases – international environment (Vasilska et al., 2014).

Working in a network brings benefits, however it is also connected with a variety of problems, risks and barriers, such as difficulties in building trust, loyalty and mutual tolerance; achieving distribution of responsibilities and coherence in actions; difficulties in resolving conflicts; insufficient effects of the cooperation; loss of independence of the companies; intercultural differences and others.

The skill for inclusion and operation in different international inter-company and even personal networks can be considered as an important internal determinant of the competitive performance of SMEs in international business environment. International entrepreneurship research outlines that firms with strong entrepreneurial orientations expand to international markets to enhance performance. Yet these firms can suffer from resource constraints and other difficulties as they move abroad (Brouthers et al., 2015). To alleviate this problem and to enhance their competitive advantages, they often involve themselves in business alliances and networks. Building partnership network relations is based on active interaction, exchange (product, informational and social) and mutual adaptation of enterprises (Forsgren et al., 1995). The social and personal networks of entrepreneurs and key employees in SMEs also facilitate the performance of companies at

international stage, because they could be useful in identifying opportunities, foreseeing threats, managing intercultural differences, facilitating negotiations, making profitable deals, etc.

Networking is widely applied by the Bulgarian SMEs. A number of studies show that one of the main push factors for SMEs' involving in networks is finding new markets (Todorov et al., 2013). Besides, networking is one of the basic tools for internationalisation, especially if the domestic market is small, as the Bulgarian one. The small size of the domestic market does not allow many companies to make the desired turnover for which they have potential. Finding foreign markets for their products and services is not an easy task for the enterprises, especially when they are SMEs possessing limited resources. Therefore they use networking for entering foreign markets easily.

Support for internationalisation

The contribution to the macroeconomic indicators of successful international companies is forcing governments to formulate and develop various policies to support the penetration and expansion of business across borders. Companies receive various benefits from the internationalisation of their businesses, so entrepreneurs and managers are motivated to compete for markets in other countries. As Czinkota (2002) points out, export provides opportunities for economies of scale, lower cost and higher profits both domestically and abroad. It assures also market diversification and could serve as a tool to learn from competition and address various challenges inherent in multicultural environment.

Despite the numerous benefits of internationalisation, a great part of companies, especially small and medium-sized ones (SMEs), are failing to take advantage of the globalized business environment and the potential of international markets for various reasons, such as: lack of motivation, competences, human and/or financial resources, etc. According to Freixanet (2012), this requires public and private initiatives to support these enterprises by offering services aimed at overcoming the obstacles to their international performance.

In addition to the barriers mentioned above, companies face different challenges in their operations abroad, and knowledge of often recurring risks is of particular importance to management. The potential risks could be the following: risks, resulting from processes and phenomena occurring at macro level; risks, resulting from processes and phenomena occurring at micro level; risks, resulting from processes and phenomena occurring at both macro and micro levels (Boeva, 2014).

Overcoming risks and providing various services for business support is sometimes associated with a lack of knowledge of assistance opportunities by entrepreneurs and managers. To some extent, it is due to the wide variety of forms and ways of promoting the internationalisation of businesses in different countries. This forces the European institutions and organizations to promote the positive experience gained in the process of internationalisation. For example, summarizing and sharing experiences between European countries in a document with selected good practices from over 90 programmes and 23 countries, providing assistance in nine essential areas for the SMEs international performance. These areas include: raising awareness; high-value information; human resources development programmes; supporting financial needs for internationalisation; promoting networks; supporting internationalisation of services; usage of internationalisation to increase competitiveness; individualized assistance; border areas and cross-border cooperation (DGEI, 2008).

It is important to know how entrepreneurs evaluate the effectiveness of the support provided for better performance on the international markets. For example, managers of international service companies or service intensives ones positively assess the benefits of macro-level government assistance, such as ministerial visits that "open the door" to foreign markets. This has been considered to increase also a micro-level support, such as individual assistance programmes (Crick, Lindsay, 2015).

In addition to providing state support, networking is of particular importance for the SMEs internationalisation process. Research results show that while information and experimental programmes improve all forms of SME relationships, only experimental ones have an indirect effect on export performance. In addition, only the quality of relationships with foreign buyers has a positive impact on export results (Haddoud, Jones, Newbery, 2017).

As a whole, Bulgarian business is lagging behind in terms of internationalisation and reaping the benefits of country accession to the EU in 2007. For various reasons, smaller companies, especially micro-firms, remain oriented to the local market, characterized by a very limited size and the presence of dynamic and intensifying competition from international players in various economic sectors. Data show that only 5% of Bulgarian SMEs have made imports from other European countries in the last three years, compared to other countries as Cyprus, Austria, Croatia. The export is directed mainly to

the EU market, with only 7% of Bulgarian enterprises exporting to the European market. For comparison, this indicator is quite higher in countries like Latvia, Austria, Lithuania (EC, 2015).

In order to improve the international performance of Bulgarian enterprises, especially SMEs, different policies and measures have been formulated and implemented. A key document which unified the efforts of various institutions, organizations and stakeholders on SME development is, for example, the *National Strategy for SMEs 2014-2020*. Internationalisation of the Bulgarian business is one of the main areas in the Strategy. One of the priorities during the programming period is to encourage SMEs to enter also the markets of third countries. Measures to achieve this goal include support to the development of export-oriented SME associations, promotion of various forms of partnership, including networks of a wide range of actors (CM, 2014).

Since Bulgaria's accession to the EU in 2007 the opportunities for participation of enterprises at international markets have expanded and support mechanisms have increased. The main source for various forms of assistance, especially for financial support, are operational programmes, through which resources from the European funds are absorbed. Bulgarian business is directly or indirectly supported during the first programming period 2007-2013 through the following programmes: *Development of the Competitiveness of the Bulgarian Economy*, *Human Resources Development*, *Rural Development Programme*, *Environment, Transport, and Regional Development*, and *Administrative Capacity*, and the first three of these programmes are related to its internationalisation.

The current (second) period includes programmes targeting a variety of problem areas, as environment, transport and transport infrastructure, science and education for smart growth, etc. The programmes that directly support companies are *Innovation and Competitiveness* and *Rural Development Programme*. Programmes that are important not only for economic development but also for cultural cooperation, nature preservation, transport connectivity, etc. are cross-border programmes with the neighbouring countries of Bulgaria (Romania, Turkey, Serbia, Greece, Republic of North Macedonia) (MRDPW, 2019).

Research methodology

The paper studies and analyses networking and usage of available support opportunities and services for participation and performance of enterprises at international markets. The main research questions focus on aims and motives for SMEs' inclusion in international networks; competitive advantages and shortcomings resulting from networking; link between firms' involvement in networks and support, provided and expected assistance and impact of entrepreneur's gender and age.

This paper is based on empirical data obtained from the implementation of a fundamental scientific research project titled „Determinants and models of the competitive performance of the small and medium-sized enterprises in international business environment", funded by the National Science Fund of the Bulgarian Ministry of Education and Science. The main task of the project is to create new knowledge about the determinants of the competitive performance of companies in international business environment, sources of corporate competitive advantage, as well as their relationship with the competitive performance of enterprises engaged in international activities. A research team with the participation of the authors of this paper is implementing the project.

The empirical survey was conducted in 2018 and covered a representative sample of 500 enterprises operating in Bulgaria, selected by ownership (family and non-family), sectoral activity, planning region and size (the number of micro-enterprises was limited due to the focus of the fundamental research and the relatively low degree of internationalisation of the Bulgarian micro companies).

The study was focused on enterprises which, at the time of conducting the fieldwork, carried out activities that could be defined as international ones.

A structured questionnaire was used for the study. Due to the heterogeneity and specificity of the surveyed companies, both closed and open questions were used. In order to produce a more comprehensive research the questionnaire included both dichotomous and multiple-choice questions, such for assessing importance, as well as grades (grading scales). This paper uses a small proportion of the responses received that have been processed using the SPSS statistical software.

For the needs of the paper, the few micro and large companies (used in the project sample for comparisons) were excluded, reducing the number of analyzed companies to 468 enterprises, 76% of which - small and the remaining - medium sized.

ISSN 2601-8659 (Print)
ISSN 2601-8667 (Online)

European Journal of
Marketing and Economics

September December 2019
Volume 2, Issue 3

The representativeness of the sample makes it possible, based on the results obtained, to draw conclusions concerning Bulgarian small and medium-sized enterprises operating on international stage.

Analysis and discussion

Overall information about the surveyed SMEs

The surveyed enterprises differ in the stage of their internationalisation process, the forms and tools for internationalisation of their activities, the experience gained on the international markets, the involvement in networks, the use of services and support by different institutions and other criteria.

The selected 468 companies are engaged in three main activities: 227 are manufacturing firms, 137 are companies from the service sector and 87 are trade companies. There are several enterprises operating in other sectors – not engaged in any of the three types of activities pointed above. Family businesses are 58% of the studied enterprises.

The entrepreneurs - founders of the companies are predominately male (82,5%). The much larger number of companies created by men can be explained by the fact that a considerable part of the surveyed enterprises were established more than a decade ago, while the share of women entrepreneurs in the Bulgaria has increased progressively in recent few years.

The age distribution shows that just over half of the entrepreneurs are between 51 and 60 years old, 35% between 41 and 50, about 8% are over 60 and the remaining 6% are between 31 and 40 years old. Not a single entrepreneur is young, i.e. under 30, which can be explained again by the long-term development of the surveyed companies, as well as by the exclusion of younger micro-enterprises from the sample.

The import and export strongly prevail among the main forms of international activities of the surveyed companies. They are of almost equal importance to the enterprises, which is an indicator for combination of passive (like import) and active (like export) forms of internationalisation. These two forms are followed by a number of more complex and involving partnership relations inter-company forms, such as consortia, joint ventures, official representation, contract manufacturing, etc.

Networking as a determinant of the international performance of enterprises

43% of the surveyed enterprises take part in **business networks (sustainable partnerships)** with other companies or organizations **in connection with their international activities**. It can be assumed that a big part of the remaining companies also have network relations but they are not directly connected to their international activities.

The respondents are asked the question *"What do you aim at when joining a network?"*. The prevailing answer is *"Ties with stakeholders and lobbying"*, marked respectively on first, second or third place by almost all networking enterprises. This is not surprising because two of the main problems of SMEs are their isolation and dependence on changes in the external environment, without being able to influence these changes.

The next important goal, pursued by the surveyed enterprises through involvement in networks, is *"growth (increase in turnover and number of employees)"*, followed by the answer *"assuring/ enlarging the market"*. Important motives for entering networks are also *finding strategic partners* and *getting access to resources*. Around a quarter of networking enterprises do this in order *to reduce their costs (to achieve economy of scale)* or *to get access to foreign markets* (*and, as a whole, to internationalise their activities*). There are also other, not so important for the studied enterprises, aims as *"implementation / transfer of innovation and know-how", "expansion of production capacity"* and *"reduction of risk"*.

Interesting results are obtained from the question *"Which are the main competitive advantages and disadvantages of your business influenced by the networks you are participating in?"*. Both positive and negative effects of networking are searched.

The main advantage of operating in a network pointed out by the majority of respondents is *"speed of the offered services"*. This response corresponds to a not-analyzed in the current paper result of the survey that the enterprises consider their suppliers and distributers as main business partners contributing to the shortening of the production cycle and quicker delivery of the product/services to the clients. At the same time, networking has a negative impact on this competitive

advantage for 35 enterprises. We assume that they are members of entrepreneurial networks where the long-term prosperity of the network is more important than the individual interests of the companies.

183 respondents have assessed positively the impact of networking on *the image and reputation of the companies on the domestic market.* Although the research project studies companies that have already internationalised their activities, these answers prove the importance of the companies' good name on the internal market - not only among customers, but also among colleagues in the industry and society in general. The beneficial effect of network involvement on the companies' image could be interpreted in several ways. Due to the fact that the company demonstrates trustfulness and ability to work in a network, it is considered as a reliable business player and its good reputation among various stakeholders is built. In addition, when well-known international companies take part in the networks of Bulgarian enterprises, this creates preconditions for increasing the trust of the local stakeholders in the enterprise. Only 8 respondents have indicated that participating in networks has a negative impact on the image of the enterprise on the domestic market.

The results about the impact of networking on *the image and reputation of the companies on the foreign markets* are interesting. The positive assessments are 107, while the negative – 25. For the last figure, it can be assumed that those are companies that have experienced the negative influence of working with international companies, which use incorrect market practices and do not have a good reputation.

The networks have a positive influence on the *quality and design* of the surveyed companies' *products and services* (119 positive evaluations and only 19 negative).

The advantages based on low costs achieved through networking are assessed positively by only 82 respondents and negatively – by 36. Although the positive grades are more, obviously cutting the costs and achieving economy of scale are not among the main positive effects of the surveyed enterprises' networking. This, however, as mentioned above, is not amid the major goals of the companies.

The authors of the current paper have made a number of crosstabs between different points of the questionnaire. As regards the networking, the most interesting results are the following:

1) The company's involvement in networks decreases with increasing the age of the entrepreneur (see below)

	Age of the entrepreneur - founder				
	31-40	41-50	51-60	61+	Total
Does your enterprise take part in business networks with other companies or organizations in connection with your international activities? Yes	52,6%	47,1%	39,8%	37,5%	42,9%
No	47,4%	52,9%	60,2%	62,5%	57,1%

It is evident that the tendency to get involved in networks diminishes with the age of entrepreneurs. This can be explained by the fact that usually young people are more trustful and collaborative. Working in a network is connected with many risks that should be predicted and reduced. The fear of losing independence, the negative networking experience and other reasons make the more mature people more individualistic and, accordingly, less inclined to participate in business networks.

2) The family SMEs take part in (international) networks more often than the non-family enterprises

This contradicts the common understanding of the family business as a more closed toward the "outside world" system. Obviously, Bulgarian family enterprises are prone to business partnerships (including international ones) outside the tighter firm/family circle. This can be explained in several ways. Although the private business in Bulgaria has only 30-year history, the family enterprises already have conquered markets and established positions. One of the reasons for this is that, in order to develop, they have gone out of the strongly limited as a size Bulgarian market, incl. through involvement in different kinds of networks "overjumping" their inherent closeness. Moreover, a great part of Bulgarian family firms are planning or have already transferred the business over the generations. The founders of the Bulgarian family companies in most of the cases are aiming at passing on stable businesses, with developed network of clients and partners, to the future generations.

3) Networking companies have more various forms of internationalisation of their activities and declare greater customer satisfaction

In addition to the import and export, they, in comparison to the non-networking enterprises, more often enter outsourcing and subcontracting networks, engage in official representations and develop other forms of international activities.

Networking enterprises declare greater compliance of their products and services with the requirements of the foreign markets. As a result, they are able to deliver more value to their customers and to retain important clients.

Support - networking - age - gender in the internationalisation process

In addition to networking, the support provided by institutions and organizations could promote the international activity of small and medium-sized enterprises.

Data show that just over 20% of companies surveyed have received support from European, national or other programmes promoting the internationalisation process. Among them, only one percent more are male-run businesses. In Bulgaria, for a number of reasons (economic, social, educational, etc.), women's entrepreneurship is well developed and women entrepreneurs are about 40%. (Simeonova-Ganeva, Ganev et al., 2013). In addition, under some schemes in the part of the programmes in both programming periods (2007-2013 and 2014-2020) women entrepreneurs have a priority and their projects receive additional points. This gave additional impetus to the development of women's entrepreneurship in the country.

The data about the link between aid for internationalisation of enterprises and the age of entrepreneurs show that companies whose founders are over 50 years have benefited from European, national and other programmes by 10% more than those aged between 30 and 50 years. It is probably due to their larger lifetime and entrepreneurial experience, as well as companies' absorption opportunities. At the same time, part of the policies and programmes supporting start-up and business development consider youth as a priority group. Continuing efforts in this direction and diversifying opportunities to support young entrepreneurs to successfully create and grow international business is crucial to the country's economic development.

The data show that enterprises participating in business networks with other companies or organizations in respect to their international activities are also proactive in seeking and receiving support from various programmes. Although few (about 4%) are more companies with networked business relationships than those who are still more isolated, including in support of their international operations. This shows the possibility of joint information, training and intermediary measures to encourage business cooperation with other companies and organizations.

Companies that receive support from programmes form twice as often vertical partnerships. Just over 40% of these companies have partnerships mainly with suppliers and distributors, which may have been dictated by the need to ensure sustainability in supply or access to specific markets. The companies with horizontal network relationships are about two times less (almost 22%). Proactive companies seeking and receiving support from various programmes have also succeeded in establishing much greater relationships with different partners. Such collaborations have been created with research organizations; business support organizations; various institutions, as well as a wider network with contractors and contracting entities.

Some differences were found in respect to services that companies considered would be useful for them in international markets, depending on whether they were involved in business networks or not. Companies participating in such partnerships, which answered this question, put first the need for services that enhance the quality of human resources (13%), then the receipt of information on external markets (12%), and third, financial support for their activities (11%). Non-business networking companies need first and foremost to help them connect with different partners and customers (probably aware of their somewhat isolated nature) (15%), followed by the desire for more information on overseas markets (12%), and assisting in the appearance of international forums (11%).

Interesting differences can be observed in respect to the necessary support for successful performance on the international markets, depending on the age of the entrepreneurs. Enterprises led by entrepreneurs between 30 and 40 years of age expressed a concentration of desired aid in several directions: information on external markets (29%), need for different training (14%), financial support (14%), support to expand markets (14%), participation in exhibitions and fairs (14%), consultations (14 %).

The greatest variance in the answers is in the expressed needs of the enterprises whose entrepreneurs are between 41-50 years old, as well as in the next category 51-60 years. The first group of companies needs to establish partner relations

(19%), participation in international forums (12%), and improvement of the quality of human resources (11%). The second group (51-60 years) mainly mentioned the need for additional financing (12%), and information on foreign markets (12%). Enterprises whose entrepreneurs are over 61 need information on foreign markets (17%) and establishing relationships with partners and clients (11%), stronger administrative support (11%), and creation of an electronic platform for facilitating and information (11%).

Differences are also found in the expressed need to support enterprises depending on the gender of their founders. Companies created by men need mainly relationships with various counterparts (13%), information on foreign markets (12%), financial support (11%) and participation in international forums (10%). Women-headed companies are most in need of information on foreign markets (19%), well-trained employees (14%), skills' training (11%), and improving the technological level of business (11%).

It is also important to know how companies evaluate the work and support of different institutions and organizations. Entrepreneurs assess positively the efforts of the institutions and organizations they work with. In total, 66% of the respondents give good and very good rating of the financing institutions, and only one percent less (65%) give a positive assessment of organizations supporting businesses. About 60% evaluate positively the contribution of external experts and consultants. The contribution of local and foreign business partners to the development of firm's activities, including the internationalisation and the successful performance in international markets, is highly evaluated (near 65%).

In conclusion, it should be noted that institutions and organizations supporting the international performance of SMEs should analyse various factors, such as active involvement and participation of the company in business networks, age and gender of the entrepreneur, etc.

Conclusions and recommendations

Networking and usage of support for more active involvement of enterprises in the international markets are considered and analysed in the paper. The literature review and the study of 468 small and medium-sized enterprises in Bulgaria give a basis for drawing conclusions and making recommendations to different stakeholders.

The representative empirical research of already operating on the international arena Bulgarian SMEs shows that a big number of them take part in business networks in connection with their international activities. The main goal that enterprises pursue when involving themselves in networks is to strengthen the ties with stakeholders, as well as lobbying opportunities. Joining networks is a tool for getting access to the main individuals, companies and institutions on which their success depends, in order to get greater power when negotiating with third parties and as a whole – to supply them with a mechanism "to have their voice heard". Other major objectives they are pursuing through involvement in networks are to achieve growth, market expansion, access to important resources (technology, finance, products, assets, information), etc.

Networking has a positive impact on SMEs' competitive advantages. Through operation in networks, they enhance their most important advantages. Networks facilitate increased speed of services and better quality and design of products, which the enterprises offer, strengthening the company's reputation in the domestic and foreign markets, cutting the costs, etc. That is why the family business, which has strong traditions in Bulgaria, is actively using the networks as means of internationalisation and development.

Despite the benefits, networking is also connected with a number of risks, e.g. weakening of certain competitive advantages. Therefore, it is not surprising that the empirical study shows that at an older age entrepreneurs are increasingly less likely to involve their businesses in networks.

Networking companies involve themselves in more various forms of international activities. At the same time, they are also more active in seeking support to improve their international performance. In comparison to the non-networking enterprises, they need specific assistance for their international activities, such as support for improving the quality of human resources, receiving information about foreign markets and getting financial support for their activities. Unlike them, the non-networking companies emphasize the need to obtain services, which could help them to overcome, to a certain extent, their greater isolation, such as obtaining information, making contacts, participation in different forums. The analyses of the network partnerships formed by the investigated enterprises, which have received support, shows that they prefer to form vertical partnerships two times more often than partnerships with companies in the same sector. In addition, it can be noted

that companies that have received different forms of support in the process of internationalisation, have been able to form broader networks with various types of partners.

According to the study results, the need of support for internationalisation differs according to the gender and age of the entrepreneur. The companies created by men need mostly relationships with various counterparts while woman-headed firms are most in need of information on foreign markets. Data show that companies whose founders are over 50 years, have benefited more often from different programmes. Besides, certain differences could be observed in the support needed according the age of the entrepreneurs.

The empirical results presented in the paper and the analyses made provide a basis for formulating recommendations to two major groups of stakeholders interested in SMEs' activities.

Recommendations to SMEs' entrepreneurs and managers are to use networking as a tool for internationalisation and prospective development of the company; to have a proactive behaviour in order to attract strategic foreign partners and to maximize the benefits of these partnerships.

Recommendations to business support institutions and organizations are to help SMEs more actively in the process of their internationalisation, incl. in finding the "right" partners, to assist in promotion of the expertise and capabilities of the companies. The latter is particularly needed by Bulgarian SMEs, because many of them have innovative potential, as well as specialized production, technological, human and other resources, which can be successful on the international stage, but this remains unnoticed mainly due to their weak marketing efforts. Moreover, the fact that the network participants are proactive regarding the support they receive, gives grounds for the supporting institutions and organizations to look for opportunities to combine the services offered, depending on the involvement of the companies in such partnerships. Entrepreneurs can also be provided with further support for cooperation with suppliers and distributors (vertical relations) as well as with companies in the same sector (horizontal relations), which will enable them to accumulate complementary capacity and resources for more successful performance on foreign markets. In addition, it should be noted that supporting institutions and organizations have to offer more attractive, targeted to the young entrepreneurs services for facilitating internationalisation, as well as instruments for providing more practical knowledge and skills for cooperation with different partners.

References

[1] Boeva, B. (2014). Management in the conditions of internationalization and globalization, Publishing complex – UNWE, Sofia

[2] Brouthers, K., G. Nakos, P. Dimitratos (2015). SME Entrepreneurial Orientation, International Performance, and the Moderating Role of Strategic Alliances, Entrepreneurship Theory and Practice, Vol 39, Issue 5, pp. 1161 - 1187

[3] Council of Ministers (2014). National Strategy on SME Promotion 2014-2020, Ministry of Economy and Energy, www.strategy.bg [Accessed 18 July 2019]

[4] Crick D, V. Lindsay (2015). Service and service-intensive New Zealand internationalizing SMEs: managers' perceptions of government assistance, Marketing Intelligence&Planning 33(3):366-393

[5] Czinkota, M., (2002). Export Promotion: A Framework for Finding Opportunity in Change, Thunderbird International Business Review, Vol. 44(3) 315–324

[6] Directorate General Enterprise and Industry (2008). Supporting the internationalization of SMEs, A Compilation of Good Practices, European Commission

[7] European Commission (2015). Flash Eurobarometer 421 - TNS Political & Social, Internationalisation of small and medium-sized enterprises, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs and co-ordinated by the Directorate-General for Communication.

[8] Forsgren, M., I. Hagg, H. Hakanson, J. Johanson, L.-G. Mattson (1995). Firms in Networks. A New Perspective on Competitive Power, Uppsala University, Stockholm

[9] Freixanet, J. (2012). Export promotion programs: Their impact on countries` internationalization performance and competitiveness, International Business Review 21, 1065-1086, doi: 10.1016/j.ibusrev.2011.12.003

[10] Haddoud M, P. Jones, R. Newbery (2017). Export promotion programmes and SMEs' performance: Exploring the network promotion role, Journal of Small Business and Enterprise Development 24(1):68-87

[11] Ministry of Regional Development and Public Works (2019). Programmes for territorial cooperation 2014-2020, https://www.mrrb.bg/bg/infrastruktura-i-programi/programi-za-teritorialno-sutrudnichestvo-2014-2020/, [Accessed 25 July 2019]

[12] Pichler, J.H. (2007). SME-Specific "Profiles", Strategic Potentials and Attitudes toward Internationalization in the Enlarged EU. In Yearbook of UNWE. UNWE University Press, Sofia. http://unwe-yearbook.org/en/journalissues/article/7218. [Accessed 10 August 2019]

[13] Porter, M. (2004). The Competitive Advantage of Nations. Sofia: Klassika I Stil Publishing. /in Bulgarian/.

[14] Simeonova-Ganeva, R., Vladimirov, Zh., Ganev, K., Panayotova, N., Dimitrova, Ts., Davidkova. T., Yordanova, D., (2013). Study of Entrepreneurship and the Prospects for Innovations Development in SMEs (2012-2013), (BSMEPA), Available: https://www.sme.government.bg/,https://www.sme.government.bg/en/uploads/2013/06/SMEs_2013_en.pdf [Accessed 05 July 2019]

[15] Todorov, K., M. Vasilska, S. Georgieva et al. (2013). Network Economy. Building and Development of Industrial Clusters, Subcontracting Chains and Entrepreneurial Networks, UNWE University Press, Sofia

[16] Vasilska, M., I. Kereziev, Y. Ivanova (2014). Strategic Networking Behavior of SMEs: Practical Considerations from Bulgaria. In: Todorov, K., D. Smallbone (edc.), Handbook of Research on Strategic Management in Small and Medium Enterprises, IGI Global, USA