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Exchange Rate Fluctuations and Sectoral Performance of the Nigerian Economy (1980- 2016)

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Abstract

The structure of Nigerian economy has changed considerably over the years. The economy is classified into five interrelated sectors; the agriculture, Industry, construction, trade and services (CBN 2016). Some of these sectors have contributed to the national output and government revenue at different point in time. Different exchange rate regimes implemented in the country have had varying degrees of impact on the performance of the economic sectors. Depending on the foreign exchange component of inputs into the various sectors and the export earning potential of each sector, sectoral performance has shown high level of sensitivity to exchange rate fluctuations. Fluctuations in exchange rate affect the cost of production in the various sectors of the economy. It is, therefore, not surprising that exchange rate is among the most watched, analysed and government manipulated macroeconomic indicator as it plays a vital role in a country's level of trade, which is critical for every free market economy in the world. This paper is a review of the performance of the Nigerian economy in the light of the volatility of exchange rates in Nigeria.

Keywords: exchange rate fluctuations, sectoral performance, Nigerian economy

1. Introduction

The Nigerian economy is classified into five interrelated sectors; the agriculture, Industry, construction, trade and services (CBN 2016). Some of these sectors have contributed to the national output and government revenue at different point in time. Agricultural sector comprises four subsectors which cut across crop production, livestock, fisheries and forestry. The industry revolves around mining and quarrying, crude petroleum and manufacturing subsectors. Building and construction as well as the wholesale and retail trade have no subsector while the service sector has the highest number of subsectors. The service subsectors include transport, communication, utilities, hotel and restaurant, finance and insurance, real estate and business services; producers of government service as well as commercial, social and personal services. The outputs of these various sectors are affected by the movement in exchange rate. The manufacturing sub-sector's contribution to Nigerian economy is limited by the fluctuation in the exchange rate because most of the inputs used in production in this sub-sector are imported, therefore, the depreciation of Nigerian currency increases the cost of production in this sub-sector.

Prior to the 1970s, agriculture was the mainstay of the economy (Sertoğlu, et al., 2017), but following the discovery of oil in commercial quantity and the importance of oil in the international market, the petroleum industry has become the dominant industry in the economy for government revenue and foreign exchange earnings, making the link between the foreign exchange earnings, majorly the US dollars, and the performance of various sectors of the Nigeria economy strong. These strong interconnections, especially of those sectors that rely on foreign input and have weak capacity to generate foreign exchange needed, usually subject the economy to vulnerability in the inflow of foreign earnings and the price of crude oil in the international market.

Fluctuations in exchange rate affect the cost of production in the various sectors of the economy. It is, therefore, not surprising that exchange rate is among the most watched, analysed and government manipulated macroeconomic indicator as it plays a vital role in a country's level of trade, which is critical for every free market economy in the world. Most countries strive to moderate their domestic currency fluctuations by imposing restrictions on exchange rate movements (Ngerebo and Ibe, 2013). It is a key macroeconomic measure in the context of general reform programme and because of its importance, government takes active part in it determination. Specifically, it is important as the connection between the price systems of countries, as price in the allocation of real resources among tradable and non-tradable sectors, as a promoter or otherwise of imports and exports and as an instrument in the design of the balance of payment programme of countries.

1.1 Trends in the Real Sector in Nigeria: Agriculture and Manufacturing

1.1.1 Agriculture sector

In Nigeria, agricultural sector plays a crucial role in the economic development most especially before the discovery of oil in commercial quantity in the 1970's. This is because Nigeria is blessed with abundant land mass, which is fertile for agricultural purposes until many other countries (Federal Ministry of Agriculture and Rural Development, 2000). However, it still contributed significantly to the total output, the sector contributed more than 20% on average. It is seen in Figure 2.9 that the contribution of agriculture to gross domestic product rose gradually from 11.8% in 1981 to 29.5% in 1997. This coincides with the period when the exchange rate was liberalized and relatively stable. More importantly, the significant increase in the share of agriculture to total output can be attributed to the government committed effort towards food security.

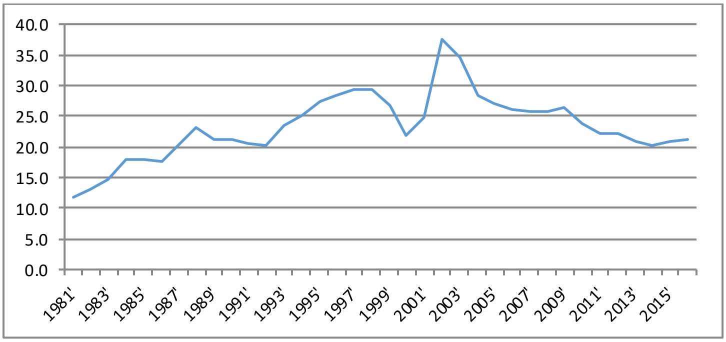
In a bid to boost agricultural production during the 1980's the government introduced an incentive scheme by charged concessional interest rates on agricultural facilities till 1992. Also, during these periods, the agricultural sector was highlighted as one of the government priority sectors, as such, commercial banks were mandated to ensure that certain percentage of their deposits are issued out as a loan to the sector (Wahab, 2011). Furthermore, the growth rate of the sector output oscillates around 20%. This reflects that the sector total output has been on the increasing path. This impressive feat can also be attributed to the Green Revolution Programme initiated by the government between 1980 and 1983. The programme was also aimed at ensuring that Nigeria is self-sufficiency in food production. The drive for a self-sufficient economy in food production led to the establishment of three Federal Universities of Agriculture in 1988 with the intention of boosting human capacity required for the advancement of the sector.

Post-2000, the share of the agricultural sector to GDP has been on the declining trend. It fell from 37.5% in 2002 to 26.3% in 2009 and then fell further to 20.2% in 2014 before increasing slightly to 21.2% in 2016. The periods of decline in the share of agriculture to total GDP coincide with the periods of rising exchange rate and a slow-down in the growth rate of the sector output. While rising exchange rate might be associated with high cost of importation of farm implement, thus, increasing the overall cost of production. Other factors such as poor road network might account for the drop in the sector share in total output as well as the decline in the growth rate.

The agricultural sub-sector is one of the major sectors in the economy and a key determinant of long run economic development in Nigeria with the sub-sector contributing to development of an economy through production of goods, foreign exchange and exports (Ajudua et al., 2015). Just like the manufacturing sector, agricultural output also exhibits fluctuation. The average growth of agricultural output was 23.68 per cent in 1980s and 36.08 per cent in 1990s. The high growth witnessed in the 90s was due to direct involvement of Nigerian government in boosting the agricultural sub-sector with several large scale agricultural projects and programmes launched and established while concessionary interest rate structure was employed with direct cheap credit to the agricultural sub-sector (Ajudua et al., 2015).

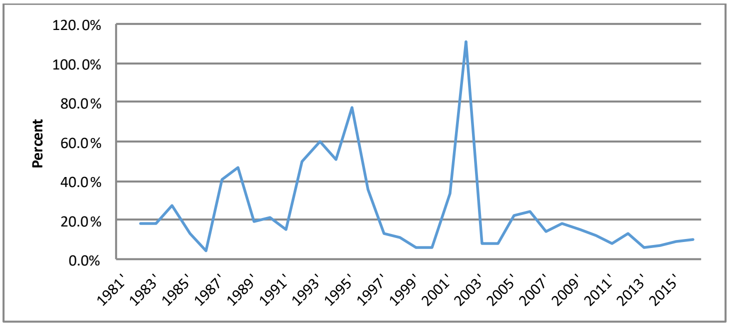
The contribution of agriculture to the GDP fell between 2000 and 2009 as 18.56 per cent was reported on average during this period, from 2010, the rate has been fluctuating around 12 per cent. From the figure, it can be seen that despite various policies and schemes the government implemented during the democratic regime, much has not been achieved in terms of growth in output of the sub-sector. The policies include the National Economic Empowerment and Development Strategy (NEEDS) launched in 1999, the National, Special Programme on Food Security (NSPFS) launched in 2002, the Root and Tuber Expansion Programme (RTEP) launched in 2003, Seven-point Agenda of 2007, Transformation Agenda of 2011 and the Change Agenda of 2015.

Figure 10: Agriculture Sector Contribution to GDP



Source: CBN Statistical Bulletin, 2016

Figure 11: Agriculture Sector GDP Growth Rate (%)



Source: CBN Statistical Bulletin, 2016

1.2 Crude Oil & Solid Minerals

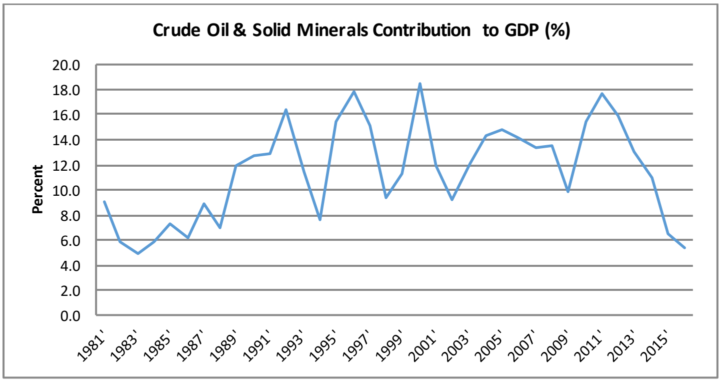
Apart from the agricultural sector, the crude oil and solid minerals sector is another primary sector in Nigeria. This sector shapes the economic and the political landscape in Nigeria. The significant of the sector can be traced to the discovery of crude oil in commercial quantities in early 1970 (Odularu, 2008). Figure 2.11 shows that on average crude oil and solid minerals contributed approximately 10% of the GDP. On a closer look, the performance of the sector experienced significant improvement during 1983 to 1991. It rose gradually from 4.9% in 1983 to 16.5% in 1992. The share of the sector in 1992 is less than three times of the sector share in 1983. The significant increase recorded can be associated with the depreciation of naira against the dollar after the liberalization of the exchange rate in the mid-1980's. This is because the depreciation of the exchange rate leads to an increase in the amount realized as proceeds from both crude oil and solid minerals.

The share of the sector in total output declined by 100%, it fell from 16.5% in 1992 to 7.5% in 1994. While the liberalization of the exchange rate leads to initial improvement of the sector, it later hurt the sector. This is because the weak nature of the country currency against the dollar increases the cost of operation as the sector is import dependent in term of equipment, thus reducing the capacity of the sector. The implication of this is that the crude oil and solid minerals sector output is affected more when compared to the other sectors of the economy that relied less on imported input, such as agriculture.

Due to the adverse consequence of the continuous depreciation of naira against the dollar after the liberalization of the exchange rate, the government then adopted fixed exchange rate management approach in 1994 and was ceased in 1997. During the period, the sector recorded the highest growth rate in 1995, while the share of the sector to GDP increased drastically till 1996 before it began to decrease, a trend similar to what was observed in term of the sector growth rate of the sector. Thus, it might be seen that the performance of the sector is partially influenced by the exchange rate.

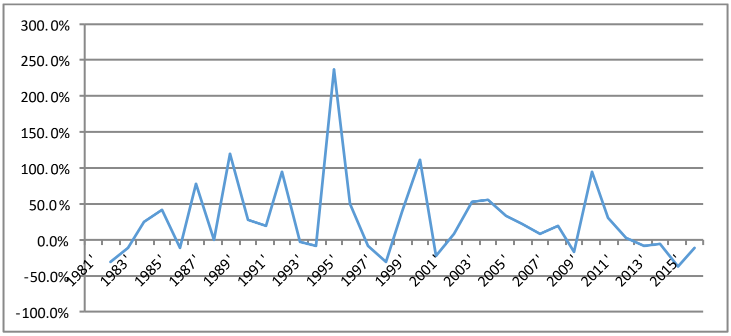
Over the last one decade, the performance of the sector wasn't impressive. The share of crude oil and solid minerals declined from 14.8% in 2005 to 13.6% in 2008 and then fell further to 9.8% in 2009. As the world economy recoveries from the 2007/2008 financial crisis, the demand for crude oil increases, so also the share of the crude oil and solid minerals sector experienced an increased till 2011. After 2011, the contribution of the sector declined continually from 17.6% in 2011 to as low as 5.4 in 2016. The poor performance of the sector is also reflected in the growth rate over the same period. The poor performance can be attributed to factors such as explosive exchange rate, a fall in the oil price, and disruption of activities within the Niger-Delta by militants (Odularu, 2008; Akinlo, 2012).

Figure 12: Crude Oil & Solid Minerals Contribution to GDP (%)



Source: CBN Statistical Bulletin, 2016

Figure 13: Crude Oil & Solid Minerals GDP Growth Rate (%)



Source: CBN Statistical Bulletin, 2016

1.3 Manufacturing

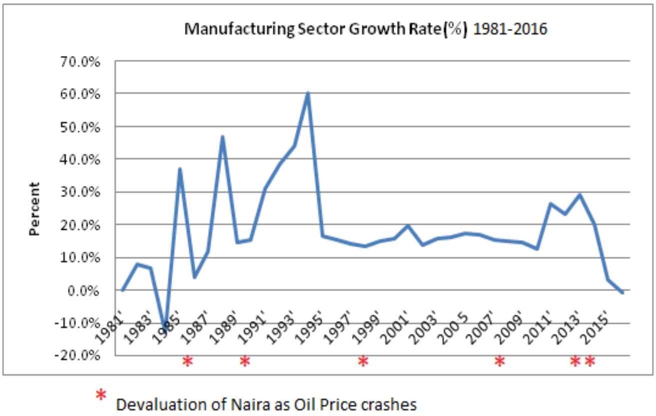
Prior to the GDP rebasing of 2013, Nigeria manufacturing sector consist of Oil Refining, Cement and Other Manufacturing. The sectoral data has since then been expanded and now capture Oil Refining, Cement, Food, Beverage and Tobacco, Textile, Apparel and Footwear, Wood and Wood Products, Pulp, Paper and Paper Products, Chemical and Pharmaceutical Products as well as Non-Metallic Products.

The manufacturing sector plays an accelerating role in a modern economy and has many dynamic benefits that are crucial for economic transformation. It has the tendency to increase productivity in relation to import substitution and export expansion, bring in foreign exchange earnings, raise employment and promote faster growth (Fakiyesi, 2005). In Nigeria this has not been the case. it has had minimal contribution to the national output and export for decades due to lack of infrastructural support, high interest rates on loan facilities, low quality output, reliance on foreign inputs, overly reliance on oil and policy instability. The dependence on crude oil and neglect of the other sectors which exposed the economy to external shock, unstable government revenue inflow and foreign exchange shortage also retarded the sector.

The distortion of the foreign exchange market (moving from fixed to flexible exchange rate regime) resulting from the structural adjustment programme (SAP) of 1986 marked the beginning of the uncertainty in the manufacturing sector. Since the introduction of second tier foreign exchange market (SFEM) in 1986, the naira has been on a downward spiral (leading to about 49.7% in devaluation by 1987). This caused a downward slide in the contribution of the manufacturing sector to total economic output in Nigeria in the late 80s (NBS 2014), which is partly due to the overly dependent of the sector on the external sector for import of non-labour input (Okigbo, 1993). The authority responded by merging the first and second tier markets into an enlarged foreign exchange market (FEM) in 1987 and introducing the Inter-bank foreign exchange market (IFEM) in January 1987 yet, the market remained unstable. Although there were spikes of growth in the sector in 1985, 1988, 1993, they were never sustained. They were short-lived due to inadequate availability of foreign exchange. With the rebasing of the GDP data in 2014, the manufacturing sector has shown a slight progressive trend, but still has an average of 46.6 per cent capacity utilisation from 2003 to 2013. As recession set in 2015 to 2016, the exchange rate policy become more unstable, The central bank set limits on foreign exchange allocations; about 41 items (some crucial to the manufacturing sector as inputs) were excluded from the official forex window. Some of these directly affected the manufacturing sector, since about 60 per cent of raw materials for manufacturing are imported.

In the mining and quarrying sector, economic potentials have not been fully harnessed. The fortunes of solid minerals declined significantly following the rising profile of crude petroleum in the 1970s. Mining sites were abandoned as crude petroleum provided cheaper source of energy and government revenue. Consequently, infrastructure at the mining sites deteriorated due to neglect. The potentials of solid minerals therefore remained largely underdeveloped, which compelled the manufacturing sub-sector to depend on importation of minerals that otherwise, would have been produced locally.

Figure 14: Manufacturing Sector GDP Growth Rate (%)



Source: CBN Statistical Bulletin, 2016

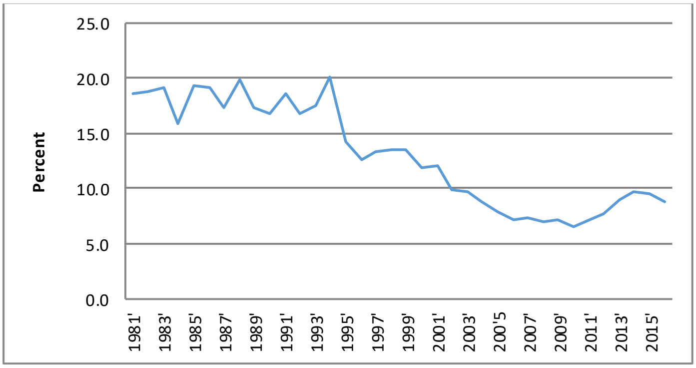
1.4 Construction

To achieve national and economic development, the role of the construction section cannot be overemphasized (Adeagbo, 2014). The sector activities comprise of residential and non-residential construction. The sector is directly related to the level of income in an economy. When the economy is booming, construction activities will be on the rise and vice versa.

From Figure 2.14, it is seen that the over the period of 1981 to 1996, the contribution of the sector to the total output was on the declining path. Thus, during this period the economy was badly affected by the crash in world oil price. Specifically, it declined from 7.6% in 1981 to 3.2% in 1985 and then declined further to 1.7% in 1996 and before stabilizing around 1.9% between 1997 and 2006. Periods after 2007, it was observed that the contribution of the construction sector to the total output increased with the passage of time till 2015 before declining slightly in 2016. These periods coincide with the economy recorded impressive average growth rate of 6%.

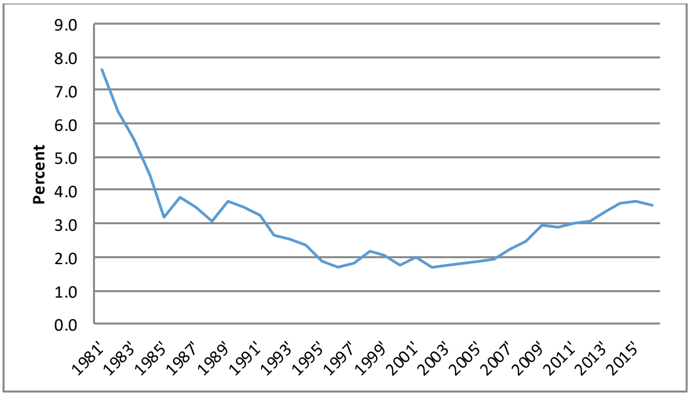
Although the sector inputs are imported and should be adversely affected by the exchanges in the exchange rate, the pattern of the sector performance revealed that the sector is least affect by exchange rate compared to what was observed in the agricultural sector, the manufacturing sector and the crude oil and solid minerals sector. This might be because the activities carried out involve the rendering of services that support other sectors of the economy. Thus, the sector activities rely on the country economy outcome. A clear evidence of this is the growth rate of the sector output during the harsh economic periods of 1981 to 1986, although, on average, the sector recorded a positive growth rate. The implication of this is that over the period of 1987 till 2016 as depicted in Figure 9, the sector output has been growing.

Figure 15: Manufacturing Sector Contribution to GDP (%)



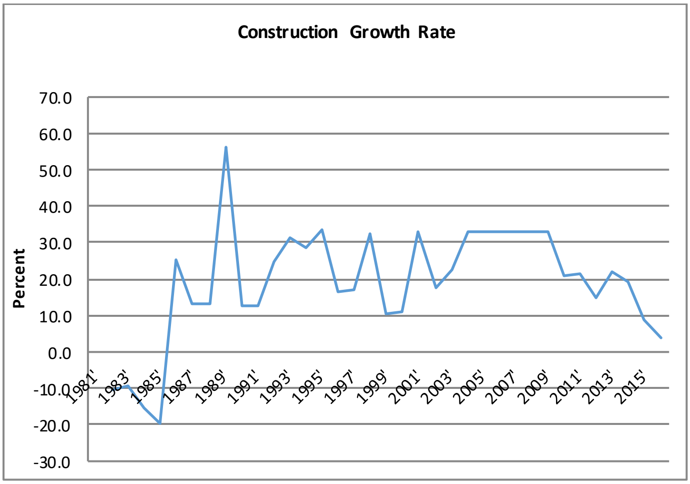
Source: CBN Statistical Bulletin, 2016.

Figure 16: Construction Sector contribution to GDP (%)



Source: CBN Statistical Bulletin, 2016.

Figure 2.17: Construction Sector Growth Rate (%)



Source: CBN Statistical Bulletin, 2016

2.3.2 Trends in the Services Sector in Nigeria

The constituents of services sector in Nigeria include Trade, Information and Communication, Real Estate, Public Administration, Professional, Scientific and Technical Services and Financial Institutions The services sector has emerged as a dynamic sector whose importance has continued to rise in terms of growth rate and contribution to GDP. Over the years, the growth rate of the sector has been positive and from 1981 to 1988, it was around 7.86 per cent on average before it rose sharply to 43.75 per cent in 1989 (Figure 2.11). It fell in 1990 to as low as 3.01 per cent before it picked up the following year and witnessed a steady growth from 1991 to 1994, where it had the highest growth rate of 51.26 per cent (Figure 2.19). The high growth was largely attributable to improvement in transportation services. the establishment of the mass transit system that year and the increased flow of people and goods resulting in enhanced productivity. (Oyejide and Bankole, 2001). Another stability was witnessed between 1996 and 2003 as the rate oscillated around 20 per cent during the period. There was an upward trend between 2003 and 2006 owing to the expansion in telecommunication services. The introduction of the Global system of Mobile Communication in Nigeria in 2001. Telecommunication did not only lead to increase in the tele- density, it also led to improvement in the productivity of other services. Growth in the sector stabilised at an average growth of 13.29 per cent from 2007 to 2013.

Figure 2.18: Services Sector Growth (%)

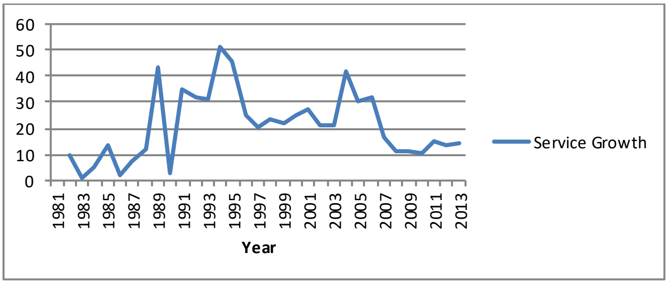


Figure 2.19: Trade Sector Contribution to GDP (%)

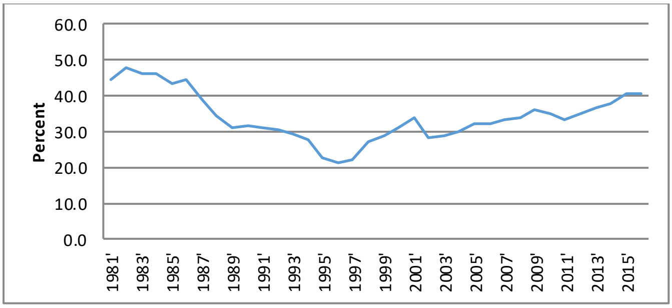
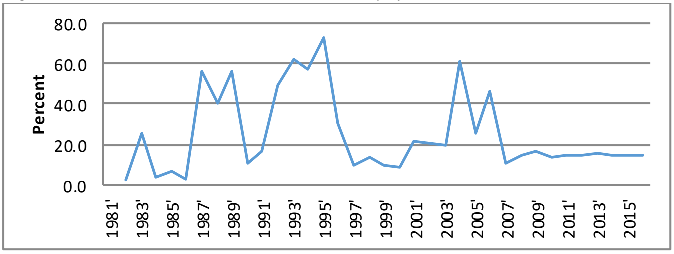


Figure 2.21: Trade Sector GDP Growth Rate (%)



Tourism is not left out in the poor performance syndrome that has continued to characterise the real sector of the economy. Although it has strong potentials for enhancing employment and revenue for the country, such potentials have remained largely underdeveloped. Employment and revenue from tourism have remained low and insignificant while foreign exchange earnings have been virtually nonexistent. The factors responsible for this performance include poor and inadequate infrastructure, political instability, social insecurity, and failure of government to create enabling environment for private sector participation in the industry.

The Nigerian health sector is characterised by brain drain as experienced Nigerian health experts are migrating to other countries in search of better conditions of service. This has led to deterioration of the country's healthcare system. There is high infant and maternal mortality rate as well as the prevalence of diseases in epidemic proportions. Massive immunisation against all vaccine preventable diseases was embarked on by the government to address the issues. Other steps taken by the government include ensuring universal access to primary healthcare, eradication and prevention of epidemic diseases, resuscitating the secondary healthcare system and stepping up enlightenment campaign on HIV/AIDS pandemic. To stem the migration of health workers, the salaries of the health experts were reviewed upward and condition of service was also improved to make working in Nigeria attractive.

2.4 Structure and Behaviour of Labour Supply in Nigeria

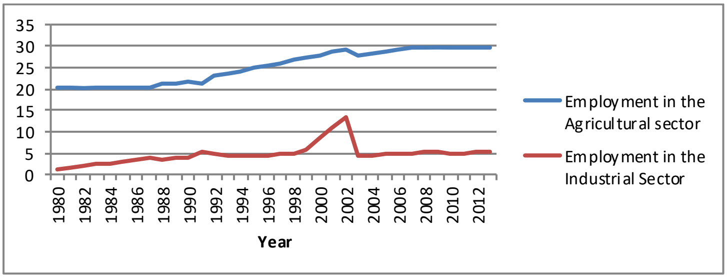
The structure of labour supply reflects colonial and cultural antecedents as well as social norms prevailing in the country. Considering the profile of the labour force, the population distribution showed that majority of the population were within the age bracket, 15 to 65 years in 2013. This represents about 52.9 per cent, only 2.5 per cent are above 65 years. The labour participation rate is low. Just about 38 per cent and 52 per cent are for female and male respectively in 2013. Of the employment population, agriculture accounts for 60 per cent and it is usually in small holding farming. The industry accounts for less than 6 per cent, service for 17 per cent and agriculture for 41 per cent of the total working population distribution in Nigeria.

Also, the informal sector is the largest employer of labour. Most people within the working age bracket are either engaged as proprietors, paid employees, unpaid family workers or apprentices. Official estimate of those seeking job but unable to find is about 7.5 per cent of the labour force. The prevalence of informal sector is common to the rural and urban settings. The dominance of the informal sector in the urban centre is quite strong while informal agriculture predominates in the rural areas. Therefore, close to 90 per cent of the agricultural activities are carried out at subsistent level in the rural areas. The largest share of employment in the formal sector is provided by the government; this has led to ballooning of the public sector payroll (Agbodike et al, 2015).

2.4.1 Labour Supply and Unemployment in the Real Sector in Nigeria

The spate of unemployment in Nigeria is very high. Data on sectoral unemployment is hard to find in Nigeria. Since unemployment and employment are mirror image, whether unemployment rate is increasing or decreasing in one sector can be viewed by looking at the employment rate in the various sectors. Nigeria's economy can broadly be classified into three major sectors, namely primary (Agriculture and natural resources); secondary (mainly Industry) and Tertiary (services as well as wholesale and retail trade) (CBN, 2003). Agriculture is predominant in the primary sector. Agriculture is predominant in the primary sector of the Nigerian economy. Therefore, this section gives the trend analysis of employment rate in the primary and secondary sectors using agriculture and industry, respectively.

Figure 2.22 Employment in the Agricultural and Manufacturing Sectors in Nigeria



Source: National Bureau of Statistics (2013)

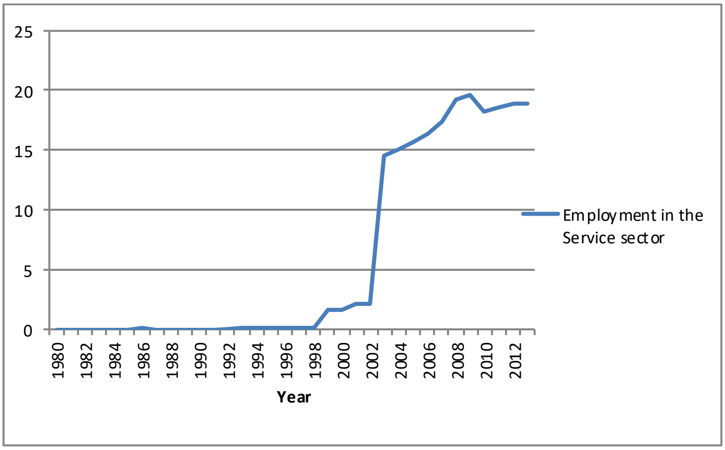
Over the years, the employment rate in agriculture trends upwards and remained the largest employer of labour in the country (Figure 2.12). The reason is because the system of agriculture practiced in Nigeria is still rudimentary and largely labour intensive. Between 1980 and 1987, the rate of employment in agriculture was approximately 20 per cent. Apart from the marginal fall in 1991 and 2005, there has been steady increase in the rate on an average of 1 per cent every year.

For the industry, the employment rate has been very low over the years apart from the major increase of 10.67 per cent and 13.36 per cent in 2001 and 2002 respectively. The employment rate in the industrial sector on the average is approximately four per cent. This is very low compared with other sectors. Manufacturing activities have been on the decline owing to the non-competitiveness of the sector. Poor infrastructure and inconsistencies in government policies have seen several manufacturing concerns close discontinue their operations.

2.4.2 Labour Supply and Employment in the Services Sector in Nigeria

In recent times, the Nigerian economy can be service-led due to structural transformation taking place in the economy (Alemu, 2015). From Figure 2.13, the employment rate in the service sector was very low between 1980 and 2002 as its value was below one per cent. The major increase started in 2003 when the employment rate in the sector jumped from a low value of 2.1 per cent in 2002 to a high value of 14.5 per cent in 2003. Ever since, there has been a steady increase in the employment rate in the sector. The growth of the service sector can be traced to economic development of Nigeria and the sociocultural changes that have accompanied those environmental forces separately or in combination that created new type of services. It was also revealed that satisfaction of customers' demand, extension of product range, dealing with new competitors at home, improvement of product quality, compliance with Nigeria laws and standards as well as dealing with the challenges of new technology underlined very important motivating factors (Adewole et al., 2012).

Figure 2.23 Employment in the Services Sector



Source: National Bureau of Statistics (2013)

Conclusion

This paper examined the sectoral performance and unemployment in the Nigerian economy. The Nigerian macroeconomic structure is complex and comprises inter-related sectors and activities. The performance of the various sectors was not impressive despite its high potential for achieving a far-reaching and diversified economy. The spate of unemployment is also very high though the employment level in various sectors increased over the year. This depicts that the growth rate in employment did not catch up with the number of people that joined the Nigerian labour force.

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Digitalization of Financial Services in Albania Under Restricted Measures Covid-19

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Abstract

Under the restricted measures due to the global pandemic Covid-19, like all other services, financial services had difficulties in performing their financial activities. These difficulties are stronger at countries where financial services are denied for a long time. Financial services denial is an issue that has affected not only Albania but small Balkan countries as well. The reasons for this denial are many, but among them we can distinguish the lack of credit experience, as one of the common reasons to be excluded in these countries from the development of the financial sector. Currently, one of the reasons for the financial denial is the emergency created by Covid-19, where physical distancing and other measures taken by governments to restrict movement and services make financial service impossible. Thus, one of the most effective ways to perform financial services remotely is financial technology. Financial technology refers to the possibilities of financial innovation through technology that can result in new business models, applications, processes, or products with an effectiveness related to financial markets and institutions and the provision of financial services. This paper aims to present the challenges of the legal framework and regulatory institutions, to provide recommendations for its improvement, to enable the development of financial technology in the financial market in Albania. The paper address issues such as the Bank of Albania's consideration on the Directive[1] (EU) 2015/2366 On Payment Services (PSD II). What benefits or challenges would its implementation bring? How is the financial industry projected after the implementation of PSD II? What are the biggest job challenges with payment institutions that have not been to the market before or that bring technology innovations? The paper addresses the issue of money laundering through online digital transactions as well.

Keywords: financial teknology, digital financial services, online process, know your client, physical presence

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[1] Directive (EU) 2015/2366 On Payment Services (PSD II) published at European Official Journal entered into force on January 2018, https://eur-lex.europa.eu/legal-content/EN/LSU/?uri=CELEX:32015L2366 visited on 01.06.2020.

Introduction

Almost all small Balkan countries, mainly those that were part of the former communist alliance, have no credit history, they have been excluded from financial and banking services, due to the policies of communist totalitarian regimes which did not allow lending, as it constituted a capitalist phenomenon. Although the banking market has developed in Albania, in these last years of transition period, large part of Albanian citizens has not been able to benefit from banking services, for many reasons. One of the major issues of the financial markets in Albania remains the financial education of consumers. Albanian citizens have very little knowledge1 about banking and financial products, in general. For many of the interviewees, it is stated that the bank accounts have been opened by the businesses in which they were employed, as they did not need to open and use the bank account and benefit from the banking services. The issue of financial education is included and is part of all the strategies of the supervisory authorities and the actors and factors of the financial market. Education should be part of school curricula so that citizens are familiar with financial products, understand them and then use them to the best of their capability. The paradox of not benefiting from bank financial services is the lack of credit history, if someone does not have a credit history, cannot benefit from bank financial services. At least that was true until a short time ago. Microfinance institutions in Albania aim to reach their customers by enabling them to provide services such as lending through electronic devices. So, they aim to provide online financial services to their customers. The online process has great benefits for financial institutions. Thus, the number of transactions through electronic means of communication, various smart phone devices has been increased. Through, the use of the online process will be ensured higher efficiency and productivity. Consumption and competition and the democratization of financial services are increasing. The online process is the easiest and fastest choice for the consumer. Additionally, through the online process, the prevention of money laundering2 is ensured, as every step and transaction performed remains preserved and documented. At the same time, the online process can contribute more to increasing transparency to customers and regulatory institutions. Selecting the use of the online process can lead to the involvement or exclusion of customers from this process. One of the best ways to increase customer engagement in choosing digital finance is to raise awareness and sensitize them to this selection. Financial education should mainly aim at involving customers from rural areas, as their difficulties in accessing financial services are even greater.

Increasing the use of financial technology will lead to the processing of sensitive personal data. Because, online processes will require the processing of personal

[1] The data were published by the Albanian Microfinance Association based on a study conducted by the organization IDRA from the findings it results that 49% of respondents have average or little knowledge in terms of financial education. Published at Bankieri Magazine, no.26, Tirana, April 2020.
2 Shegan, A. (2010), *La lutte contre le terrorisme: étude de droit comparé (droit français, droit albanais) et de droit pénal international,* Tirane, Albania. p. 237

biometric data1 for distance identification. The use of online data processing and the benefit of digital financial services will contribute to bringing innovation to the financial market and create the first steps towards the digitalization of financial services by contributing to increasing the number of individuals using bank accounts today in the country. In this way, digital financial services will also contribute to the formalization of the economy, knowing that a part of the market economy in Albania is still informal.

Legal and Institutional Challenges in Albania

II.1- Amendments of Anti- Money Laundering Law

In these times of global pandemic, the selection of digital finance to access financial services is a necessity requirement. In the context of the development and digitalization of financial services, the aim is to carry out the process of remote identification of financial institutions' customers. This fact constitutes one of the fundamental issues regarding the prevention of money laundering. Actually, there is a legal framework and lots of laws and regulations that are implicated in the performance of digital financial services. We can even say that this will affect the institutional and practical behavior in Albania. So far, no non-bank financial institution, but even the banks themselves in Albania, do not perform a full online financial service without the physical presence of the client. The banks perform online financial services only after the clients have appeared at the bank and they have performed the procedure of recognizing and identifying the client.

Undoubtedly, the most important role in this context is played by the Directorate of Prevention and Money Laundering (DPML). Improvements of the Law on Prevention of Money Laundering[2] in June 2019[3] poses a new challenge for DPML. Because, for the first time in the history of this law, it is foreseen the performance of transactions or the establishment of business relations without the physical presence[4] of the client. Thus, the regulation is made in article 6/2 of law no. 9917, dated 19.5.2008 "On the Prevention of Money Laundering and Terrorist Financing", as amended. According to this provision, entities (financial institutions, banks, etc.) must implement specific procedures and take appropriate and effective measures to prevent the risk associated with transactions[5] or business relationships performed without the

[1] Balla, R. (2008). Protection of Personal Data - a new challenge for the Albanian society. *Journal Parliamentary Law and Legal Policies*. Tirane, Albania. no. 42 pg. 21-40.
[2] Balla, R. (2017) The Fight Against Money Laundering and Terrorist Financing. International Conference, *Globalization, Vision for Sustainable Future* of the Mediterranean University of Tirana, Albania.
[3] Amendments of Law no. 9917, dated 19.5.2008 "On the Prevention of Money Laundering and Terrorist Financing", published in the Official Journal no. 99, year 2019, p. 7179.
[4] Balla, R. (2018) Combating Money Laundering and Terrorism Financing in Albania. Amendments to the Legislation on AML/CTF. *SEE/EU Cluster of Excellence in European and International Law*. Series of Papers Volume 4, Saarland University, Germany. p.121
[5] Hartley, I. (2008) Corporate Crime. *Contemporary World Issues*. p. 87.

physical presence of the client. From a legal point of view, we can say that this provision contains a very broad definition of "appropriate and effective measures". This is a formulation that leaves room for different interpretations, as for different subjects of the law, different measures can be defined as 'appropriate and effective measures". Therefore, DPML should definitely instruct the subjects by identifying some appropriate measures as "appropriate measures".

The improvement of this provision is very progressive because the previous stipulation, has been the main obstacle to the performance of digital financial services. However, we can say that even after a long time has passed since the entry into force of this provision, its practical implementation has not yet begun. Currently, no financial institution provides financial services entirely online, even though, it is already allowed the performance of operations remotely, without the physical presence of the client. DPML should work harder to enable financial institutions to perform their services effectively, digitally, completely without the physical presence of customers. By preparing instructions and guides with clear recommendations on the possibility of effective implementation of this legal provision.

The provisions of the law on the prevention of money laundering have indicated the need of amendments of other regulations to have harmonized and unified regulations. By imposing respective amendments in order to unify the regulatory framework, by reflecting them in the Regulation[1] of the Supervisory Council of the Bank of Albania no. 44/2009 "On the prevention of money laundering and terrorist financing" as amended. Thus, based on its point 6, it is foreseen that the subjects can enter into business relations or even opening bank accounts without the physical presence of the client.

Another element that enables and facilitates the performance of online financial services is the definition of the term virtual tool. This term is defined for the first time in the Albanian legislation with the following explanation: "Virtual tool" is a digital representation of a value that can be traded or transferred in digital form, and that can be used for payment or investment purposes, thus including but not limited to cryptocurrencies. This definition does not include digital reflections of officially recognized currencies such as those issued by central banks, securities and other financial instruments provided for by applicable law.

A novelty in Albanian legislation is the definition of the term third party. The law gives, the following definition for this: "Third Party", means a subject supervised by the competent authorities, necessarily registered in Albania, in one of the member states of the European Union or third countries, provided that they meet the conditions as follows: a) to be regulated by a special law and to be obliged to be

[1] Regulation of the Supervisory Council of the Bank of Albania no. 44/2009 "On the Prevention of Money Laundering and Terrorist Financing" as amended, published in the Official Journal, the latest amendments dated 24.12.2019.

register in the respective country; b) to be registered in the Republic of Albania, the member states of the European Union or in a third country, provided that they apply the same or higher requirements as those established by this law for proper and expanded vigilance, identifying the client and the beneficiary owner, storing information, and to be supervised by the competent authorities for compliance with money laundering and / or terrorist financing prevention issues. This definition constitutes a relief for all entities that by law intend to rely on third parties. The process of relying on third party is very important for the functioning of the performance of digital financial transactions, especially for non-bank financial institutions. However, even if these institutions can finalize the approval of the transaction or loan, the support of third parties must be provided to enable the disbursement of the credit in the bank account of the client. Thus, Article 6/1 of the law defines the procedure and criteria for relying on third parties.

II.2- Central Bank of Albania's Regulation

At the same time, another obstacle for the digitalization of financial services have been the provisions of Regulation[1] no. 28 dated 30.03.2005 "On the supervision of banking transactions electronically", as amended. Thus, according to Article 5 "Prohibitions", banks are not allowed to open e-banking accounts without the physical presence of the customer in the bank. Meanwhile, with the amendments of the Regulation in December 2019, this article has been repealed. Similarly, according to Article 6 of the Regulation, banks can perform e-banking only after verification of the fulfillment of the conditions and criteria by the Bank of Albania. So, through these amendments above mentioned, it is possible to allow online transactions or e-banking without the physical presence of the client.

Based on the Decision of the Bank of Albania no. 59 dated 29.08.2008 On the Approval of the Regulation[2] "On Transparency for Banking and Financial Products and Services", as amended, it is stipulated that electronic means of communication can be used to build business relationships with clients. So even this regulation enables the facilitation of the performance of digital financial services.

II.3- Other Legal Provisions

Another very important aspect of the online process is the electronic agreement. Currently, the official electronic signature has started to be used in Albania. But this

[1] Regulation of the Supervisory Council of the Bank of Albania no. 28 dated 30.03.2005 "On the supervision of banking transactions electronically", as amended ', published in the Official Journal, the latest amendments dated 18.12.2019.
https://www.bankofalbania.org/Mbikeqyrja/Kuadri_Rregullativ_Mbikeqyres/Rregullore_te_mbikeqyrjes/Rregullore_Nr_28_Per_mbikeqyrjen_e_transaksioneve_bankare_ne_rruge_elektronike.html visited on 03.06.2020.

[2] Regulation of the Supervisory Council of the Bank of Albania no. 59 dated 29.08.2008 "On Transparency for Banking and Financial Products and Services", as amended, published in the Official Journal.

signature is known and works only for the official signatures of public servants who provide online services through official websites such as e-Albania. Whereas, for private legal entities that want to use the electronic signature, they can proceed with a request to the NAIS[1], as the competent institution for issuing certificates for electronic identification and trusted services. Currently, electronic agreement is not used in the market, although the legal framework provides and has created the ground for their use. Technological developments and improvement of services offered to the market and customer imposes the implementation of electronic agreement, therefore in this regard should be established by a regulation or legal binding act the implementation of agreement with electronic signature by individuals.

The online process facilitates distance identification of customers, in accordance with the above legal basis, mainly the law on prevention of money laundering which follows the best practices of the European Union and enables safe processing of personal data[2] of customers in accordance with the law on personal data protection, as well as Management Information Security Standards.

Despite the regulatory framework, there are some issues on the recognition and acceptance of electronic documents. Currently, commercial banks are reluctant to recognize electronic documents, for example, it is evident that the electronic extracts of legal entities are not accepted as a document in electronic format. The electronic document is processed by the official website of the National Business Register and stamped with an electronic stamp certified by the public authority. So, there is no reason not to ensure the use of these documents in the context of digitalization. Likewise, the courts have begun accepting electronic documents on paper, but the practice is not unified and there are judges who show resistance on accepting electronic documents. This practice should be changed and unified where all courts in the Republic of Albania uniformly must accept the electronic agreement without resistance and without questioning the authenticity of the document.

In this regard, appropriate infrastructure should be created in institutions to receive and accept the document electronically. According to Article 10 of Law 10273 / 29.04.2010 "On the Electronic Document" and the Instruction 1/31.12.2012 "On the Certificate of Copy in Letter of the Electronic Document from Public Institutions" requires the unifying stamp in the paper copy of the electronic document from the issuing institution of the document or by the public notary, encouraging public and private institutions not to use the electronic service. In our estimation, the paper copy of the electronic document should not bear any kind of stamp, as this would lose the

[1] The National Agency for the Information Society, which is the competent institution for the recognition and certification of electronic signatures, in accordance with law no. 9880 dated 25.02.2008 "On Electronic Signature", as amended ", as well as law no. 107/2015 "On Electronic Identification and Trusted Services", as amended;

[2] Law no. 9887 dated 10.03.2008 "On the protection of personal data in the Republic of Albania' amended, published in the Official Journal.

purpose of the electronic document and the speed of service leading even to financial costs. Anyone who modifies the content of the paper copy of the electronic document must be subject to criminal legal provisions of the illegal interference[1] with the forgery of the document.

Identity cards are not equipped with "readers" to perform electronic identification and as a result electronic identification is not widely used. In order to protect the financial system as a whole from fraud and to solve once and for all the problem of fraud (persons whom sign for other persons in agreements) a wider campaign should be undertaken for the implementation of readers in identification documents.

Similarly, taking into consideration the law on consumer protection, according to which loans for amounts less than 30,000 ALL and loans in the nature of overdrafts are excluded from the scope of its implementation (so no extended contractual conditions are required), regarding the regulation of the Bank of Albania on consumer and mortgage loans and regarding the requirements of the legislation for the prevention of money laundering, we estimate that for these types of loans should be implemented and sanctioned by more mitigating measures in terms of developing a simplified diligence to the client and contractual terms. In this regard, reviewing the necessary guidelines in the regulation of the Bank of Albania for consumer and mortgage loans would facilitate digitalization process.

Another important aspect of the online process is the certification of electronic programs that will enable electronic identification entirely in the electronic environment, as trusted services that truly provide electronic identification based on the established algorithms. These criteria are provided by law2 no. 107/2015 "On Electronic Identification and Trusted Services". Based on Article 34 "Acceptance and use of foreign products" is stipulated that trusted products, created by qualified service providers trusted outside the Republic of Albania, will be recognized only through the relevant agreements signed by the Republic of Albania with other countries. For Qualified Trustees of the Trusted Service, who operate in the Member States of the European Union and are accredited by the relevant supervisory authority, the trustworthy credentials and services issued by them shall have the same legal validity and probative value as those issued by a Qualified Trustee of the Trusted Service, operating in the Republic of Albania.

International, European Incentives

III-1 European Incentives

European initiatives on creating a suitable environment for making payments, transactions and other online services have started earlier than in Albania. Building

[1] Gilbert/Pontell. (2007), *International Handbook* of White-Collar Corporate Crime. p. 67.

[2] Law no. 107/2015 "On Electronic Identification and Trusted Services", amended published in the Official Journal.

trust on the online environment is essential for economic and social development. Consumers need to feel safe and legal assurance is an essential element not only in building the online process but in building all other business relationships. Lack of trust, especially due to a lack of perception of legal assurance, makes consumers, businesses, and public authorities reluctant to perform transactions electronically and adopt new services.

Thus, the European Parliament and the Council of Europe have adopted Regulation[1] no. 910/2014 of the European Parliament and the Council on 23 July 2014, On Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and the Amendment of Directive 1999/93. This regulation aims to strengthen confidence in electronic transactions in the domestic market by providing a common foundation for secure electronic interaction between citizens, businesses and public authorities, thus increasing the effectiveness of public and private online services, e-business and e-commerce in the whole common European jurisdiction. In its conclusions of 27 May 2011, the Council of Europe invited the Commission to contribute to the single digital market by creating appropriate conditions for the mutual recognition of key providers across borders, such as electronic identification, electronic documents, electronic signatures and delivery of electronic services. and for interoperable e-government services throughout the European Union.

The European Parliament, in its resolution of 21 September 2010 on the completion of the domestic market with e-commerce, stressed the importance of the security of electronic services, especially electronic signatures, and the need to create an important public infrastructure at the pan-European level and called on the Commission to establish a platform for European evaluation authorities, to ensure cross-border interaction of electronic signatures and to increase the security of transactions made by using the internet platform.

Additionally, another important act in this process is the regulation[2] of the payment service. Payment services are regulated by the provisions of (PSD II) - Directive[3] (EU) 2015/2366 which entered into force on 12 January 2016 and its application has started since 13 January 2018. One of the objectives of PSD II is to ensure the security of electronic payments and to reduce, to the maximum extent possible, the risk of

[1] Regulation (EU) no. 910/2014 of the European Parliament and of the Council of 23 July 2014, On Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and Repeal of Directive 1999/93, published in the Official Journal of Europe OJ L 257, 28.8.2014.

[2] Regulation of the Delegated Commission of (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council concerning technical regulatory standards for strong client authentication and open and secure standards of communication (OJ L 69, 13.3.2018, p.23).

[3] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2366

fraud (recital 95). Based on the Recital 7 of PSD II it is stated that "security risks associated with electronic payments are increased". Meanwhile as per Recital 95 it is further stated that "the security of electronic payments is essential to ensure the protection of users and the development of a healthy environment for e-commerce". This Directive provides a strong legal basis for further and better development of the domestic market for electronic payments within the European Union. It sets out comprehensive rules for the purpose of making international payments (within the EU) simpler, more efficient, and safer as they are made within a single country. This Directive aims to open the payment market to new participants, moving more towards competition, alternatives, and better prices for consumers. It also provides a legal platform for a single euro payment area.

The Directive aims to improve existing European Union rules on electronic payments. It considers the development of innovative payment services, such as mobile or online payments. In particular, the directive sets out rules relating to strict security requirements, electronic payments and protection of consumer financial data, guaranteeing safe verification and reduction of fraud risk, transparency of conditions and information requirements for payment services the rights and obligations of users and providers of payment services.

The Directive is complemented by EU Regulation 2015/751 which sets out a limit on exchange rates between banks for card-based transactions. It is expected that from the entry into force of the Directive and the Regulation, the costs of traders in accepting debit or consumer credit cards will be reduced. This process will lead to the formalization of payments and if it works even in the Albanian payment market, it will undoubtedly contribute to the formalization of the economy in general. The Directive creates a clear set of rules to be applied to new and existing providers of innovative payment services. These rules aim to ensure that providers of the financial services can compete on an equal terms and conditions, leading to greater efficiency and transparency of payment services, while strengthening consumer confidence in a harmonized market.

According to the Directive, consumer rights have been improved, including the reduction of liability for unauthorized payments by Eur € 150 - € 50, the right to unconditional repayment for direct debits in Euros for a period of 8 weeks. It also provides customers with the removal of fees for the use of debit or credit cards. In order to help consumers, the European Commission prepared a brochure from the beginning of 2018 listing and explaining consumer rights under the European Directive and the law as a whole. The role of the European Bank Authority to develop a publicly accessible central register of all authorized payment institutions, which will be updated by national authorities, has also been enforced. Its role in assisting in resolving disputes between national authorities has been strengthened. The European Central Bank will develop regulatory technical standards to strengthen customer authentication verification and develop criteria for secure communication channels, which will be met and implemented by all service providers. It will also develop regulatory technical standards on cooperation and information exchange between supervisory authorities.

In this context, in order to enable the most effective implementation of the Directive, the European Commission has adopted several Regulations, such as Regulation (EU) 2017/2055 On Determining Technical Standards for Cooperation and Information Exchange between Competent Authorities regarding the Exercise of the Right to Freedom of Establishing Payment Services Institutions. Regulation (EU) 2018/389 On the Determination of Technical Standards for Strong Customer Verification and Standards for Safe and Common Communication. Regulation (EU) 2019/410 Defining the Implementation of Technical Standards for the Purpose of Detailed and Structured Information Notification in the Field of Payment Service by the Competent Authorities to the European Central Bank. Regulation (EU) 2019/411 On the Determination of Technical Standards for the Development of Technical Requirements, Operations and Maintenance of the Central Electronic Register within the Payment Service Area and On Access to Information Contained in it.

It should be noted that in this initiative, so the performance of online payment services, the Baltic[1] countries are the vanguard in the enterprises that have done both institutionally and legally. We can also say that there are similarities between the Baltic states, such as Lithuania, Latvia and Estonia, and the Balkan countries, both in terms of GDP growth and population growth. Thus, the development of a favorable regulatory and supervisory ecosystem for FinTech[2] as well as the promotion of innovation in the financial system is one of the strategic directions of the Bank of Lithuania. Together with other state authorities, the Bank of Lithuania aims to create a FinTech-friendly environment that will attract new companies and encourage them to create new products in the country.

The Baltics are leading the digitalization of financial services in Europe. In Latvia, for example, the first eurozone immediate payment systems (24/7/365) have been launched in line with the Single European Payments Area (SEPA) project. It is also experimenting with innovative data sharing services from the client file (KYC) to all participants in the financial sector, using biometric data to identify the client. On October 2018, Lithuania[3] launched the regulatory "sandbox", which allows market participants to execute innovative FinTech products or business models in a virtual environment with real customers, under the direction and supervision of the Lithuanian Bank. The regulatory box is only open for financial services, products or

[1] Based on the proceedings of the International Conference on Digitalization of Financial Services organized in October 2019, in Skopje, Northern Macedonia, the "special guests" were delegates from the Central Banks, the Ministries of Finance and other supervisory authorities of the three Baltic states, namely Lithuania, Latvia and Estonia.

[2] FinTech is the abbreviation of the word's financial technology in English. https://www.lb.lt/en/fintech-and-innovation visited on 01.06.2020.

[3] Lithuania sandbox project https://www.lb.lt/en/regulatory-sandbox visited on 01.06.2020.

business models that are new to the Lithuanian market. Adoption of financial innovation will bring identifiable benefits to society, e.g. more appropriate, safer, and cheaper financial services, or otherwise they will contribute to the sustainable development of the financial market. The necessity to test financial innovations in a controlled environment is objectively justified, while the testing itself can contribute to the implementation of the innovation in question.

Estonia has digitized many aspects of the lives of its citizens, from voting routines to pharmacy prescriptions to driving licenses. So, it's no wonder that Estonian school children are stimulated to learn about financial education using bank applications designed specifically for them.

III-2 FATF[1] Guidelines

Most of states have adopted 40 Task Force Recommendations[2] on Financial Action on Money Laundering, and Terrorist Financing. These recommendations include criminalizing Money Laundering and Terrorist Financing, freezing and seizing terrorist financing, preventing measures against Money Laundering and Terrorist Financing for financial institutions, intelligence units and international cooperation. FATF recommendations set international standards for preventing and combating money laundering[3] and terrorist financing. In any financial transaction to get to know the customer it is essential to ensure that the funds involved are not linked to crime and terrorism. However, in a digital context traditional verification tools are not included. The FATF has approved guidelines[4] that will help governments, financial institutions, virtual asset service providers and other regulatory units determine whether a digital ID is suitable for customer verification. Digital ID validity can be made easier and cheaper and it will be safer to identify individuals in the financial sector. This will also help monitor requirements and minimize human vulnerabilities in control measures. Digital ID systems are evolving very fast. To determine if a digital ID is valid, governments, financial institutions, and other stakeholders need to understand the security level of the technological system, architecture, and digital ID governance. Depending on the level of security, it is determined whether the appropriate independent reliability in light of the potential risks used may or may not facilitate illegal financing.

[1] Financial Action Task Force - financial action unit on money laundering prevention.

[2] All FATF Recommendations which are 40 and 9 Special Recommendations on Terrorist Financing constitute a comprehensive package of measures for an effective legal and institutional regime against money laundering and terrorist financing. The United Nations Resolution 1617 (2005) of the Security Council and the Resolution Action Plan 60/288 of the United Nations General Assembly (20 September 2006) reinforce the importance of implementing these Recommendations.

[3] Gordon, I. (2011) Losing the War Against Dirty Money. *Duke Journal of Comparative and International Law* p. 503.

[4] FATF March 2020 Guidelines http://www.fatf-gafi.org/media/fatf/documents/reports/Digital-ID-in-brief.pdf visited on 08.06.2020.

With over 1.7 billion adults worldwide who do not process with banks and 26% of them report deficiencies in documentation as an obstacle to accessing the banking system, digital ID offers another significant benefit. A strong digital ID can allow individuals without a traditional identification to have in the other hand a strong form of identification in order to access financial services and improve financial inclusion. The number of digital transactions has increased by approximately 13% per year. From 2022 it is estimated that it will reach 60% of global GDP which will be digitalized. There is a huge demand from the private sector to be able to confidently identify people in the digital environment. Currently, there are no universally accepted international standards for digital ID development. The guideline sets a number of standards as a framework for guaranteeing digital IDs, especially those in force in the United States and the European Union, to establish links between the highly technological world of digital IDs and policy development to combat money laundering and financing of terrorism. The FATF sought comments on its guidance that could clarify how digital identity systems can be used to verify clients through a public consultation.

The guideline clarifies that not every face-to-face identification of the client and transactions relying on reliable independent systems and digital identification with appropriate risk mitigation measures may present a standard level of risk or may even be low risk.

Conclusion

Based on what is elaborated above, regarding the inclusion of the use of financial technology for payment services, we conclude that the Albanian market will undoubtedly welcome and use it as a suitable tool for performing transactions faster, better and at no cost. A very important role in this process undoubtedly will be played by AML agency. Based on the conclusion it is recommended to the AML agency that should instruct in a simplified manner on the appropriate measures to be taken by financial entities that want to embrace this innovation in performing payments.

Financial institutions in the Albanian market must take initiatives to enable the performance of these online financial services in a digital environment. However, compared to the bureaucracies and administrative barriers of banks, they will greatly facilitate the development of transactions more quickly and efficiently. It is recommended to the financial institution that they must carry out detailed risk-based analysis, for the process of distance identification of the client which must be carried out in compliance with the Law on Prevention of Money Laundering and at the same time with the Law on Data Protection. Since distance identification as a process involves biometric data of individuals, the processing of personal data may jeopardize their privacy.

Undoubtedly, the supervisory role is also very important in this process. Currently, the Central Bank of Albania has not made public any of its initiatives regarding the implementation of Directive (EU) 2015/2366 on the facilitation of the performance of the payment service, as well as the Regulations for its implementation. Therefor it is recommended the development of an appropriate, regulatory, and supervisory ecosystem for financial technology. Based on the Bank of Albania's Regulation on Prevention of Money Laundering it is stipulated that the online process must be evaluated by financial entities as high risk and on those clients will be implemented enhanced vigilance. But the FATF's guideline clarifies that not every face-to-face identification of the client and transactions relying on reliable independent systems and digital identification with appropriate risk mitigation measures may present a standard level of risk or may even be low risk. So, it is recommended to the Bank of Albania to change the level of risk from high to low risk on online process clients. The promotion of innovation in the financial system, should be the direction of the Central Bank of Albania's strategy. Adoption of financial innovation will bring identifiable benefits to society, more appropriate, safer and cheaper financial services, or in other words will contribute to the sustainable development of the financial market.

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[10] Lithuania sandbox project.

European and International Legal Acts

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[2] Regulation (EU) no. 910/2014 of the European Parliament and of the Council of 23 July 2014, On Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and Repeal of Directive 1999/93, published in the Official Journal of Europe OJ L 257, 28.8.2014.

[3] Regulation of the Delegated Commission of (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council concerning technical regulatory standards for strong client authentication and open and secure standards of communication (OJ L 69, 13.3.2018, p.23).

[4] FATF March 2020 Guidelines**.**

Legal Acts

[1] Amendments of Law no. 9917, dated 19.5.2008 "On the Prevention of Money Laundering and Terrorist Financing", published in the Official Journal no. 99, year 2019, p. 7179.

[2] Law no. 9880 dated 25.02.2008 "On Electronic Signature", as amended.

[3] Law no. 107/2015 "On Electronic Identification and Trusted Services", as amended.

[4] Law no. 9887 dated 10.03.2008 "On the protection of personal data in the Republic of Albania' amended, published at the Official Journal.

[5] Regulation of the Supervisory Council of the Bank of Albania no. 44/2009 "On the Prevention of Money Laundering and Terrorist Financing" as amended, published in the Official Journal, the latest amendments dated 24.12.2019.

[6] Regulation of the Supervisory Council of the Bank of Albania no. 28 dated 30.03.2005 "On the supervision of banking transactions electronically", as amended ', published in the Official Journal, the latest amendments dated 18.12.2019.

[7] Regulation of the Supervisory Council of the Bank of Albania no. 59 dated 29.08.2008 "On Transparency for Banking and Financial Products and Services", as amended, published in the Official Journal.

Internet web page:

[1] https://eur-lex.europa.eu/legal-content/EN/LSU/?uri=CELEX:32015L2366

[2] https://www.bankofalbania.org/Mbikeqyrja/Kuadri_Rregullativ_Mbikeqyres/Rregullore_te_mbikeqyrjes/Rregullore_Nr_28_Per_mbikeqyrjen_e_transaksioneve_bankare_ne_rruge_elektronike.html.

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.257.01.0073.01.ENG

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A New Public Policy and Economic Approach to Cultural Sustainable Tourism in the Andes

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Abstract

This research examines the current reality of the sustainable cultural development, in the Cotacachi –Cayapas Ecological Reserve and its surroundings, part of the UNESCO Global Geoparks (2019), as a world heritage sight located in South America, in the inter-Andean region of the Republic of Ecuador. The diverse cultural and ethnic focusing on the situation of indigenous and peasant people, looking at the processes of their self-awareness, validation, and empowerment. The problems faced by this community are diverse in terms of their empowerment, low levels of education, low levels of economic development, and social, cultural and political discrimination. Their relationships are not stable and their incomes are variable, because they depend on farming and producing livestock on their small plots and the precarious nature of available work in their rural environment. The research enables us to conclude that participation in organizational groups and processes has strengthened the capacity of leadership to collaborate more actively and effectively in the progress and development of their indigenous and peasant communities. This, in turn, enhances success of their projects and makes possible the administration of public and private partnerships that permit social and institutional recognition, contributing to improvement in their standard of living and quality of life and to finds and alternative sustainable economy model based on a cultural tourism.

Keywords: indigenous and peasant people, alternative economy, sustainable cultural tourism, political participatory and human rights

Introduction

Sustainable cultural tourism has received much attention in recent years due to the western belief that indigenous people are the protectors in order to consider a space where the human being is reunited with the past, with a history. Moreover, with an infinity of natural, cultural and gastronomic resources, which at first could control as a source of income in which offer important economic benefits, but becomes the exact point where the being human must rethink. However, it has been found that the economic value is seen from the extraction of resources with a capitalist sense, without considering other types of wealth, in which the human being is located.

As a consequence, is necessary to consider valuing a frame beyond the material and the simplicity of the economic and to find a mechanism that allows generating a type of culture that transcends economic expectations and seeks human interest and wellbeing, applying a sustainable transformation through the empowerment and awareness of a new vision of a different economic development.

Undoubtedly, it is evident the neglect of the governments regarding the regulation that drives and supports this historically undervalued sector, as a result , of the null participation in projects, laws that strengthen their communities. Education as an empowering tool might help indigenous and peasant people.

The present paper presents a set of criteria for making a social change and improve their conditions of living by taking action while having knowledge and skills of generate a new value of their Andes culture.

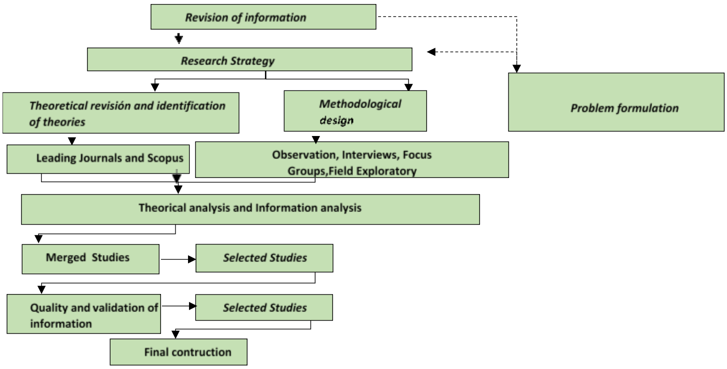
Cuicocha –Lake (Own Resource, 2019)

Methodological Procedures

Qualitative research is interested in the perspective of the subjects themselves (Millan 1974: 38). The focus of the research approach allows for a perspective from the subject's point of view and their culture and environment. It is framed in a research model with greater focus on social- cultural change and alternative tourism because it is based on a recognition and acknowledgment of the intrinsic value of the knowledge of the reality in which the subjects live. It is a systematic process of learning, since it implies that people carry out critical analysis of the situations in which they are immersed.

An approach was made through participant observation, sharing the circumstances, from the daily life of the social subjects, their activities, interests' preferences and environment. Participant observation can be considered the quintessential example of capturing the nature of reality, rather than alternative techniques of qualitative research methods (Callejo, 2002).

Field visits were conducted where the life situation of indigenous and peasant people, their economic, cultural and social conditions, the way of life, working conditions, productive activities and daily life were observed. An in-depth interview was conducted, like an ordinary conversation, with some particular characteristics of participant observation applied (Callejo, 2002). It is about capturing the meanings in an open dialogue that encourages conversation. The interview allows access to the universe of meanings from the perspective of the actors, not only the texts but the situations of the context from the vision and cultural approach of the same. In order to carry out the interviews, it was necessary to establish preliminary contacts, coordinate the times and agree on places, in an attempt to accurately capture the reality of the subjects,



Source: Self-made

This paper is based on the systematic review approach, which has been used to answer the research questions presented above. The aim of this working paper is, therefore, to identify all relevant studies of the sustainable cultural development and according to the current state of the research. Therefore, an evaluation of relevant literature and an examination of the current state of affairs will be undertaken.

Toward a Comprehension of Andean World

In the Andes and in the Amazon, the ethno-peasant populations have their own way of conceiving and ordering their lives. This corresponds to a type of perception, political and legal organization of the world, which has its own roots and it is nourished by pre-hispanic society. Despite the efforts of the hegemonic classes in Latin America to "integrate" in one the characteristics of western societies, a pre-hispanic spirit remains current and vigorous through knowledge, technologies and values that characterized the pre-hispanic collective organizations called *ayllus*[1]. Even tough elements from the West are adopted and adapted, they are always in force because they are applied to processes of constant change. As Arguedas, a Peruvian thinker stated once: "the pre-hispanic society remains in force despite having undergone many changes" (García, 2007, pág. 74).

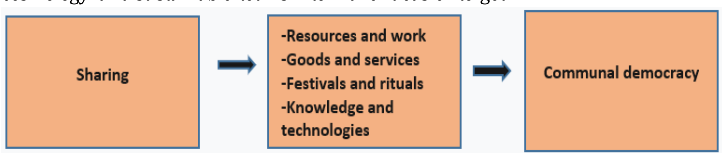
[1] *Ayllu*: family, kinship system, community. Depending on the characteristics of the natural and sociocultural context, it expands or restricts its meaning. For this reason, it can include from the biological family to the local neighborhood or spiritual affinity. It also encompasses the territory or country that includes soil, subsoil, rivers, lagoons, mountains and domestic upbringing as members of the *ayllu*.

Going beyond this, Andean philosophy is the consciousness of the other, female or male, who has been marginated, alienated, beaten and forgotten. (Estermann, 2006, pág. 13). Andean rationality expresses a serial of principles that constitutes and Andean logic which is its rationality *sui generis*. These principles provoke material manifestations in cosmology or *pachasophia*, anthropology or *runasophia*, ethics or *ruwanasophia* and theology or *apusophia* belonging to the Andean world.

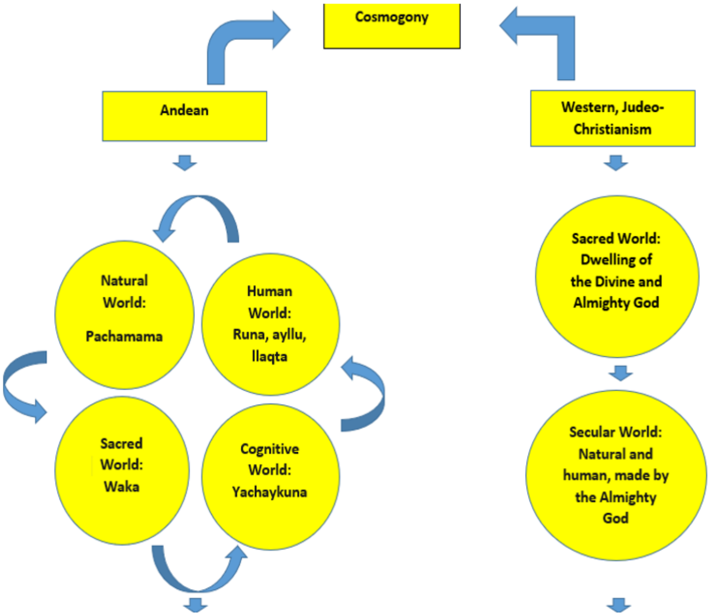
According to Estermann it is possible to talk about an Andean logic meaning a basic structure in the Andean thinking. Following this, Andean rationality reveals, before all, a principle of relation of all with all. Besides, this rationality also implies symbolism, affectivity and integration. (Sobrevilla, 2008, págs. 233-234).If we can feel this way of thinking and relation, it would be easier to comprehend this popular saying from the indigenous world: "*Ruraqman chayaspa, rurapakuna; mikuqman chayaspa, mikupakuna; tusuqman chayaspa, tusupakuna; yachaqman chayaspa, yachapakuna*" (When we get to someone who is working, let us work with him; when we get to someone who is eating, let us eat with him; when we get to someone who is dancing, let us dance with him; when we get to someone who knows, we can learn with him) (García, 2007, pág. 77).

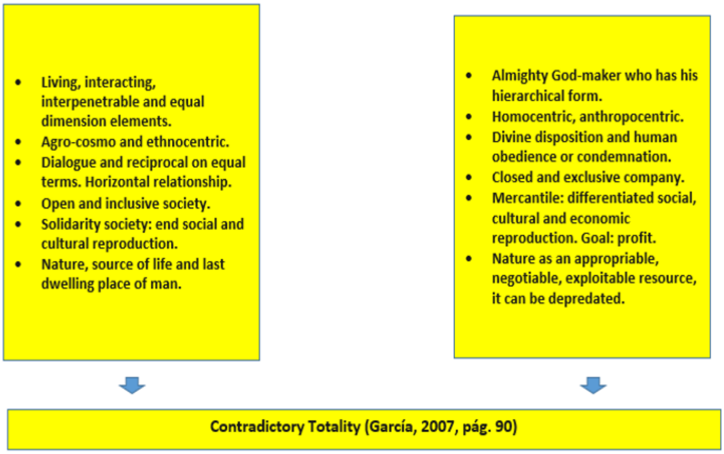
The aim of this essay is the comprehension of sustainable tourism in a world where the indigenous cosmologic thinking predominates. So it is necessary to focus on the Andean thinking first in order to see the way it could be apply to tourism in a sustainable way.

Often in the Andean communities the vision and logic of the ayllu are maintained when they refer that the community is a single thought, a single feeling, a single force. That is why the maxim summarizes the tradition of the Andean ayllu, which is the product of a millennial experience that gives strength to what Arguedas once suggested: "the forging of a magical socialism that would be built from the Andean culture and without "tracing nor copy". The Andean community now represents that tradition of the Quechua and Aymara ayllus. Its historical and at the same time projective meaning seeks the construction of a society with harmony in a changing context, of constant modernization. The following table could establish a line between cosmology and sustainable tourism to make it easier to get:



Since every element in the Andean logic drives you to the awareness of the other and nature, it is important to keep it in mind when a project in sustainable tourism appears. As it can be seen, eastern principles come from Judaism and Christianity which let us know others as a part and not as a hole of a reality where everybody builds it up. In a Judeo-Christianity and Greco-Roman vision, the center of cosmogony is man, hence his anthropocentrism, unlike indigenous and native communities, where the worldview is structured from the man-nature identity as a collective entity and, therefore, it is agro-cosmo-ethnocentric. According to this so, the Andean *ayllu* is the center of collective life through community forms of organization and action (García, 2007, pág. 80). A structure of the two worlds and logics before us today could be useful to understand this point:





However, this permanence of the Andean culture does not imply that it has been removed from the global scene, in fact, it is inserted in it due to its ability to contextualize elements and manifestations of others, giving a dynamic character to what we have called contradictory totality. Thus, the elements that have been incorporated go through an adaptation process in which they are recreated, reinterpreted and reinvented (Sobrevilla, 2008, pág. 240). Some call this phenomenon "syncretism" and others "miscegenation", but regardless of the appropriate term to call this cultural process, the truth is that it is about incorporations that do not destroy but preserve, which explains the validity of the Andean culture.

How is it possible to talk about a world order where a sustainable tourism could be appeared? Under which conditions a sustainable tourism takes place in an Andean order? Is it possible to dream an anti-capitalism order where mankind and nature could live together? Let us see a sustainability order in a new logic.

Sustainability Logic for a Tourism of Life

Everyone talks about sustainability all over the world. Most of the countries and their institutions proclaim a real change on this. A sample of this is The World Tourism Organization or UNWTO with 156 countries confederated. UNWTO is the United Nations agency in charge of promoting responsible, sustainable and universally accessible tourism.(OMT, 2020). As a reference to the topic we discuss about, sustainable tourism has objectives (Europraxis, 2007, pág. 19) as it follows:

Economic viability

Local prosperity

Job quality

Social equity

Visitor satisfaction

Local control

Cultural wealth

Physical integrity

Biological diversity

Efficiency in the use of resources

Environmental purity

Besides sustainable tourism, the Millennium Development Goals (Europraxis, 2007, pág. 19) are seen as an opportunity to achieve several macro objectives local and abroad. They are:

1: Eradicate extreme poverty and hunger

2: Achieve universal primary education

3: Promote gender equality and women's autonomy

4: Reduce child mortality

5: Improve maternal health

6: Combat HIV / AIDS, malaria and other diseases

7: Ensure environmental sustainability

8: Promote a global partnership for development

There is a remarkable aspect where objectives and Millennium Goals meet together. In fact, the objectives for a sustainable tourism fit well when you have to eradicate poverty, help women's autonomy as well as gender equality, protect environment and a global partnership promoting. Focus on this, sustainable tourism for Ecuador presents real opportunities to improve the living conditions of the entire population. First of all, it could be through the articulation of private and community businesses in value chains that directly and indirectly generate employment. On the other hand, the demand for tourist services where you can get authentic experiences becomes a great chance to be satisfied.

Challenges presented by the United Nations World Tourism Organization or (UNWTO) to fight against poverty through tourism are:

1. Tourism promotion as an instrument for poverty reduction through a sensitization of actors in the touristic area.

2. Creative and better ways to reshape the visitor spending outcome to poor and local economies ever visited before.

3. Effectiveness of tourism pilot projects and their escalation against poverty.

4. Pilot projects promotion and their several settings widely spread.

In spite of capitalism and its perverse neoliberalism and the way they cause a great damage in the tourism area as they get accustomed to the highest benefit. Also, and according to sustainable tourism and it principles, different and attractive ways to a new approach to the phenomenon must be established now. This paper shows a way where it could be possible. This information will be obtained through qualitative analysis of data applied to the representatives of both micro and small businesses, as well as the enterprises of the popular and solidarity economy.

This will allow to identify territorial tourism systems, in order to seek synergies and empower residents through knowledge transfer or specialized training in tourism-related techniques, such as: lodging, food and beverage, customer service, entrepreneurship, financing, etc. taking advantage of the potential of existing natural, landscape and public resources (CEDIA, 2020, pág. 5).

A sustainable tourism, in this proposal should look like Yasuní-ITT Project proposed to let in soil 846 million barrels of oil from the ITT Block in the Yasuní National Park. In exchange, from the International Community, Ecuador would receive half of what Ecuador would have generated by exploiting the reserves of oil from this place in the heart of Amazonas. Thus, Ecuador establishes goals in the creation of alternative energy sources that respect the environment and in social policies. The total to be raised was estimated at 3.6 billion dollars, half the value of the oil not extracted, in a period of 13 years. The other half would be assumed by the Ecuadorian government (Becerra, 2016, pág. 29).

The main objective of this project is to contribute to the fight against climate change and set up a change of production in the country. This unique and unprecedented initiative on the planet would prevent the emission of more than 407 million tons of carbon dioxide into the atmosphere as well. For the first time in history, a mechanism was presented that proposed avoiding CO2 emissions into the atmosphere instead of reducing them, and was accompanied by one of a specific proposal to combat climate change: Yasuní-ITT Project. Finally, the Yasuní-ITT main proposal is not only to preserve a piece of the lung of our planet, but leaving the oil under the ground to set an example and make the world aware that a change in the energy matrix is necessary. (Becerra, 2016, pág. 29).

According to this model explored by Ecuador, three kinds of people could appear in a new way of sustainable tourism to economies in Latin America. Assets are those who feel and suffer with the community, that is, those who share daily events, assemblies, tasks, burials, festivities and everything that happens in the community. On the other hand, Cooperators are those who feel but do not suffer with the community, that is, those who have emigrated and from their new places of residence long for and support their people or community. Finally, Defaulters are those who do not feel or suffer with the community, that is, the uprooted who do not participate in the vicissitudes of the community, neither inside nor outside. They are the acculturated, those who have chosen to place themselves in anthropocentric positions.

In this way, assets are the people who really want a change in the economic world order and along endogamy people like tribal communities and some interested persons who are really involved in a new and contra hegemonic way of rule and taking advantage of natural resources. Cooperators are so close to assets, in this case would be millions of tourists all over the world who really want to change the world into a friendly and suitable space for living and share. Defaulters are not interested in such a big and important enterprise and they are allies of nature destruction as well as capitalism rule for every human transaction with other humans as well as nature. Extractivism is an incarnation of a model imposed in Latin America, which essentially maintains a pattern which consists in providing natural resources to satisfy the demands of both the industrialized economies of the North as well as those which are in full growth like China (Chicaiza, 2012, pág. 130).

Following a holistic point of view where Andean logic get into an economic and political sustainable tourism would change upwards the present order. Pachasophia give us a guide to consider both sustainable tourism and economy. Be part of a world where everything is part of everything, a relation of all with all make compatible tourism with nature as well as economy in service of both. Since economic principles take advantage of nature, a new economy can open advantages of sustainable tourism where every gain let them free.

Ways to do it are innovative and rare but a real "new normality" after Covid-19 make it possible if we really want it. This project longs to reach this goal and show a way to do it. All the time reports are declaring the same because political will is engage with a devastating economy that is looking for selfish accomplishments and the highest benefits. This is part of it in a world where sustainability is destined to utopist:

…. Some of these breaches were: that the environmental authority did not verify or require the holder of the concessions, the expansionary environmental impact studies in accordance with current legislation; that the annual programs and budgets were not required, thus limiting the control and monitoring action; nor was it verified that the compliance audit is comprehensive, and that the programs of the Environmental Management Plan are detailed; and finally, that the competent ministries did not develop actions to implement prior, free, and informed consultation processes for the indigenous communities, peoples, and nationalities of the area of influence, in order to obtain their consent for the development of extractive activities. (Chicaiza, 2012, págs. 129-130).

Extractivism, on the root of a neoliberalism that accomplishes goals wherever it can manipulate income out of capitalism strategies works under the following principles:

The territorial reordering based on the commodification of the territories and their integration to the dynamics of financial accumulation of global capitalism

The transfer of macroeconomic decisions to foreign direct investment and investors (especially economic growth, investment and employment).

The geopolitics that integrates extractivism into the new processes of struggle for world hegemony, where the processes of concentration and centralization of capital on a world scale have intensified.

Regulatory convergence towards the definitions of the World Trade Organization (WTO), free trade agreements and the conformation of the investor and foreign direct investment as new subjects of contractuality structured under the rule of law.

Social control and discipline, especially due to conditional cash transfers and the use of social fiscal spending as a political legitimizer.

The integration of territorial infrastructures based on the accumulation of capital and the formation of new power blocks.

The new institutional architecture for regional political integration that alters the blocks of world power (BRICS, UNASUR, BNDES).

Violence, social criminalization and the "heuristic use of fear" as a mechanism for political domination, and the resolution of conflicts across the territories and the control of society by paramilitaries, drug trafficking mafias and terrorism.

Hegemonic and authoritarian political systems supported by election mechanisms.

The epistemological colonization in which universities converge towards market mechanisms (Bologna reforms) and articulate forms of knowledge-power inherent in the accumulation of capital (Verónica Albuja y Pablo Davalos, 2013 , págs. 84-85).

Coming to a Commitment Where a Sustainable Tourism Plan Could Be Joined to An Economic Principle of Responsibility

Tourism could not be longer be part of an industry linked to capitalism. Those called “environmental services” are not only privatization of water, carbon markets, the tourism industry, paying for environmental services, biotechnology; geotechnology, biofuels, among others (Verónica Albuja y Pablo Davalos, 2013 , pág. 83). If ecotourism can become a new economic alternative and a complement to extractive activities with all benefits, conflicts and tensions for indigenous groups, it is not desirable in a context where capitalism has exploited everything (Azevedo, 2007, pág. 198).

Here comes a main principle in the sustainable tourism: "There is no way to conceive ecotourism as a market made up for a group of consumers willing to pay the high prices to satisfy their desire to appreciate wildlife and perhaps experience other cultures, customs and traditions and meet indigenous peoples following the example of indigenous societies" (Azevedo, 2007, pág. 197). Following this perspective, ecotourism initiatives must be prepared with financial, human, marketing, and especially transportation and logistics appropriate resources, in order to achieve the expectations of ecotourists.

Some of the experiences where capitalism takes place over ecotourism ideas and platforms are not good enough to the people they trust in. Those people, especially indigenous ones were able to establish higher levels of control of their territories, in spite of the pressures of the logging, mining, oil and specifically tourism developed by private ecotourism operators. As a matter of fact, they only use indigenous lands and natural resources to take advantage of them as cheap labor in the worst jobs, without bringing them social, cultural and ethnic benefits (Azevedo, 2007, pág. 195). There is no way to talk about sustainable tourism where it is offered as a market –based solutions for sustainable tourism that preserve invaluable social and environmental capital for the well-being of local people around the world as EplerWood International (EWI) declared (Epler, 2020).

EWI provides innovative systems for companies, NGOs and governments to build competitive resource-efficient economies that benefit all members of society. They also provide market research, business plans, financial and investment plans, and other economic and social entrepreneurship tools to help countries or destinations develop the capacity they need to professionally deliver sustainable ecotourism. Finally, initiatives like this oversees the development of sustainable tourism as a tool to economically benefit underserved rural populations and as a means to support the conservation of protected areas and biodiversity (Epler, 2020).

From the perspective that collective initiatives are not viable from the market point of view and in order for them to obtain satisfactory results by generating income through the constant tourist flow, experiences, under any model of operation and support, need to have the following requirements: the sale of quality and differentiated products, facilitating access to all essential information to visitors such as the nature of the offer, location, type of transport, degree of logistics, prices, guide services regional and bilingual. Furthermore, the absence of technical support and training through agreements with local governments are challenges for the effectiveness of such a competitive market, mainly in the Ecuadorian Amazon.

Market and community failures have occurred in general terms due to the absence of investments for the training of indigenous groups so that they can have the necessary skills to enter a market that is very different from their subsistence economy, their way of life, symbols and worldview of the world. Here, the productive chains could be promoted so that the projects do not use their profits in the importation of food, in this way, the costs will decrease and the economic benefits would be greater for the whole community where the project is located (Azevedo, 2007, págs. 196-197). Those ideals could be representative to a devastated economic world that keep on urging on these topics:

Industry: advice on adventure and ecotourism operations, hotels, tour operators, cruises and transportation.

Environment: managing mainstream sustainable development and ecotourism.

Poverty alleviation: creating income-generating opportunities for the bottom one billion.

Business: development of micro and medium-sized companies in local economies.

Government: advice on regional and national planning of tourism development, growth and policies.

Conclusions

As Ecuador and the Andean countries contemplates and navigates through the growing pains associated with any transition from social invisibility nation to a peaceful claim to their ancient cultural rights and find a place with prosperous rights in economics, education and culture, that lets build a new ways of development and could be Andean tourism with its own cultural, economic, and philosophical identity of Latin American indigenous peoples.

Educational training programs, and education more broadly, can help produce a populace with enhanced skills and abilities to support local, regional and national development strategies as well as to promote democratic values, attitudes and behaviors. It is compelling to argue that both phenomena, increasing education and promotion of democratic ideals, are desirable outcomes for an indigenous society struggling to transform itself and to emerge successfully from its forgotten era transition.

In a forgotten society, the reestablishment and consolidation of democratic values, attitudes and behavior—indeed democratic institutions themselves—are paramount. However, democratic institutions alone are not sufficient to guarantee majority rule with respect for minority rights and democratic stability. It is the values and norms to which the citizens adhere that provide the ultimate guarantee. This means a willingness to tolerate the rights of those who disagree with the majority and hold opposing views. In the absence of such tolerance, democratic stability will be weak at best.

Therefore, in addition to support for democratic institutions, there must be ample public support for political tolerance, and elite and powerful groups must demonstrate tolerance towards the opposition and other minorities for a stable democracy to flourish.

Another key component to any notion of democracy and a fundamental building block of democratic theory is the centrality of participation to the democratic process. Education and training programs can foster, encourage and support indigenous community and political social organizations to build a real multicultural state.

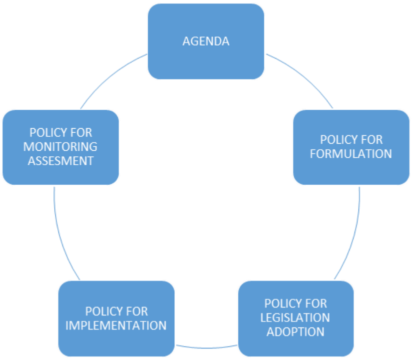
Participation in these training programs and organizations often stimulates innovation and promotion in defense of democratic processes and institutions built upon the notions of trust and reciprocity. It is important to support an alternatives approaches of economic development as both an end in itself and because it is a critical element in promoting sustainable development. This objective is facilitated through the establishment of democratic institutions, free and open markets and an informed and educated populace.

In Ecuador and most of the countries in the Andes, still a restricted political participation by a multitude of factors. Not all citizens have equal access to the political process. Factors affecting access include distance from voting stations, fear of government retaliation, fraud, limit participation and in many cases limitations placed on indigenous and peasant women who are faced with competing obligations in the rural and urban sector, restrictions placed on peasants and indigenous who cannot afford to leave the source of their livelihood, etc. Education has proven to be a powerful predictor of political participation. Specifically, those who have a higher level of education tend to participate more.

Recommendations

Greater and high quality of education for communities of indigenous and peasants definitely equips citizens with the intellectual tools to be able to link their economic, political, social and cultural interests with their behavior in defense of the millenarian natural resources, but, perhaps more importantly, it gives them community respect so that when they participate they will be taken seriously by their peers. Education is directly related to income and those with higher incomes have more free time to participate and find it easier to obtain the resources to participate.

Therefore, future studies that examine the role of the indigenous communities and Pleasants in local, regional and national economic development strategies in society may do well to include a more extensive analysis of the critical roles that increased educational and training programs can have on the institutionalization and consolidation of democratic stability and processes of a new way of economic development based on a cultural tourism for the Andes.



Political process to make a project into reality. Source: Self-made

The visibility for a political project immersed in social interests and sustainable tourism must be directed through a strong platform for decisions. For this reason, it is considered a relevant organization in the region as the Andean Nations Community (ANC). As it could be inferred from the graphic, an agenda is required to bring about a necessity in order to formulate a first policy in charge of contemplate and analyze reality. This is driven to a formal legislation to create a law and public policies for the Andes countries, integrated as a one community to be implemented in real life and make improvements for its members, and can be determined a new way of social structure with a given order. Furthermore, the whole process is monitoring through a permanent evaluation to check the integrated community of countries and to check the progress and correct procedures.

An example could be given to illustrate the process. An agenda could determine the lack of promoting tourism in the Andes through the governments and its diplomacy services it can be the link between tourism of the Andes and internationals relation of Colombia, Ecuador, Peru and Bolivia. The configuration of the respective proposal must be written and supported by theoretical and technical criteria. Once a project is discussed and considered by specialists, it goes to be presented and approved by authorities in charge of legislation on this matter. They could declare it as a law to be considered and widely diffused among citizens in order to apply its contents in the problematic area. Moreover, it is strictly revise periodically to improve eventualities.

According to this insight of the political procedure to get a relevant social product, the neglect of the governments regarding the regulation that drives and supports this historically undervalued tourism sector could be come to its end. The participation in social projects and laws that strengthen a sustainable tourism community could be leaded by the ANC in the region and every nation belonging to it. No more delays, no more particular initiatives, no intermediaries but several proposals from diverse points of view of the ecotourism and its real participants in the field.

Besides, educational new perspectives would be spring out to empowering indigenous communities and peasant people. They will be able to create formational spaces by regular institutions as universities or colleges or be qualified in different areas in order to fulfill old and empty spaces to grow in leadership and local protagonism. Ways to do it are innovative and they compelled to call a "new normality" in order to make it possible if we really want it.

That´s why this project longs to reach this goal and show a way to a new order with an Andean cosmovision as it has been declared before. Nowadays, socio-political aims are engaged with a devastating economy that only look for selfish accomplishments and the highest benefits of some power groups and their interests.

Finally, the role of the indigenous communities and peasants in local and regional has been deplored for years and it is necessary new economic and development strategies to support western civilization. Critical analysis of social and economic phenomena should be increased through these new educational and training programs by new educative institutions raised by the Andean world. Consolidation of real democratic stability and processes of a new way for economic development are required to break old premises as well as prejudices on indigenous and peasant peoples and their protagonic role in a sustainable tourism.

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Challenges Facing Financial Inclusion Due to the COVID-19 Pandemic

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Abstract

Financial inclusion is often considered as an access to financial resources for the wide public and small and medium-sized businesses, although it is a much broader concept and includes a wide range of access to quality financial products and services, including loans, deposit services, insurance, pensions and payment systems. Mechanisms for protecting the rights of consumers of financial products and services are also considered to be subject to financial inclusion. Financial inclusion acquires great importance during the pandemic and post-pandemic period. The economic crisis caused by the pandemic is particularly painful for low-income vulnerable population. A large part of the poor population who were working informally has lost source of income due to lockdown from the pandemic. Remittances have also been reduced / minimized, as the remitters had also lost jobs and are unable to send money home. Today, when people die from Coronavirus disease, it may be awkward to talk about the financial side of a pandemic, but the financial consequences can be far-reaching if steps are not taken today to ensure access to and inclusion of financial resources. The paper examines the impact of the pandemic on financial inclusion and the responses of the governments and the financial sectors to the challenge of ensuring the financial inclusion of the poor population and small and medium enterprises.

Keywords: financial inclusion, economic growth, access to financial products and services, pandemic, low-income population

Introduction

The economic growth rate in Georgia in 2019-2020 was one of the highest among the Eastern European countries and the Caucasus region – 5.1%. However, talking about this issue in a positive context by experts and government officials causes a negative attitude from citizens for some reason. We often hear not even a rhetorical question - can a country have one of the highest GDP growth rates in the region and the population cannot feel it? The answer is simple – it is possible and we should search for the reason in the non-inclusive growth of the economy **(Kasradze & Zarnadze,**

2019). Inclusion is an important factor for the sustainable development of the economy **(Kasradze, Tea, 2018)**. The cause of poverty of the population is unequal opportunities, which means not only unequal incomes, but also unequal access to economic opportunities.

Inclusive development benefits the wide society and not just individuals within a narrow group of society. Inclusion makes it possible to derive not only quantitative but also qualitative effects from economic growth **(Kasradze, Tea; Zarnadze, Nino, 2018)**.

The term "inclusion" first appeared in the Socio-Economic Development Strategy of Georgia "Georgia 2020", where we read that "Our main goal is to benefit a significant part of the population of Georgia from the goodness brought by inclusive or universal economic growth" and the development of work force focused on the requirements of the labor market, the improvement of the social security system and the provision of a quality and affordable health care system are considered by the government as the main way to achieve this goal **(Government of Georgia, 2014).**

Financial inclusion is an integral part of economic inclusion. Moreover, the path to inclusive growth and development of the economy goes through financial inclusion. It is true that among the United Nations' 17 Sustainable Development Goals (SDGs), which should be achieved by humanity through joint efforts by 2030, we do not find financial inclusion, but achieving many of these goals (GOAL 1: No Poverty; GOAL 2: Zero Hunger; GOAL 3: Good Health and Well-being; GOAL 4: Quality Education; GOAL 5: Gender Equality; GOAL 8: Decent Work and Economic Growth; GOAL 10: Reduced Inequality) would be impossible without financial inclusion **(United Nations, 2015).** UN member states use the Global Financial Inclusion (Global Findex) database to measure progress towards sustainable development goals. This document is also the statistical information base for our paper.

The issue of growing financial inclusion gained a special significance during the COVID-19 pandemic, when a large part of the world's population was locked up at home. According to a preliminary assessment by the International Labor Organization (ILO), 25 million people lost their jobs and livelihoods **(ILO, 2020)**. Now is the time for governments and financial institutions to play their part in providing greater access to financial services for poor individuals and households as soon as possible during the crisis. Governments, working together with financial institutions, must first and foremost be able to provide financial access to poor individuals and households with the necessary support to ensure their survival in these times **(Ozili, 2020) (Tarek Eldomiaty, 2020).**

Often financial inclusion refers to the availability of only financial resources for the broad layers of society and small and medium-sized businesses, although it is a far more common concept and includes a wide range of quality financial products and services, including loans, deposit services, insurance, pensions and payment systems.

As well as financial education and consumer protection mechanisms **(Giovanna Prialé Reyes, 2010)**.

Financial inclusion implies equality of access to financial information and services. Every member of the public should have access to the financial information and services that the other part of the population enjoys. Yet, unfortunately, in today's reality billions of poor people do not have access to numerous financial globali and non-financial products and services **(Kasradze, Financial Globalisation–Positive and Negative Impacts on Developing Countries, 2014**). Financial inclusion allows poor people to finance their own businesses, save, contribute to the well-being of their own families, and protect themselves from daily risks. The readiness of the country's financial sector as a whole, as well as the responsible and social approach of specific financial institutions - microfinance organizations, insurance companies, banks and others - play a big role in increasing financial inclusion in general in conjunction with public policy. It is important these institutions to be well aware of their role in struggling against poverty by promoting financial inclusion **(Kasradze, Poverty – A Global Socio-Economic Problem, 2013)**.

The following definition of financial inclusion is also found - financial inclusion includes a diverse range of financial and non-financial products and services to combat financial exclusion. In developing countries, financial exclusion usually means being without access to a bank account in particular. This category of the population is called the unbanked category. Bank accounts allow people to save money and make (send and receive) payments. Lack of access can be caused by various reasons, such as lack of financial knowledge **(Tea Kasradze, Vakhtang Antia, Ekaterine Gulua, 2019), (Nino Zarnadze, 2019)**, distrust of financial institutions in general, high banking fees and rates, territorial distance from bank customers, etc. In developed countries, we are dealing with more the so-called underbanked challenges, which is caused by the high cost of financial products and services due to risk management measures taken by banks.

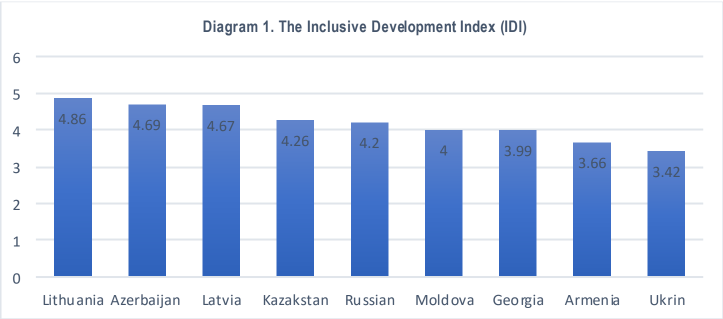
The World Bank defines financial inclusion as access to and use of formal financial services, and believes that it is a global problem and that the authorities should pay significant attention to its improvement in the country's economic development strategy **(The World Bank, 2018)**. According to the World Bank Global Findex Database 515 million adults worldwide opened an account at a financial institution or through a mobile money provider between 2014 and 2017. Which means that by 2017, 69% of the adult population had an account, while in 2014 this figure was 62% and in 2011 it was 51%. 94% of adults in high-income economies have an account; 63% - in developing economies.

Globally, 1.7 billion adults lack an account in 2017. In the Global Findex survey conducted by the World Bank in 2017, the majority (2/3) named the lack of need for an account due to lack of funds as the reason for not having an account. A quarter cite the distance and fees of banking institutions as the reason. Approximately the same number cite the fact that other family members have an account as the reason for not having an account. 1/5 cited a lack of documents and distrust of the financial system, while 6% cited a religion. **(Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar, Jake Hess, 2018).**

Having an account is an important first step towards financial inclusion. However, a real inclusion requires the ability to use these accounts securely and conveniently (digital payments, payments via a mobile phone or the internet) (Dorofeiev, 2019). The Global Findex database provides information not only about who owns the account, but also whether people use these accounts for payments. 1/5 of the account holders state that they have not put or withdrawn money from their accounts in the last 12 months, which is why these accounts are considered inactive and naturally such accounts cannot be considered as promoting financial inclusion. In countries where more than 80% of the population use an account, private sector initiatives and innovations have played a major role, including the main impetus for low rates on account usage and the ability to make mobile phone transfers.

Financial Inclusion in Georgia

According to the Inclusive Development Index (IDI) 2018 of the World Economic Forum Report, Georgia ranks 32nd among 74 developing countries in the world with a 3.99[1] inclusive development index, lagging behind post-Soviet countries (Diagram 1). The Inclusive Development Index (IDI) is an annual assessment of 103 countries' economic performance that measures how countries perform on eleven dimensions of economic progress in addition to GDP. It has 3 pillars; growth and development; inclusion and; intergenerational equity – sustainable stewardship of natural and financial resources (World Economic Forum, 2018).



[1] IDI scores are based on a 1-7 scale: 1=worst and 7=best

Source: http://www3.weforum.org/docs/WEF_Forum_IncGrwth_2018.pdf

Special scrutiny is required for the part on financial intermediation, which ranks Georgia on 16th place among low and mid income states. Georgia is on the 31st place among states with the access to business accounts for the poorest 40% of the population. In terms of access to credit, it ranks 23rd. Georgia is in the middle in terms of accessibility of financial sector. The situation is even worse in case of financial intermediation of real economy investment (19/38). In terms of accessibility of local asset market, Georgia takes 34th place among 38 low and middle income states, as for attracting venture capital, Georgia is on 32nd place **(Arevadze, 2015).**

As mentioned above, even well-developed financial systems today have failed to achieve comprehensiveness and certain segments of the population remain outside the official financial systems. As a result, in recent years, the importance of an inclusive financial system has been widely recognized in political circles, and financial inclusion is considered a policy priority in many countries, including Georgia. An inclusive financial system facilitates the efficient allocation of financial resources and thus reduces the value of capital. **(Kasradze, The Major Policies Used by the Governments of Developing Countries for Attracting Direct Investments, 2014) I**n addition, access to financial resources and services can significantly improve a day-to-day financial management, facilitate to reduce the use of high-risk informal credit sources.

According to the World Bank surveys conducted in 2011, 2014 and 2017, the growth of financial inclusion in Georgia is visible in all directions. According to the World Bank Global Findex database, in 2017, 61% of the adult population of Georgia (15 years and older) had accounts, while in 2011 and 2014 this figure was 32.98% and 39.66%, respectively **(Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar, Jake Hess, 2018).**

According to the same study, in 2017, the adult population of Georgia without accounts named the following reasons for not having accounts:

Table 1.

Reason	*%, age 15+*
No account because financial institutions are too far away	*2.55131602*
No account because financial services are too expensive	*12.7379675*
No account because of insufficient funds	*24.0508652*
No account because of lack of necessary documentation	*16.8846092*
No account because of lack of trust in financial institutions	*9.13279533*
No account because of no need for financial services ONLY	*0.92726338*
No account because of religious reasons	*1.17684305*
No account because someone in the family has an account	*15.6534386*

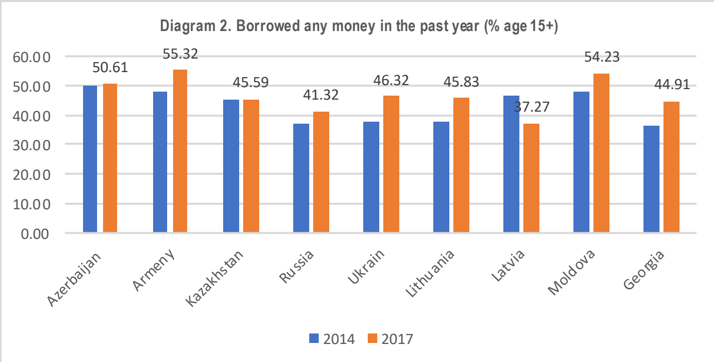
It is complimentary that the number of account holders in Georgia is growing from year to year, but in terms of financial inclusion, it is more important how many other financial products and services are available to them, how much access they have to financial technology. The most significant driver of financial inclusion today is technology. Its potent effect is its ability to deliver financial services to people wherever they are and when they need them. Financial inclusion has arisen as a by-product of these technologies now commonly known as FinTech. Since financial technology lowers the costs of financial intermediation, it enables profitable intermediation of the unbanked poor **(Ashenafi Beyene Fanta, 2019).** Financial technologies have a special load during COVID-19. Fintech allows users locked at home due to COVID-19 to transfer money from any bank account, make payments and services for trade and business in any part of the country and abroad. Financial technology can also create a framework for the inclusion and use of technological capabilities to facilitate transaction execution, access and use of accounts.

According to the Global Financial Inclusion (Global Findex) database, in 2014 and 2017, 13.37% and 29.07% of the adult population made digital payments respectively, while 20.82% and 52.95%, respectively, made or received digital payments which is quite a low indicator. The trust of poor individuals and families towards the Fintech platforms is of particular importance during COVID-19 pandemic. Fintech businesses need more transparency and security. Increasing transparency alone will not build trust. A combination of ethics, regulation, oversight, communication and transparency will be key elements of trust that will enable people to benefit from Fintech business services on the one hand, and Fintech companies to provide financial services to the poor and families on the other.

The financial industry constantly offers innovative products and services to the population, thereby reaping great benefits itself. The appearance of Fintech companies on the Georgian financial market and their active activities have significantly contributed to solving the problem of gaining access to financial services by offering the services needed by individuals and organizations at a reasonable cost. Fintech can help millions of unbanked and underbanked individuals improve their financial well-being and tackle poverty.

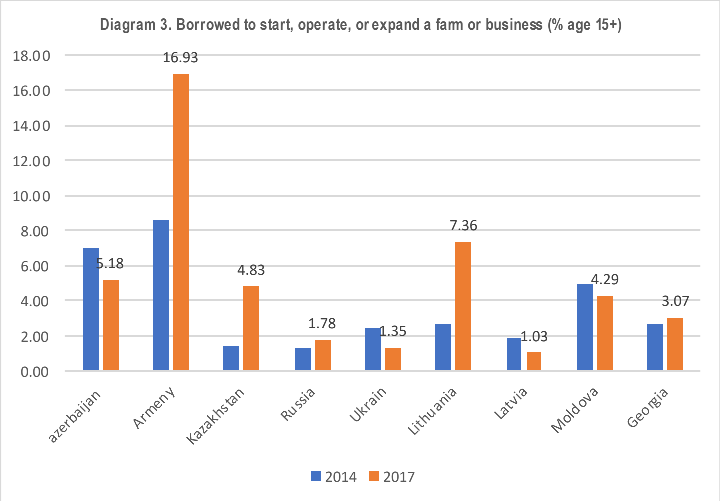
Fintech has boosted digital, crowdfunding, and peer-to-peer (P2P) cashless transactions in recent years. P2P loans have proved to be particularly profitable for people in emerging markets who are unable to take loans from traditional financial institutions because they do not have a financial or credit history that would allow them to assess their credibility.

According to a World Bank study, there has been an increase in access to credit in recent years. In particular, according to the data of 2017, 44.92% of the adult population had access to any kind of loan in Georgia during the last year (Borrowed any money in the past year), while the similar figure in 2014 was 36.65%. It is true that 8% growth in 3 years is not a bad indicator, but if we look at the statistics of access to credit in other countries, even the former Soviet countries, we will see that the situation is not so favorable (Diagram 2):



However, it should be noted that only 23.65% of the adult population borrowed in 2017, compared to 13.86% in 2014, while 20.33% of the adult population borrowed from financial institutions or used a credit card in 2014, and 27.44% in 2017. Which, on the one hand, indicates that a small part of the adult population has access to credit cards and, on the other hand, all in all a small part of the population has taken loans from financial institutions. If you look at other sources of credit, such as borrowed from family or friends, unfortunately, we have a growth tendency here as well. In 2011-2014-2017, these figures were 14.01%, 16.23% and 20.68%, respectively, indicating that official loans are either not available for some reason or due to high interest rates, people choose this path.

With that being said, it is thought-provoking that a very small portion of the adult population borrowed to start or expand a business. In particular, in 2014 and 2017 2.71% and 3.07% borrowed to start, operate, or expand a farm or business. The similar figures in the former Soviet Union look like this (Diagram 3):

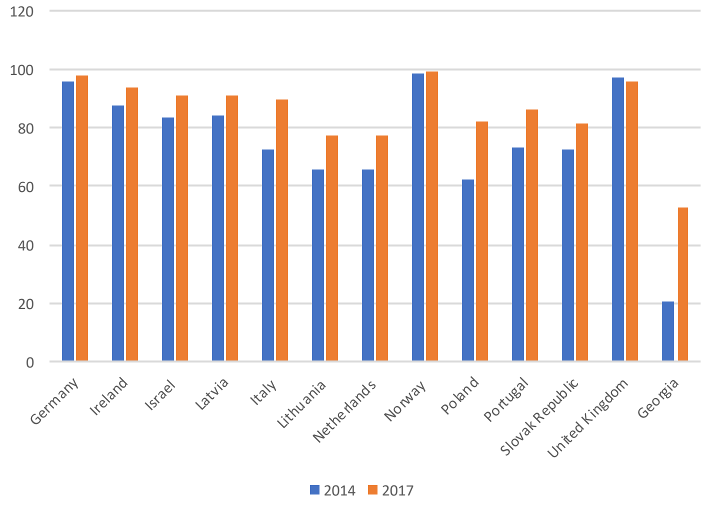


The COVID-19 crisis has once again shown how important digital funding is for the poor in difficult socio-economic conditions. In many developing countries of the world, including Georgia, remittances received from migrants abroad using international digital payment systems are a means of livelihood for many poor families. Sending remittances using mobile devices is an effective tool towards financial inclusion. The pandemic has caused a double problem with remittances in developing countries, one- Remittances have been sharply reduced, as the remitters had also lost jobs and are unable to send money home, which negatively affected both the well-being of specific individuals and families and the country's economy as a whole. Second - the lack of skills to make and receive digital payments in the population. Digital financial services, on the one hand, need encouragement from the regulator, and on the other hand, in parallel with the promotion of these services and raising public awareness, it is desirable to reduce tariffs on digital services. Reduced tariffs will encourage and increase the number of entities using digital services.

According to the World Bank Find Global Findex Database 2014 and 2017 data, digital payments were made by 13.37% and 20.07% of the adult population in the last one year, respectively. While digital payments were made and received by 20.82% and 52.95% of the adult population, respectively. If we look at the statistics of developed European countries (Diagram 4), the difference is very big and it is clear that the

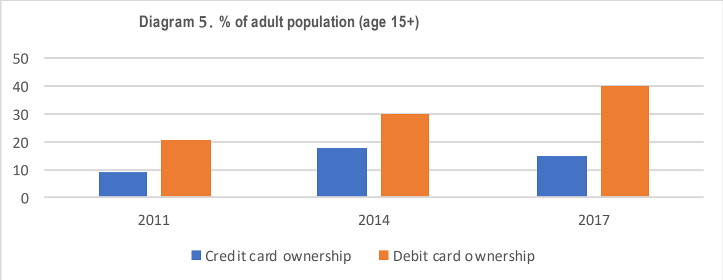
Georgian government and the financial sector have a lot of joint work to do in this direction.

Diagram 4. Made or received digital payments in the past year (% , age 15+)



During the COVID-19 pandemic, a number of cases of human infection with the virus caused by touching money were reported in Georgia. Naturally, using non-cash in such a situation is one of the best ways to protect yourself. In the report on the measures taken by the Government of Georgia against COVID-19, we read that the banking sector of Georgia is one of the leaders in the world in terms of payment technologies. There are quite a variety of means of payment and banking services: contactless cards, mobile wallets, payment bracelets, barcodes, internet banking, mobile banking, telephone banking, etc. The services can be used without physical contact with cash. In addition to the fact that these services are usually more convenient, their usage is especially important now when social distance is so critically important. We call on the population to use Internet payment services as much as possible in order for the country to be able to fight the virus effectively **(Government of Georgia, 2020).**

However, the fact that in 2017 only 18.52% of the adult population used a debit or credit card to make a purchase in the past year and 15.27% used a mobile phone or the internet to access an account (% with an account, age 15+) indicates that on the one hand a large part of the adult population does not have accounts and, therefore, neither debit and credit cards, on the other hand, those who do have preference for cash transactions. In 2011-2014-2017, the percentage of the adult population in Georgia, according to the possession of debit and credit cards, looks like this (Diagram 5).



The growth tendency of debit card holders is complimentary, but the declining number of credit card holders in 2017 compared to 2014 still indicates the problem of access to credit and the preference for loans by non-financial institutions by a large part of the population, which does not really help increase financial inclusion.

It should also be noted that a large part of the population was left without livelihoods during the COVID-19 pandemic in Georgia. According to research, a large part of the adult population (44.84%) does not have access to emergency funds, which indicates low financial inclusion and complicates the situation of the already poor population in a pandemic. In 2017, there was a decrease in access to emergency funds compared to 2014. In particular, the percentage of the adult population that can access to emergency funds has decreased from 45.51% to 41.24%. In addition, for 18.18% of the adult population, a loan from a bank, an employer, or a private lender is the main source for emergency funds; And unfortunately for only 5.48% - savings. This means that despite the joint monetary and anti-crisis measures taken by the government and the National Bank during the pandemic, access to financial resources for a large part of the population will still be one of the main problems of financial inclusion in the near future **(Kasradze, Theoretical Aspects of Financial Crises, 2015).**

Conclusion

COVID-19 is not just a pandemic that has affected nearly 14 million people to date and has taken the lives of up to 600,000 people worldwide. It is a global economic crisis triggered by lockdown measures taken to stop the virus. It is a global macroeconomic shock of uncertain scale and duration that has left people without jobs, food, education (even temporarily). The movement of capital has been halted due to risk aversion by investors and other stakeholders **(Kasradze, Investment Environment in Georgia and and Domestic Investment Potential of the Country, 2014).** Due to the pandemic, on the one hand, the amount of debts of citizens already in debt has increased even more, and on the other hand, the financial systems themselves are under stress. Financial institutions are unable to receive disbursements from their clients whose livelihoods have been destroyed by the pandemic **(Arunachalam & Crentsil, 2020)**

Since the COVID-19 pandemic has had a negative impact on the financial sector, naturally the same can be said about financial inclusion. The pandemic affected all stakeholders in financial inclusion - the poor, microfinance organizatins, banks and other financial institutions. Under the anti-crisis plan developed by the government, initially citizens were given the opportunity to defer loan repayment for 3 months with the help of the state in order to avoid problems with the payment and the corresponding fines. After the expiration of the term, the loan payment was postponed for another 3 months. The anti-crisis plan also provides direct financial assistance to citizens who have lost their jobs or been on unpaid leave, as well as to various categories of vulnerable groups.

The National Bank of Georgia has taken significant measures to mitigate the negative impact on financial sector by COVID-19 and to stimulate the country's economy. In particular **(Georgia, 2020)**:

- Reduced existing capital and liquidity requirements, allowing the banking sector to offset potential losses through these buffers and being able to continue normal business operations and crediting the real economy;
- In order to provide liquidity to the banking system, the National Bank has launched swap operations, thus supplying the system with GEL liquidity. The purpose of these operations is to reduce liquidity risk in the system so that liquidity risk does not become an impediment to crediting the economy. The $200 million swap instrument will be distributed among banks in proportion to their market share;
- Considering the role of microfinance organizations in providing financial services to businesses and the population of the regions of Georgia, the National Bank provides liquidity support to microfinance organizations through $200 million in swap operations;
- Commercial banks' capital requirements have been eased, which will free up 1.6 billion GEL in capital for the banking sector, which could be used to offset potential losses or to lend 16 billion GEL to the economy.

The mentioned anti-crisis measures ensure the survival of stakeholders of financial inclusion in the short term, but their long-term survival is important also. The question naturally arises - how long can the moratorium on payments be extended?

Where will customers get the money to repay the loan? On what basis will citizens and small businesses be able to take out new loans and on what basis will financial institutions issue new loans? Who will get the final blow when the large-scale loan defaults start? The danger is real, and the questions remain unanswered.

Although COVID-19 in terms of access to financial resources threatened the positive trends discussed above in the paper on financial inclusion, in some respects it could also be said to have had a positive effect. In particular, due to the high risk of spreading the virus:

Remote service was encouraged (POS cashing, remote identification, etc.); A new rule has been developed and approved, which allows customers to withdraw money from POS terminals of shopping facilities (pharmacy, grocery store) in addition to ATMs; The National Bank of Georgia has started issuing permits to banks on remote customer identification procedures. At this stage, three banks were allowed to agree to use remote identification for different product purposes; Some products and financial technology companies are being communicated on the digital transformation of some products; Remote lending procedures have been simplified according to which temporarily no real estate appraisal is required on the spot. Demand for renewal of financial statements was eased, etc. We think that all this will have a stimulating effect on financial inclusion in the future.

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International Marketing in the Digital Era. Collaboration of Sustainable and Contemporary Knowledge

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Abstract

We witness unprecedented turn to the digital marketing. International Marketing, as a specific field of the marketing science, is no exception of the general trend. In this article, the trendsetters are presented, but also a different approach is followed. It is argued that the new metrics should be taken into consideration, but at the same time, the sustainable knowledge should not be neglected, because the traditional knowledge should work in conjunction with the newly appeared marketing tools. What is more, the "new" metrics are often built on the solid foundation of prior knowledge, which every marketing professional should be armed with.

Keywords: marketing, international marketing, digital marketing

1. Introduction

In today's fast-developing world, globalization is entering and heavily influencing each aspect of our lives. Every element of the surrounding environment has undergone changes in one way or another. And International Marketing is no exception. It is also influenced by the ITC infrastructure development and the marketers should accept and master the challenges offered by this fast development. The tools of the digital marketing might be the key to this mastering.

In this article it is argued that the traditional tools and the contemporary marketing tools (in the face of digital marketing) should work in conjunction in order to enchase company's performance on the global market place. The main objectives of the article are to conduct a literature review and empirical check of the above-mentioned argument. For the empirical check a case study approach was chosen.

2. International marketing: scope and challenges in the global world

2.1 About the understanding of what International Marketing is

The American Marketing Association (AMA) (2017) defines Marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. This definition, widely known and widely accepted by the marketing professionals all over the world, sets the scope and challenges of the domestic market. More or less international marketing includes all the element of the mix, as well as the policies, strategic decision etc., the key difference is the level of uncertainty and risk of the international marketing environment. The set of uncontrollable factors is larger. Another thing that plays a key role is the set strategic decisions for adaptation or standardization of the elements of the mix, because the company operates in at least one foreigner market / in more than one country. According to Cateora (2016) this apparently minor difference, "in more than one country," accounts for the complexity and diversity found in international marketing operations. Marketing concepts, processes, and principles are universally applicable, and the marketer's task is the same… The answer lies not with different concepts of marketing but with the environment within which marketing plans must be implemented. The uniqueness of foreign marketing comes from the range of unfamiliar problems and the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets.

The following table presents some understandings of academia and institutions dealing with international marketing.

Table 1: International Marketing defined[1]

American Marketing Association	International marketing is the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.
Czinkota, Rokainen (2012)	International marketing consists of the activity, institutions, and processes across national borders that create, communicate, deliver, and exchange offerings that have value for stakeholders and society. International marketing

[1] The author is aware of the discussion and differences between Global and International Marketing, but the term International is accepted in the current article. Just two points of view are presented in the current footnote: According to Best (2016). Global Marketing: Global marketing occurs when a company looks at the entire world as one market and markets to almost all countries worldwide. A global company needs to understand the requirements to service country-specific customers with global standard solutions and products. Berman, Evnas (2002) Global marketing is an advanced form of international marketing in which a firm addresses global customers, markets, and competition.

	has forms ranging from export–import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations, and management contracts.
Best (2016)	International marketing is the export, franchising, licensing or full direct entry of a marketing organization into another country. This can be achieved by exporting a company's product into another country; entry through franchising or licensing in the target country; or direct investment in a foreign country. The development of the marketing mix for that country requires international marketing. This can be as straightforward as an extension of existing marketing strategies to a total customization of the marketing mix (product, price, place and promotion) for a specific country
Berman, Evnas (2002)	International marketing involves marketing goods and services outside the home country.
Kotler (2016)	A firm that, by operating in more than one country, gains R&D, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.
Cateora (2010)	International marketing is defined as the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nations for a profit. The only difference between the definitions of domestic marketing and international marketing is that in the latter case, marketing activities take place in more than one country.

Source: The author (based on the cited sources)

As it is obvious from the above-mentioned, the scope and challenge of international marketing are significant. When doing marketing abroad, marketers should aslo have in mind all the differences of the foreigner consumer in order to be able to fit the tastes and preferences of that consumer[1]. Since the entry modes are widely discussed in publications concerning International Business and Marketing, in the current article the focus will be on the purely marketing aspects with the presumption of the international consumer and international marketing minx in mind[2].

How, from the perspective outlined in the previous section, could we measure the result of marketers' efforts in international marketing? A vast variety of metrics are available. In this article some of them will be mentioned - those which serve as indicator for future performance of the company and their strategic role will be pointed out. These are Customer Satisfaction Index, Customer retention rate,

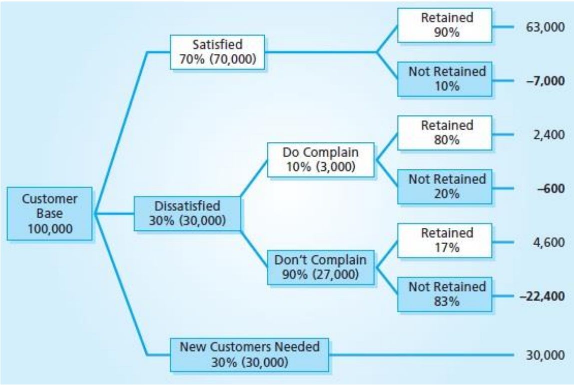
[1] Here the consumer byer is the concern. The business buyer and the business buyer behaviour are only mention in the article.

[2] Entry mode, internationalization, internalization are not mention here, because the choice of a company how to grow should be studied from complex, interdisciplinary point of view. If we tap into this vast knowledge (UPSALA Model, OLI paradigm, born global companies etc.) we risk the loss of focus. For further details see publications of Kogyt, Dunning, Czinkora, Cateora, Doole, Boeva etc.. Of course, publications on the matter are available from many other authors.

Customer Recommendation, Customer recommendation, Net Marketing Contribution and so on. These metrics enable the company to better identify relative competitiveness in pricing, product performance, product availability, service quality, customer satisfaction, and customer loyalty. These are metrics which could be applied by marketers engaged in domestic marketing, as well as by marketers in international marketing, but with the differences of the international marketing in mind.

The following scenario, proposed by Rojer Best (2016) could be easily applied in this article as well. The scenario shows how important is to make customers complain in order to better serve them. It also shows the importance of having in mind the voice of the consumer. Another angle exploit here is the interdependence between marketing and financial performance of the company.

Figure1. Customer satisfaction, complaint behaviour, and customer retention



Source: Marked Based Management, Best (2016)

An important conclusion that could be reached form the figure above is that one of the concerns of the contemporary marketing, is how to encourage customers to "complain" or said in other words – how to provide the company with feedback. International Marketing is no expectation of this concern, but here additional knowledge should be applied – knowledge concerning cross-cultural differences, country specifics etc. or said in a few words: the international marketing environment.

3. Digital marketing or the trendsetters.

3.1. Understanding digital marketing.

Following the initial idea of the article the understanding of digital marketing will be presented in a table again.

Table 2 Digital marketing.

American Marketing Association	Digital Marketing is the use of digital or social channels to promote a brand or reach consumers. This kind of marketing can be executed within social media, search engine, internet, mobile devices and other channels. It requires new ways of marketing to consumers and understanding the impact of their behaviour.
Bains et al., (2011)	Digital marketing facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner.
Yasmin, el.al. (2015)	Digital marketing embodies an extensive selection of service, product and brand marketing tactics which mainly use Internet as a core promotional medium in addition to mobile and traditional TV and radio.
Järvinen, J., & Karjaluoto, H. (2015)	Digital marketing refers to marketing that uses electronic devices and channels to support marketing objectives.
Slavova (2016)	Digital marketing is an integral part of the company's marketing strategy and aims to create long-term relationships with customers, reflecting the new realities in today's world of connectivity between consumers and between them and organizations.
Kotler and Armstrong (2009)	Digital marketing is a form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera.
Kotler (2016)	Digital and social media marketing is using digital marketing tools such as Web sites, social media, mobile apps and ads, online video, e-mail, and blogs that engage consumers anywhere, anytime via their digital devices.

Source: The author (based on the cited sources)

The definitions provided in the table outline the understandings of the different authors about what is digital marketing. The points of view of the presented authors differ, but there is something which combines them: the idea of the digital marketing as a set of tools which serves to better reach your customer with your product offerings. Once reached, the customer could be engaged in consumer journey, loyalty loop etc. if the company successfully applies a set of other tools to satisfy and retain him/her.

3.2. Selected digital marketing tools

Which are the most useful tools that could be applied to serve in better understanding the international consumer? There is no single best answer of this question, but the trend that is still forming is clear. Of course, the dynamics of the international environment might shift this trend, but it is worth presenting the most frequently used instruments of the digital marketing for the last year (2019). Different classifications differ, the situation becomes even more complicated, when it comes down to international marketing. For that reason ranking in order of importance is irrelevant. That's why here only a few widely used groups tools are listed. These are:Email Marketing Tools

Marketing Automation Tools

Paid Advertising Tools

Market Research Tools

Search Engine Optimization Tools

Landing Page Tools

Social Media Automation Tools

Social Media Monitoring Tools

These groups of tools are useful and helpful for the digital marketing specialist and they are also useful when it comes down to better understanding our customers, their behaviour and when better and faster reach is required. That is why they could be called digital marketing instruments in favour of the international marketer.

The world knows another point of view. According to Eldreman (2010) "The internet has upended how consumers engage with brands. It is transforming the economics of marketing and making obsolete many of the function's traditional strategies and structures. For marketers, the old way of doing business is unsustainable." It is worth mentioning that actually the above-mentioned authors (see Table 2) do not reach to such radical conclusions. Based on the research done in the professional career of the author of the current article and based on the opinion of world-wide recognised marketing professionals, it could be said that so far we have not witnessed such thing. Yes, no one can deny the tremendous role of the digital marketing, but as of today the companies are still using traditional marketing and they are constantly trying to balance between digital and traditional.

3.3. How do the marketing professionals interrelate digital and international marketing?

In 2011 Emma Durant offers "A 9 step approach to help understand your global customers" This model has been implemented successfully by various business. The essence of this model will be provided on the next lines, because it clearly outlines the interaction digital – international marketing

Step 1. Confirm your global business customers

Step 2. Add your range of digital audiences to the mix

Step 3. Confirm your key regions

Step 4. Match the Global priorities with the local realities

Step 5. Start digging to really get to know your customers!

Step 6. Look at the sales hurdles

Step 7. Digital habits

Step 8. Compare findings across regions

Step 9. Develop a layered global customer view

The link between digital and international marketing is clear and evident once more by the presentation of this model. Nowadays, with the advance of ITC infrastructure, it could not be denied that that international marketers could bridge the gap between the domestic and international market a bit easier. This, in turn, is a prerequisite for faster and less risky internationalization of the company. It is also true that despite the data glut most of the marketing managers of international companies are still complaining of the lack of information of the right kind, but at least the international marketing research process could be executed in an easier way.

4. Case studies. Use of digital in company's marketing strategy

The case studies in the article are developed on the base of publicly available secondary sources of information, as well as on author's observations. The aim of the case studies is to illustrate the collaboration between digital and international marketing of the contemporary companies. The official and fan pages in different social media platforms are also used in the case studies.

The first case is dedicated to the multinational car manufacturer Mercedes-Benz[1234]. Here are presented selected successful implementations of digital marketing in the development of the international marketing strategy of the company. The idea is to examine the social media platforms as a digital marketing ground for the company's development.

Mercedes-Benz

Facebook

Mercedes-Benz has the greatest following on Facebook where the brand's principal global account gathers more than 20 million followers. Instead of geo-targeting for their Fan Page, they run separate regional accounts dedicated to particular countries, car classes as well as business units like Mercedes Benz Museum and sponsored events including Mercedes-Benz Fashion Week Australia to name one.

Their main Facebook account is very well planned and organized, as they maintain their presence on it by posting regularly 2-3 times a day. The content posted is quite often linked back to the corporate website promoting recent blog posts that incorporate stunning, high quality, photographs presenting not only the car itself but above all the lifestyle it represents. Powerful digital storytelling is used by presenting customer's stories as a way to further strengthen brand's message and to help other customers to identify themselves with their products.

Twitter

Even though they have a smaller community on Twitter than on Facebook, they are much more active on this platform by posting regularly an average of 6-8 times per day. They tend to use popular hashtags such as #MidweekMotivation to make their social message more impactful over the world.

Instagram

Instagram is for Mercedes-Benz the second most important social media platform as to the number of followers, and the first one as to the level of engagement they get

[1] https://www.mercedes-benz.com/en/
[2] http://www.just-auto.com/news/mercedes-benz-announces-digital-marketing-plan_id170680.aspx
[3] http://www.digitaltrainingacademy.com/casestudies/2014/12/social_tv_case_study_mercedes_tells_interactive_twitter_story_to_boost_brochure_requests_by_140.php
[4] https://www.reference.com/vehicles/mercedes-benz-s-target-market-55582ab2ef50048e

from these over 6 million followers at their global account and 1.5 million fans on their US account.

They put great effort in producing dedicated and unique for this platform content. Quoting Mark Aikman, general manager of marketing services at Mercedes-Benz USA: "It's important to create original content and not recycle images and videos". He also adds: "Success is built on the quality of aesthetics. Imagery is everything on Instagram."

According to their official website, Mercedes-Benz is investing massively in the development of its digital competence as part of its 'best customer experience' sales and marketing initiative.

"To meet the challenges of digitalisation as effectively as possible, we are adopting new approaches in terms of our organisation and our processes. We will be fundamentally changing the structure and modus operandi of our digital sales activities. We want to become faster and more agile, working in small teams with flat hierarchies, and considerably increase our own digital real net output ratio," said Jens Thiemer, head of marketing, Mercedes-Benz Cars. "This move sees us implementing a true change in culture, which will make us even fitter for the digital age.". Jan Brecht, CIO at Daimler, adds: "We have devised a new structure for our digital sales activities, which strengthens the already adopted measures in terms of structure and personnel"

Mercedes Turned a Hashtag into a Digital Marketing Phenomenon

"It was smart digital marketing, and the social media ads clearly paid off. Mercedes reports that they experienced a 54% increase in website traffic from the Instagram and Facebook users that saw only their branding ads (the pretty ones with the fancy trunk layouts). If that wasn't impressive enough, their traffic increased by 580% when people saw both the visually appealing ads and the click-through ones."

As it could be seen from the case, successful collaboration between the traditional tools and digital marketing tools serve in favour of the multinational corporation.

Uber's mobile app

According to Berman (2016), a good mobile marketing campaign needs to capitalize on 3 major advantages of mobile marketing. These advantages include: 1. mobile marketing devices always being on, always connected, and always with the consumer; 2. mobile marketing's ability to generate location- sensitive offers; 3. the ability to offer mobile marketing messages that are highly personalized.

Uber's app is the most innovative tool in this industry – it was made when it was accessible, wanted and even needed. Customers are able to experience the traditional service, but improved in many and various ways. The business objectives of branded apps are classified into 5 categories – communication, customer relationship marketing, sales, open innovation and marketing research.

Based on the previous sentence, it could be assumed that Uber's app is a tool-centred one, since it allow customers to show their motives and requirements, when it comes to using the Uber service. They are doing so by approving the driver, by using the rating system, by referring Uber to their friends, thus getting free rides etc. This approach could serve the consumers and could be applied in different countries, here lies the key to Uber's success of using digital marketing tools in international marketing.

The Bulgarian Case. Management Financial Group in collaboration with Explora

According to their official website. Management Financial Group (MFG) is a holding company, uniting leading providers of non-bank financial services in Central and Eastern Europe. MFG manages a rich portfolio of successful business models in the field of consumer loans, loans for micro and small businesses, credit cards, digital business and other alternative financial products and services. MFG brings together companies with different experience, history and traditions. Some of the institutions in the structure of MFG are in the initial stage of their development, some are rapidly developing and growing, others are well established in their industry with over 14 years of experience. More than 8 300 employees and associates in over 450 offices in Bulgaria, Ukraine, Romania, Poland and Macedonia take care of our customers. In addition, MFG is focused on developing and commercializing a comprehensive portfolio of financial services, including lending, payments and investments.

Together with Explora (Digital marketing Agaency) they manage successfully to boost the international marketing of the company.

On the official website of Explora is stated: In 2016, we started working with our client Fintrade, a non-banking, financial institution specializing in business lending. As with any B2B client, here, in the beginning of our collaboration, we had serious challenges that were to explore the market, define the right target audiences and choose the right digital channels to reach them.

Later on, they succeed and the results are obvious. This gives us one more field of application of the digital market in the company's international marketing efforts – the b2b channels.

The three case studies once again outline the importance of the digital marketing in the international marketing efforts of the contemporary international company.

Conclusion

The current article tried to shed light on how working in conjunction the tools of the digital marketing and the sustainable body of knowledge in the field of marketing and international marketing could enhance the company's international presence and performance. The conclusion is evident. Neither the traditional nor the digital marketing serve the company's performance at their best applied separately. They should be applied in conjunction. This was confirmed from the literature review and the case studies. Of course the article did not give universal answers, but its sole purpose was to provide ground for further investigation of the matter, reasoning and empirical research.

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Epidemics in Modern and Contemporary Age in a Backward Area of Europe: The Role of Institutions and Socio-Economic Effects in Southern Italy

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Abstract

Ethics as a cure for anxiety, or rather for anxieties, a distinctive feature of contemporary western man, neurotic and afraid. Man cannot be only that aggregate of primitive instincts driven by selfishness and individual interest that utilitarianism has credited and neoliberalism has emphasized. It seems obvious that the Covid-19 effect amplifies these paradoxes and anxieties. Epidemics are certainly not new in the historical-social context. The purpose of this study will be to analyze some of the numerous epidemics that have occurred in history and their impact on the economy. The corrections can only come from a re-evaluation of the ethical state, the ethical family and a new ethical world: attention to migratory phenomena through the principle of the obligation to rescue the least of the earth; relaunch of the international organizations with which the world, in the happy post-war season, had intended to give an order that guaranteed peace and balance, but which has gradually been forgotten; reduction of wage differences; taxation of capital and presence of the public interest in the company's governing bodies. Through the analysis of original sources, such as the historical archive of Pio Monte della Misericordia and Banco di Napoli, the study will compare the plague of 1656, and the effects of the intervention of charities in support of the population with the socio-economic impact of the Spanish influence in the first decades of the twentieth century, up to the current pandemic, with particular attention to the consequences on the production capacity of goods and services in a backward area of Europe, such as Southern Italy. *

Keywords: economic history; social sciences; economic impact; epidemics

Introduction

1. The 1656 Plague Epidemic in the Kingdom of Naples: spread and socio-economic effects

Throughout history, there have been numerous epidemics that have affected the population. There are several figures of scholars who have written about it, passing on scientific, social and economic data. The plague is certainly one of the largest epidemics, which has occurred periodically over the years, starting with "The black plague of 1347", up to the last and serious episodes of pestilence that characterized the seventeenth century.

Plague (bubonic, septicemic, pulmonary) was a widespread disease in the ancient regime, which was often confused with other diseases. The doctors of the time could hardly identify and contrast it, so every time it reappeared it involved changes in the demographic, social and economic levels.

«A vessel loaded with leather and other hides, coming from Algieri brought the plague to Valenza», as Bindio writes and who, just like other scholars claims that in 1647 the disease spread to Spain starting from the shoemakers of Valencia. The plague advanced rapidly and after a few months from Valencia it had passed to the neighboring cities, causing thousands of victims in Ciche, Alicante, Cartaghena, Striglia and Cadiz. Not even Barcelona and its entire region was spared.

From 1652, the disease spread to Sardinia (already recovering from a plague that struck Alghero in 1582, causing over 6000 deaths in a few months, with only 150 survivors [1][2][3][4][5] However, in this case, «thanks to the doctor [6] the plague did not leave the borders of Alghero and the island was spared»), first in Sassari, then moving to the Sardinian capital in 1655 and then to the cities and territories of Naples, Rome

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*Authors agree on the entire paper, however paragraphs 1 and 2 are due to Marilena Iacobaccio, paragraphs 3 and 4 to Valentina Sgro, and paragraphs 5 and 6 to Vittoria Ferrandino.

[2] **Pascale Bindio,** Napoli nell'anno 1656: ovvero, Documen dellapeslenza che desold Napoli nell'anno 1656, **1867**

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[6] The doctor referred to is Q. T. Angelerio who described the symptoms of the disease and the best precautions to combat it in the volume Epidemiologia, sive, tractatus de peste, ad regni Sardiniae progeren, Madrid, Ex Typographia Regia, 1598.

and Genoa.

In the Kingdom of Naples the plague broke out in 1656 causing considerable damage not only to the population, but also to the southern economic and social system[1].

Naples was the first city to be hit within the Kingdom, there are several theses supported on how it got there . For some it was carried by passengers on a ship from Sardinia, for others by some boats loaded with hides and other merchandise or for others still from a ship carrying Spanish soldiers[2 3 4]. The doctor Giuseppe Bozzuto was among the first to diagnose the plague in February, as shown by the payment coupons in his name kept in the Banco di Napoli Historical Archive. The doctor Geronimo Gatta, on the other hand, would trace the first cases of plague, even to the middle of January[5] as claimed by Rubino[6]. However among the archive sources[7 8] the predominant thought is that the infection spread in March, making the maximum expansion of the infection from that month until May of the same year . Propagation was favored by the delay with which the disease was recognized and the late contrast measures adopted. The epidemic affected Naples until the following August[9], but only from December 1656 Naples could declare itself plague free[10].

The closure of the city is one of the first law enforcement actions, with limitations on movement and a ban on trade. Infact it needed a health report, certifying the state of

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[1] I. Fusco, Il ruolo dei fattori antropici e fisici nella diffusione dell'epidemia di peste del 1656-58 nel Regno di Napoli, Istituto di Studi sulle Societa del Mediterraneo, «Popolazione e Storia», 2/2015, Naples, pp. 95-113

[2] For further information, I. Fusco, La peste del 1656-58 nel Regno di Napoli: diffusione e mortalita, Istituto di studi sulle societa del Mediterraneo, «Popolazione e Storia», 1/2009, Naples, p. 116

[8]Archivio di Stato di Napoli (from now on ASN), Segreterie dei Vicere, Scritture diverse, fascio 206, fasc. 152; agosto 1656, this thesis was also supported by S. De Renzi, Napoli nell'anno 1656, Celi, Naples, 1968 [1867].

[9]Societa Napoletana di Storia Patria (from now on SNSP), ms. XXI.C.23, f. 456; D.A. Parrino, Teatro eroico e politico de' governi de' Vicere del Regno di Napoli, 3, in the new Stampa del Parrino e del Mutii, Naples, 1694, p. 33

[10]S. De Renzi, Napoli nell'anno 1656, cit., pp. 35-36

6 SNSP, ms. XXIII.D.14, A. Rubino, Notitia di quanto e occorso in Napoli dall'anno 1648 per tutto l'anno 1657, **tomo I, ff. 218-219**

[7] Cf. S. De Renzi, Napoli nell'anno 1656, cit. p. 37 note 1; SNSP, ms. XXVI.D.5, G. Campanile, Cose degne di memoria della citta di Napoli, f. 681; Furthermore, ASN, Segreterie dei Vicere, Scritture diverse, cit., fascio 217, fasc. 126 (17 november1657)

[8] ASN, Segreterie dei Vicere, Scritture diverse, fascio 208, fasc. 136 e fascio 205, fasc. not numberd; 17 may 1656

9 Ibidem

[10]Ibidem, fasc. 158

health, to enter or leave the city[1] [2][3]. Despite the prohibitions imposed, the population tried to escape from the city of Naples, where the plague advanced rapidly. It is therefore no coincidence that the first infected territories were the closest to the capital: primarily the Terra di Lavoro and subsequently the Contado di Molise and the two Abbruzzi . The escape that involved as many nobles and religious as the common people, later touched also the southern areas of the Kingdom, arriving in areas increasingly distant from the capital[4].

Numerous remedies were adopted, researched and applied in the field, both as a preventive and at a curative level. They range from health to religious and mystical ones, sometimes even very imaginative. In the first place, attempts were made to avoid contact between healthy individuals and assaults. Once the plague victims were identified, they were isolated in special lazarets, the corpses were transported away from the inhabited center and the infected objects were burned[5][6]. Only later did the «purge» proceed, that is, the destruction or disinfection of all that had come into contact with the pandemic . Once this procedure was also completed, a quarantine period was carried outto prevent new outbreaks . Obviously the most relevant remedy was the one adopted a priori, which today we will call social distancing .

The results were rather disappointing, in fact there were huge numbers of deaths. Despite the difficulty of defining demographic data precisely, it can be said that the number of victims of the infection was between a minimum of 400,000 and a maximum of 900,000 throughout the Kingdom , excluding the capital where contemporaries of the time estimate an additional 200,000 - 600,000 victims . Adding

[1] ASN, Segreterie dei Vicere, Scritture diverse, fascio 206, fasc. 229 (16 august 1656)
[2] In ASN, Segreterie dei Vicere, Scritture diverse, fascio 212, fasc. 221; 13 june 1656, it is found that already in June 1656, the plague had arrived in the territories of the Prince of Caserta, brought just by fugitives. The same can be seen from ASN, Regia Camera della Sommaria, Notamenti, vol. 112, ff. 433-434 (26 april 1657)
[3] In the Contado di Molise it would have been brought by a doctor from Naples (ASN, Segreterie dei Vicere, Scritture diverse, fascio 213, fasc. 86; 7 maggio 1657). In Abruzzo Citra, it would spread from Chieti, where some lawyers residing in Naples had retired. (L. Del Vecchio, La peste del 1656-1657 in Abruzzo. Quadro storico-geografico- statistico, in Bullettino della Deputazione Abruzzese di Storia Patria, Annate LXVI-LXVIII (1976-1978)), p. 87
[4] For further information, I. Fusco, Peste, demografia e fiscalita nel Regno di Napoli del XVII secolo, FrancoAngeli, Milan 2007, cap. 3
[5] **ASN,** Supremo Magistrato di Salute, **296, 4**

[6] The purge provided that: a fire was lit inside the houses; the walls were whitewashed; the wool was boiled or washed together with all the other washable objects, whatever was not washable, had to be disinfected with fire and left to air; coins and letters were immersed in vinegar; valueless objects were burned and in unrecoverable conditions; (Prammatica dodicesima. In S. De Renzi, Napoli nell'anno 1656, cit., pp. 203-13)

the two data it can be said that the disease caused the death of about 43%[1 2 3 4 5 6 7] of the previous population, however the mortality rates varied widely between the different centers.

In addition to the victims, we must consider the damage done to the economy of the affected territories, in fact, if on the one hand the expenses increased, on the other the revenues decreased. To the costs of the barriers to be built were added those of the guards specially recruited for the emergency, but also those relating to the payment of medical personnel . Then there were still the expenses of the lazzaretti and of the places of isolation; the costs incurred to bury the dead, build cemeteries; as well as those to support the primary needs of families unable to work; up to the purge and quarantine costs. The decrease in revenue was determined both by the demographic decrease and by the worsening of the economic situation of the various areas. With the destruction of entire families, the tax burden of those surviving, who were frequently subjected to indirect local taxes, also worsened. The economic situation of the small towns plummeted when the population was forced to neglect their economic activity, because due to the travel prohibitions it was difficult to continue agricultural, breeding, fishing, as well as trade activities, with the closure of numerous shops .

The repercussion on public finances was not long in coming, the debt of the centers increased more and more, impoverishing the provinces of the Kingdom. Nonetheless, the court continued to demand some sums, sometimes granting concessions to lands in difficulty, until the issue of the pragmatics, by the Neapolitan authorities. However, the critical issues did not end, indeed the tax debate continued for several years to come[8].

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1 Prammatica decimaterza. In S. De Renzi, Napoli nell'anno 1656, cit., pp. 213-8

2 For further information, I. Fusco Peste, Demografia e fiscalita nelRegno di Napoli delXVIIsecolo, cit., chap. 4

3 It is useful to specify that the highest estimates are provided by contemporaries. For further details I. Fusco, Peste, demografia e fiscalita nel Regno di Napoli delXVII secolo, cit., pp. 111-112

4 For further information I. Fusco, Peste, demografia e fiscalita nel Regno di Napoli delXVII secolo, **cit., pp. 99-107**

5 I. Fusco, La peste del 1656-58 nel Regno di Napoli: diffusione e mortalita, **cit., pp. 115-138**

6 As explained by E. Nappi, in Aspetti della societa e dell'economia napoletana durante la peste, dai documenti dell'Archivio storico del banco di Napoli, edited by Banco di Napoli, Naples, 1980, cap. 2. In the Historical Archive of the Banco di Napoli (ASBN), Banco del Salvatore, there are documents certifying the expenses for the Deputation of health incurred between May 1656 -1659, for an amount equal to 190,000 ducats, to which must be added the payments made for cash of which no trace has been received

7 Ibidem, pp.133-137

8 For further information I. Fusco, Peste, demografia e fiscalita nel Regno di Napoli delXVII secolo, **cit., cap. 6-7**

2. The role of the Institutions: the Banchi Pubblici and the Pio Monte della Misericordia

Institutions played a fundamental role in the time of the plague. Here we will examine the role of Banchi pubblici and that of Pio Monte della Misericordia, in making contributions and economic aid to support the population. Some sources also attest to public aid, which however proved insufficient and of negligible importance.First of all, it is necessary to specify that the Banchi Pubblici, as well as the Pio Monte della Misericordia of Naples, continued to work during the plague period, despite the difficulties related to the people in service, not spared from the disease .

The Banchi Pubblici, among other things, made available the hospitals connected to them, for the hospitalization of the sick belonging to their institution . They incurred expenses for the transport of plague victims to lazares and for burial . They granted awards (salary advances and bonuses) to their employees for their extraordinary work, even in the place of their deceased colleagues, and for the risk they ran . The Monte della Pieta undertook to pay a weekly subsidy of 500 ducats to the hospital of San Gennaro[1 2 3 4 5]. Institutions suffered significant losses, both due to the reduction in banking transactions and to the failure to collect income from real estate[6], some of which were covered by inheritance legacies[7 8].

Even Pio Monte della Misericordia was affected by the infection and counted the loss of numerous confreres, in fact the financial statements drawn up every six months were prepared annually, after appointing the new governors. During the same period, the institute provided relief to people in need. Precisely the Monte allocated 11 493 ducats (corresponding to more than 50% of the total outputs of the period March 1656 - February 1657) for alms to the poor of the city and its villages. About 4 593 ducats derived from donations made in favor of Monte, with the specific aim of allocating them to the poor sick of the infection. Among the names of those who made these donations, the Viceroy (2400 ducats) and that of Cardinal Filomarino archbishop of Naples stand out .

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[1] **Before the plague there were 206** Banchi pubblici **officers, after which there were only 70, (E. Nappi, in** Aspetti della societa e dell'economia napoletana durante la peste, dai document dell'Archivio storico del Banco di Napoli, **cit., p.29**

[2] ASBN, Banco di Sant'Eligio, apodissario, giornale copiapolizze del 1656, matr. 303; Banco dell'Annunziata, apodissario, giornali copiapolizza del 1656, matr. 316-317

[3] ASBN., Banco della Pieta, apodissario, giornale copiapolizze del 1657, matr. 462

[4] ABN, Banco dei Poveri, apossidario, giornale copiapolizze del 1656, matr. 328; Banco del Salvatore, apossidario, giornale copiapolizze del 1657, matr. 66; Banco dell'Annunziata, apodissario, giornale copiapolizze del 1656, matr. 317.

[5] ASBN, Banco della Pieta, apodissario, giornale copiapolizze del 1656, matr. 454

[6] ASBN, Banco di Sant'Eligio, apodissario, giornale copiapolizze del 1657, matr. 305

[7] ASBN, Banco della Pieta, patrimoniale, libro delle conclusioni del 1658, matr. 246, p. 162

[8] Archivio Storico del Pio Monte della Misericordia di Napoli, cat. H Governo del Monte, rubr. d_1 - Governatori, Declaratorie vol. 2 (Hd$_1$/2), pp. 277-283

3. Spanish flu: origins of the first great pandemic

Over the years, epidemiologists and virologists have made several hypotheses about the origins of the pandemic flu of 1918-1919. According to a first theory, the virus was generated in the overcrowded training camps of the American army, scattered throughout the United States. Another hypothesis is that of Asian origin, based on scientific conjectures and, above all, atavistic stereotypes, which identified the East with the place of origin of the main epidemics spread in history. The theory had a wide circulation thanks to German propaganda and the erroneous association of pandemic flu with bubonic plague, present in limited areas of China, from where, according to the scholar Mask Osborne Humphries, the disease would have spread to the rest of the globe carried by Chinese workers sent to France to work in the rear of the western front. In order to reach Europe, immigrants crossed Canada, where, from the Canadian archives, it emerged that 3000 Chinese workers were hospitalized for parainfluenza symptoms [1]. The third hypothesis dates back to 1918, when some medical circles assumed a correlation between war and the virus. In fact, the poor sanitary conditions of the trenches and military quarters had favored the onset of infectious diseases[2].

The influence was indicated by different names in the various countries and at the various times of its development. Names, sometimes exotic, that evoke expressions and testimonies of cultures of wars and tense colonial relations or even the fluctuating and deceptive course of the disease: the “fashionable disease”, the “stranger”, the “cursed”. In France it was initially referred to as “Parma fever”; “Flanders fever” in England; “Bolshevik disease” in Poland. In Spain, however, it was called “soldier of Naples”[3]. But the general conditions imposed by the world war would have indissolubly and forever associated the name of Spain, and not that of Naples, with the pandemic. In fact, the reason why that terrible epidemic was identified with Spain stems from the censorship made in many countries during the First World War. The governments of the belligerent nations, fearing that panic would spread among the

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[1] Cf. D. Patterson - G. Pyle, The Geography and Mortality of the 1918 Influenza Pandemic, in ^Bulletin of the history of Medicine», Baltimora, John Hopkins University Press, 1/1991; A. Rasmussen, Spanish flu, in J. Winter (edited by), The Cambridge History of the First World War, Vol. III: Civil Society, Cambridge, Cambridge University Press, 2014; K. Jones, The Forgotten Pandemic: A short history of the 1918-1919 Influenza outbreak and the effect on
Kalamazoo and Western State Normal School, Honors Theses, Western Michigan University, 2013; M. Humphries, Paths of infections: the First World War and the origins of the Influenza Pandemic, in «War History», 21/2013, pp. 5581.

[2] Cf. H. Phillips, Influenza Pandemic, in 1914-1918-online. International Encyclopedia of the First World War, edited by D. Ute, P. Gatrell, O. Janz, H. Jones, J. Keene, A. Kramer and B. Nasson, Berlin, Freie Universitat Berlin, 2014-10-08, doi: 10.15463/ie1418.10148, p. 11; L. van Bergen, Military Medicine, in J. Winter (edited by), The Cambridge History of the first World War, Vol. III, cit. pp. 300-301.

[3] At that time in Madrid the most famous show was La cancion del olvido (The song of oblivion) which contained a hit song: the Neapolitan soldier (F. Cutolo, L’influenza spagnola del 1918-1919. La dimensione globale, il quadro nazionale e un caso locale, Pistoia, I.S.R.Pt, 2020)

population, tried in every way not to spread the news of the pandemic. The first information leaked from Spain - which was neutral and therefore uncontrolled in the press - and pushed the other countries to believe that it was limited to Spain alone, where, however, both the Prime Minister and King Alfonso XIII fell ill. Before and after 1918, most flu pandemics developed in Asia and spread from there to the rest of the world. But the Spanish arrived almost simultaneously in Europe, Asia and North America and that makes it difficult to accurately establish the geographical origin of the virus. Historical and epidemiologic data are inadequate to identify the geographic origin of the virus, and recent phylogenetic analysis of the 1918 viral genome does not place the virus in any geographic context[1].

Regardless of its origin, however, the Spanish flu can be considered the first truly "global" disease in history, second only, perhaps, in terms of number of victims, to the terrifying epidemic of black plague of the fourteenth century, and infected between 1918 and 1919 a billion men, killing twenty-one million worldwide, according to the most cautious estimates[2]. At first the symptoms of the disease were the same as those of a common flu: sore throat, headache, fever. But in many cases complications such as bacterial pneumonia in acute form occurred, the patients quickly developed breathing difficulties and pains arose in most of the body. Drowsiness and numbness followed, with very high fever, weak pulse, white tongue, headache. About half of the deaths occurred in the age group between twenty and forty years old. The disease spread quickly and the prevention and treatment medical countermeasures proved to be mostly imaginative, as well as vain: gargling with quinine, nebulization chambers where up to twenty people at a time inhaled formalin or zinc sulphate. It was, in general, a bad time for science, which could not find any remedy and realized that it did not have any tool to identify and neutralize the invisible agent of the disease. The reasons for such a frightening mortality - Spinney explains - were certainly multiple. To the particular virulence of the virus were added elements such as the concomitance with the Pfeiffer bacillus, the malnutrition present for years in the populations of the warring countries, the lack of antibiotics for pulmonary

[1] Cf. E. Tognotti, La "spagnola" in Italia. Storia dell'influenza che fece temere la fine del mondo (1918-1919), Milan, FrancoAngeli, (I ed. 2020) 2015; P. Giovannini, Le malattie del corpo e della mente, in «Annali della Fondazione Ugo La Malfa. Storia e politica», XXVIII (2013), 2014, pp. 283-300; Id., L'influenza spagnola. Controllo istituzionale e reazioni popolari (1918-1919), in A. Pastore - P. Sorcinelli (ed.), Sanita e societa, vol. II, Udine, Casamassima, 1987, pp. 373-397; Id., L'influenza "spagnola" in Italia (1918-1919), in F. Magni - A Stederini - L. Zani (ed), La grande guerra e il fronte interno. Studi in onore di George Mosse, Camerino, Universita degli Studi di Camerino, 1998, pp. 123-141; J.K. Taubenberger. D.M. Morens, 1918 Influenza: the Mother of All Pandemics, in «Emerging Infectious Disease», 2006, vol.12, n. 1, pp. 15-22.

[2] The most recent sources are discordant. Some claim 25, others 50 million, still speculate 100 million. Cf. W. Beveridge, L'influenza. L'ultimo grande flagello, Roma 1982; N.P.A.S. Hohnson, J. Mueller, Updating the accounts: global mortality of the 1918-1920 "Spanish" influenza pandemic in «Bulletin of History of Medicine», 2002, n. 76, pp. 105-115.

complications and the precarious sanitation of the soldiers in the war[1]. Some authors believe that the Spanish flu was a direct consequence of the war and that the conflict represented the real incubator of the virus. Influenza, in fact, was born in military camps, where men and animals were in close proximity. Most authors claim a close connection between the flu and the conflict, though the conflict was not necessarily the primary cause. The relationship between influenza and war, instead, maybe should be sought in the rapidity of the virus' transmission and its global spread. These aspects would have been determined by the crowded conditions in the trenches and in hospitals and, of course, by the long-distance displacements of large masses of soldiers and

workers[2].

As in many countries of the world, in Italy the flu epidemic experienced three waves: the first coinciding with the spring of 1918, the second with autumn and the third between the winter of that year and the first months of 1919. In the Peninsula, however, the first two waves corresponded to two other crucial moments of the First World War; the offensive on the Piave in mid-June and the battle of Vittorio Veneto in late October, right at the most difficult time of the epidemic in many large cities. This circumstance certainly contributed to determine its particular diffusion and gravity with respect to other European countries that were affected by it in the same period[3].

Furthermore, the pathological vulnerability of civilian populations was further increased by the geographical position of Italy, a real stretched bridge over the sea between the different fronts. The Mediterranean, a crossroads of the "pests" from the Middle Ages to the early modern age, became an epidemic sea with the Great War at the beginning of the twentieth century by virtue of the movements of men, armaments and means of the allied armies, which operated in the Near East. Of course, the transition from peace to war had not been easy in any of the belligerent countries, but in Italy it had taken on particular characteristics given the lack of connection between civil and military health, hitherto caged in a different organization and in a health bureaucracy « dependent on a dual and jealous ministerial authority, educated even in a different school, oriented towards a different ideal and destiny»[4].

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[1] As Spinney argues, the pandemic has in fact reconfigured the human population more radically than any other event following the black plague: it influenced the course of the First World War and, probably, contributed to the outbreak of the Second; has brought India closer to independence and South Africa apartheid, has stimulated the growth of national health care and alternative medicine, the love of outdoor activities and the passion for sport and is partly responsible of the obsession of 20th century artists with the infinite fragility of the human body (Cf. L. Spinney, 1918, l'influenza spagnola. La pandemia che cambid il mondo, Marsilio, Venice, 2018).

[2] Cf. P.W. Ewald, Evolution of Infection Disease, Oxford, Oxford University Press, 1994.

[3] **E. Tognotti,** La "spagnola" in Italia.

[4] It was only the very serious dangers of cholera, typhoid and other diseases during the battles on the Isonzo front, between the end of 1915 and the spring of 1916, which prompted, a few months after

4. Economic impact and social consequences of the Spanish influenza pandemic

The pandemic had major consequences and it killed a number of famous people, including the sociologist Max Weber, the artist Gustav Klimt, the poet and writer Guillaume Apollinaire or the US President Wilson, who took the influence of the third wave and weakened considerably in the decisive weeks for the conclusion of the Treaty of Versailles, so as to induce some scholars to even establish a correlation between the effects of the disease and the terrible peace that laid the foundations for the new wars. As for the economic and social consequences, similarly to other plagues of liberal Italy, the disease was considered a disease of a social nature: it was the subordinate classes that suffered from serious health shortages, living in overcrowded neighborhoods or in rural areas lacking services Toilet. The authorities and publicists tried to attribute the disease to the conduct of the victims, stigmatizing those behaviors deemed transgressive: it was a phenomenon that also occurred on the occasion of cholera epidemics during the nineteenth century.

The pandemic, therefore, can be considered as a biological and social phenomenon, inseparable from the historical, geographical and cultural context. Therefore it is interesting to trace the evolution and dynamics of the epidemic in a country like Italy, particularly from a geographical point of view, stretching from Europe to the center of the Mediterranean, and diversified from a socio-economic point of view. While looking to the past and focusing attention on Southern Italy, therefore, it is important to make an all-round reflection on a topic of great relevance and of global interest. Several studies have found a link between social distrust and the economic crisis with devastating consequences for the economy of the time. The Spanish influence and its consequences in terms of social disintegration and generalized mistrust have had permanent consequences on individual behavior in terms of lower social trust. This loss of social confidence has limited economic growth for many decades to follow. In essence, therefore, the consequences made themselves felt for many years after the pandemic ended.

Both health services and governments proved ineffective, communication errors, also due to the post-war context, did not allow the message of social distancing to be efficiently delivered, not to mention the climate of suspicion that determined the distrust of the population. Attention is therefore placed on the errors made at the time during the two years in which the Spanish woman raged throughout the world, management errors that led to a long crisis. But in addition to the ideological

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entering the war, a first form of coordination between civil and military health: the health organization established at the time made use of a mixed health commission and branches concerning war zones, prisoners and those coming from the East, an ancient outbreak of plague (M. Pietravalle, Per un ministero della Sanita e dell'assistenza pubblica in Italia, in «Nuova Antalogia», march-april 1919, vol. CC, pp. 103-117; Cf. Ministero dell'Interno, Direzione Generate della Sanita Pubblica, Atti Amministrativi (1910-20), bb. 178 bis, 179, in E. Tognotti, La "Spagnola" in Italia.

censorship of the interventionist press and of politics, which also feared the demoralization of an army committed to the epilogue of the conflict and was therefore always ready to brand any negative news as a defeatist, there was the embarrassed self-censorship of the medical class, which it came out of the golden season of the great microbiological discoveries of the late nineteenth and early century. In the following years, the shadow of the collective memory of the great war and of what followed, and the lack of interest of great writers and journalists who knew how to give the Spanish influence the sinister sound of a pestilence, ended up confining the memory of the 1918 pandemic in the private of family stories.

Today the Spanish flu is rightly considered among the most terrible pandemics in the history of humanity, causing alterations mainly of individual behavior, but at the same time it must be considered, among the great epidemics of the past, a sort of exception as its consequences on behaviors were relatively limited, probably due to the ongoing war, as well as the censorship and the particular psychological condition that ensued. It is also true, however, that as regards Italy and in particular the South, the extent of the pandemic can only be understood by restoring the complexity of the consequences, the correlations with the conflict and its tragic demographic, social and cultural consequences. From the repercussions on the functioning of the state machine, with its repercussions on production activities and essential services, to the disruption of the daily life of the internal front due to the spread of contagion; by the conflicts between military and civil authorities on emergency management, with the priority of protecting the army exercised on the assistance of civilians; by the communication strategies of the authorities and the interventionist press, which sought to reassure the population by minimizing and censuring the seriousness of the situation, the behavior and reactions of the population, which manifested a growing mistrust for the work of the authorities[1].At the end of the twentieth century, Eric J. Hobsbawm wrote: “The indications that the world of the 21st century will be better are not negligible. If the world manages not to destroy itself, the favorable odds are very strong” . The world appeared transformed by the titanic technical- scientific process of the development of capitalism, which had dominated the past two or three centuries. The future cannot be a continuation of the past and the signs of an impending historical crisis were now evident. As J. Schumpeter observed regarding the cyclical fluctuations of the capitalist economy, "they are not like the tonsils, something that can be treated separately from the rest, but are, like heartbeat, the essence of the organism that manifested”[2] [3]. On the eve of the third millennium, the forces generated by the technical-scientific economy were now large enough to destroy the environment, that is, the material basis of human life. The short century was a century of world wars, led by the great powers and their allies in scenarios of

E. Tognotti, II mostro asiatico. Storia del colera in Italia, Rome-Bari, Laterza, 2000, p. XI, 119

[2] **E. J. Hobsbawm,** Il secolo breve. 1914-1991 ;l’era dei grandi cataclismi, **Milan, Rizzoli, 1994, p.674.**

[3] Cfr. J. Schumpeter, Business Cycles, New York-London, 1939.

mass destruction, culminating in the possible nuclear holocaust, which was fortunately avoided. The decades of crisis have demonstrated the limits of the various golden age policies, but without producing convincing alternatives. They revealed that the institutions had lost control over the effects of collective human actions. The two main problems on the eve of the third millennium were the demographic and the ecological problems. It was clear that a rate of economic growth such as that of the second half of the short century would have produced irreversible catastrophic consequences for the natural environment of the planet, including the human race that is part of it. It was clear that it would not destroy the planet, but it certainly would alter the type of life in the biosphere. Furthermore, modern technology would have so dramatically increased the ability of our species to transform the environment that the time available to solve the problem should not have been calculated in centuries, but in decades. The other problem was that of keeping a world population stable or, more likely, a world population oscillating around a certain quota with a slight tendency towards growth or decrease. It was evident that the movements of the world population would increase the imbalances between the different regions. On the whole, as had happened in the short century, the rich and developed countries would have been the first in which the population would have stabilized. Surrounded by poor countries with numerous young people who would have demanded modest jobs in developed countries, however sufficient to enrich a person for the standard of living of Morocco, for example, rich countries with an increasingly older population and few children would have had to choose between allow for massive immigration, which would have led to major political problems within; barricade themselves against the immigrants they would need for some activities or find some other solution. The most likely would have been to allow temporary conditional immigration, which did not give foreigners the political and social rights of citizenship, but which would have led to an informal tolerance of immigrants who, for their part, would have made no claims against the host country, because they would have considered it simply as a place to earn money from time to time, basically remaining tied to their homeland. Transport and communications at the end of the twentieth century, as well as a huge gap between skillful earnings in rich countries in poor countries, made this kind of double existence possible more than in the past[1].Certainly, in this context, it would have been difficult to predict the Covid-19 pandemic. Between the end of 2019 and the first days of 2020, the coronavirus spread to China, in the province of Hubei. The severe containment measures introduced by the Chinese authorities (isolation of large areas of the country, restrictions on mobility, interruption of numerous production activities, an obligation to quarantine for infected people) have proven overall effective in combating the extension of the contagion, but have had a strong impact on economic activity. The epidemic spread quickly to neighboring regions of China, mainly South Korea and Japan, and to

[1] **E. J. Hobsbawm,** Il secolo breve. 1914-1991 ;l'era dei grandi cataclismi, **cit., pp. 650 et seq.**

western countries, first in Italy and other European countries, later in the United States. The impact of the pandemic on world growth, difficult to quantify given the uncertainty about the duration and extent of the infection, will likely be very significant. The estimates on macroeconomic projections have been repeatedly revised downwards, prefiguring a global recession, accompanied by a slowdown in the dynamics of GDP, by a fall in employment and industrial production. In the latest report on the state of the global economy, drawn up by the World Bank, it is estimated that this pandemic may trigger the worst recession that the world economy has ever experienced and is likely to favor a dramatic increase in poverty levels. Experts took into account the economic situation of 183 countries and it turned out that 90% will experience a considerable drop in GDP. The data collected speak of an average reduction of about 5.2%: more than double compared to the financial crisis of 2008 and among the worst since the Second World War onwards. The decline in global GDP in 2020 will be exacerbated by commercial, production, financial and investment connections between countries. In 2021 the recovery will be partial. Foreign trade is most affected (-12% in 2020), due to the limitations on the movement of people, goods and services, the new US-China trade tensions and high geoeconomic uncertainty. Furthermore, the subsequent rise will be held back by the weakness of world demand[1 2]. A particular aspect of trade makes the effect of the crisis more serious and worries observers. For at least twenty years the weight and role of global value chains in world markets has grown. According to a recent World Bank report, today most of the exchange flows between countries take place within the global value chains (or Global Value Chains, GVCs), i.e. it is generated by production processes that cross country borders and involve in the production chain of goods, especially complex ones, specialized companies located in even distant areas. The role of these global value chains in this crisis appears crucial. According to some observers, this international production organization has created a fragile economic system that is more exposed to international shocks. The risk of an interruption of the supply of the inputs necessary for production is greater in a very geographically dispersed production chain. Furthermore, the presence of these production chains can amplify the transmission of shocks according to the so-called "whip effect". In the presence of a negative shock that affects many economically connected countries almost simultaneously, the slowdown in the production of an economic system supplying essential production inputs is transmitted to the downstream connected systems, reducing their production capacity, adding a further negative squeeze to the local slowdown of production (which may be due to local factors of both supply and demand), and thus amplifying the shock. The areas in which the spread of the epidemic was greater are closely linked by the GVCs in many crucial sectors, from

[1] Elaborations of the Centro Studi Confindustria on Thomson Reuters data, FMI..
[2] **World Bank,** World Development Report 2020, **in L. Tajoli,** La crisi globale da Covid-19 e le ripercussioni sul commercio internazionale e sulle catene globali del valore, **School of Management Politecnico di Milano.**

textiles-clothing to consumer electronics. For this shock-amplifying effect, the forecasts for the global economy and international trade are more negative than in any other crisis of the past .

However, developing countries and emerging economies will suffer most from this situation: there will be poorer people and the closure of schools and the difficulty of accessing basic health care will have repercussions, in the long run, also on capital development human. The social distancing measures that led to the closure of businesses and services will impact demand and supply levels, trade and financial assets, which are expected to decrease by 3.6% per capita income and millions of people may have to live in conditions of extreme poverty .

The Monetary Fund estimates that the world economy will enter a more severe recession than that of 2008-2009, when the collapse of GDP was limited to 0.1%. The different entity of the two crises is linked to their profoundly different nature: while the 2009 crisis was a financial crisis, transferred to the real economy, the current crisis derives from the paralysis of very large areas of the real economy, aimed at preventing risk of contagion. Indeed, the crisis triggered by the pandemic presents three new elements compared to the financial crisis of 2008-2009. The first is constituted by the fact that the most affected countries are the most industrialized in the world which, together, represent more than half of the world's GDP, almost two thirds of the planetary manufacture and about 40 percent of international trade. The second is that the world economy was hit when manufacturing activity slowed, due to the worsening of restrictions on trade and growing uncertainty on a global level. The third element of novelty is that the current shock is affecting the service sector more than the industry, especially in the catering, entertainment and hospitality services.

The crisis that is developing in recent months is therefore potentially more disabling, because it is generated by the blockade of economic activity on several fronts, primarily that of services, and because it affects a large part of the countries of the world. According to the estimates contained in the WEO of April, 9 out of 10 countries of the IMF members will witness a contraction of their GDP for the current year: it is therefore, in all respects, a global crisis[1][2][3].

6. The post-pandemic crisis in Italy

In Italy, already at the end of March 2020, the ISTAT monthly report showed a clear picture: a sharp reduction in demand and consumption spread not only in Italy but all over the world. Exports and imports had fallen by 16%, retail sales in Italy had fallen

[1] **Banca Mondiale,** Rapporto sulle prospettive economiche globali, **giugno 2020.**

[2] R. Leoncini, Verso ilpost emergenza Covid 19: Business as usual o nuove opportunity?, n. 12/2020. Banca d'Italia, Bollettino economico, n. 2/2020.

[3] **FMI,** World Economic Outlook, **april 2020.**

by 21%, and industrial production had fallen by 28%[1]. Many entrepreneurs, not only small, but also medium and large ones, have faced enormous difficulties, especially in the service sector, in particular in small shops and in the bar- restaurant-hotel chain, following the serious crisis in tourism and transport. Temporary forms of support and emergency liquidity provision were certainly essential to contain the closure of companies and the loss of jobs, but they were not sufficient. Micro entrepreneurs are undoubtedly important, they are the social fabric of many areas of Italy, especially in the South, and are the kindergarten from which larger companies are born, but the export of Made in Italy is not based on micro entrepreneurs, but on 44,050 industrial enterprises active for export with 10 or more employees. In 2017, in fact, the Italian industry exported 350 billion euros with 89.611 exporting companies and, among these, the 45.561 with less than 10 employees exported only 8 billion. The restart strategy, therefore, should focus on the 44 thousand large-scale exporting industrial enterprises, which have already driven our economy out of the 2008-2009 crisis. The Italian industrial export is the second largest in Europe after the German one and allows us to be among the top five countries in the world for the best manufacturing trade balance, with a surplus with foreign countries stably over 100 billion dollars. Thanks to the Industry 4.0 plan, our production system has grown more than that of Germany in recent years and has enormously increased its productivity, also diversifying into new sectors such as the pharmaceutical sector, where last year Italy registered the most strong growth both percentage (+ 26.3%) and absolute (+5.1 billion dollars) among the top 15 world exporters. Growth will be stronger the more the industry is put in a position to compete better. An infrastructure plan is needed to make the country and its economy run more, which together with manufacturing is also based on agriculture, tourism and the advanced tertiary sector, often interconnected. In the 1950s, the Autostrada del Sole Highway ran cars along the peninsula and was a symbol of the economic boom. Today, modern infrastructures are needed to make data, ideas, passengers and goods run. Fiber optic, high speed and high capacity, energy saving and green energy, fight against hydrogeological instability, anti-seismic and school building, research, innovation, technological platforms, technical schools and more mathematics, engineering and medicine in the education of young people: these must be the drivers of the restart, not the welfare. Along with a reform that can no longer be postponed and a complete digitalization, from North to South of the country[2] .

The fall in consumption could cause a chain of business failures more in southern Italy than in the north of the country. The companies located in the South, in fact, with some exceptions, are mainly small companies, frequently family-run, heavily dependent on bank credit and above all oriented to selling on the internal market.

[1] ISTAT, Nota mensile, april 2020.

[2] **M.Fortis,** Una nuova autostrada del Sole per ridare slancio all'economia, **in "Il Sole 24 ore", 2 June 2020.**

Failures could increase the already high unemployment rate and accentuate migratory flows, especially of young people and above all of young people with high educational qualifications. It would therefore be necessary to find more resources to stimulate the southern economy by reducing the wide margins of uncertainty deriving from the ongoing epidemic. In particular, the migration of young people must be curbed and therefore the aging of the local population, which would lead to an increase in the propensity to save in the South more than it increases in the North, should be countered. This would lead to a more intense fall in consumption in the South and, given the productive structure of the companies located here and given the growing uncertainty, a fall in production and employment[1] . Could the solution be that, apparently utopian but susceptible to practical applications, of the so-called "partnership economy" formulated by James Meade?

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Measures and Possible Support Solutions of the Sustainable European Economy in the Context of Actual Crises

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Abstract

The COVID-19 pandemic involves the major risk of a severe recession, and of the economic, financial, social, educational crises, which will affect the entire EU economy, with consequences for citizens, businesses, jobs, and households. In order to guarantee the continued availability of sufficient liquidity on the market, to counteract the damage caused to healthy enterprises and to maintain the continuity of economic activity during the epidemic and after the end of the COVID-19 pandemic, it is necessary to develop a plan of measures and solutions. supporting the European economy, both through direct measures of state aid, as well as through measures to support/develop/innovate the business environment through the EU funding programs allocated at the level of the Member States both in the period 2014-2020, but more elected 2021-2027, the effects of the current crisis being both short term, but especially in the medium and long term. Among the objectives pursued we propose: identification and proposal of state aid measures to support the economy in the context of the current epidemic of COVID-19 through close coordination at European level of the aid measures; estimating the impact of temporary state aid measures on the European economy through the intervention of the European Commission; and ways to attract European funds for the business environment through the European Union funding programs existing in the budget for the period 2014-2020, but especially for the period 2021-2027.

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Keywords: economic crisis, European economy, sustainable development

Introduction

The current challenges at the European level (including global) and its financial and economic consequences have caused a major economic slowdown, especially on small businesses, and the European Union in the period February-April 2020 has concretely supported through monetary and fiscal policy, respectively through (European Commission, 2020):

The temporary framework of the European Commission;

Fiscal policy instruments and Multiannual Financial Framework 2014-2020;
Multiannual Financial Framework 2021-2027;
European Investment Plan for European Green Transactions.

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The State aid financial instrument could also be used during this period to remedy the serious disturbances of the economy. According to official European Commission documents, the Temporary Framework adopted in March 2020 established temporary state aid measures that the Commission will consider compatible with state aid rules, thus allowing Member States full flexibility in supporting coronavirus-affected economies. The temporary framework was created to respond more effectively to the different needs of the Member States. Moreover, it initially focused on measures to ensure liquidity in the economies of the Member States. In early April this year, it was extended to include measures to support the medical economy and investment, coronavirus-related research and production, measures to relax the social and tax obligations of companies and the self-employed, and measures to subsidize employee salaries, including of micro-enterprises.

Experts argue that the Temporary Framework includes emergency liquidity measures for the business environment, as well as temporary tax deferrals for businesses, which are considered to be the most effective policy measures (Boumans, D., 2020). Moreover, it is considered that financial support must be carefully dimensioned for each economic agent, so as to avoid both the economic crisis and the financial crisis.

Methodology of scientific research

The methods and tools that formed the basis of this paper are the classical ones, respectively instruments of observation and examination, research methods based on the basic principles of scientific research. Moreover, we performed procedures based on factual analysis, as a result of significant practical work experience and intense documentation at the level of existing literature, especially at European level, but we correlated with the information identified internally and internationally in the context of these global challenges generated by the pandemic COVID 19.

Research results

At the level of the *Member States of the European Union*, policy measures (fiscal, sectoral, regional, economic, and others) have been taken against the spread and impact of COVID-19 through the *Temporary Framework of the European Commission*. All these measures have been reported at the level of the European Commission by each Member State, the policy measures being of direct (potential) relevance for economic and fiscal surveillance. This includes measures on expenditure (eg higher health care expenditure, short-term employment benefits) or revenue (eg tax deferrals) of the budget, measures specific to certain sectors of the economy or regions, and measures to support lending to national economies (eg public guarantees, bank support measures, policy decisions of the national central bank).

Many Member States have also taken precautionary measures in the form of general guidelines for citizens, travel bans, school/university closure, the adoption of telework measures, etc., with macroeconomic and budgetary implications. In order to have a comprehensive overview of the measures announced or taken so far in the Member States, we will present in the paper the measures for each Member State.

The quantification of these measures and their expected impact on the government deficit and debt figures can be estimated, but the effects and impact of these measures could be analyzed in the next half of the year.

The impact of temporary state aid measures on the national economy through the intervention of the state and the European Commission

The new Temporary Framework for State aid in the context of the COVID-19 crisis (19 March 2020) was a direct form of support for the Member States, allowing them to provide direct subsidies of EUR 500,000 per company, state guarantees for loans and subsidized interest rates to mitigate the effects of COVID-19. In the context of the current EU state aid rules, Member States are required to notify the European Commission of the aid scheme they want to implement and obtain approval before actually implementing it. At the same time, it should be noted that there are exceptions to this general prohibition which allow certain types of aid to be granted in certain special circumstances, without prior notice.

Exceptions to the obligation to notify State aid schemes include the exception whereby State aid "supports the remedying of economic damage caused by natural disasters or exceptional occurrences". This exception allows, for example, the compensation of airlines for losses suffered due to the COVID-19 crisis.

The temporary framework related to the COVID-19 crisis was designed to directly support the real economy at the level of each Member State and indirectly through certain financial instruments, the banking sector (Dorn et al. 2020). However, as can be seen from the analysis per Member State in the new Temporary Framework shows that aid to banks to maintain the flow of credit to companies will also be considered as indirect aid to companies (since they will be aimed at combating illiquidity and supporting a harmonized fiscal response at EU level), some of which fall into the category of Expenditure Measures taken at the national level. Moreover, the new Temporary Framework allows the following types of aid, intended for companies that have suffered financial losses after December 31, 2019 (European Commission, 2020):

1. *Direct granting of financial support or tax advantage* - Member States have the possibility to set up aid schemes of up to EUR 500,000 to individual companies to meet urgent liquidity needs. This aid may be provided in direct form or as a tax advantage;

2. *State guarantee of bank loans*, direct support on the real economy and indirect financial-banking sector - Member States will be able to guarantee bank loans to companies or create a scheme for both investment and working capital. These

schemes would be subsidized as a matter of priority, but the Commission may impose a maximum loan amount depending on the real liquidity needs of the companies. This category also includes the Package of measures adopted by the Government of Romania on March 18 a.c. and which also provides for an intervention fund of 10 billion lei to provide guarantees to SMEs for contracting loans to finance investments and working capital. The Ministry of Finance will guarantee 80% of the loans for SMEs, 90% of the loans for micro-enterprises, and will subsidize 100% of the interest associated with the guaranteed loans. On March 19, the authorities said that the Fund could be increased by an additional 5 billion lei, if necessary. An approximate estimate of the fiscal cost (subsidized interest): RON 250 million.

3. *Subsidized interest rates for loans secured by State guarantees* - Member States will be allowed to grant loans (for investments) using subsidized interest. The interest rate must be at least equal to the amount of the base rate set on 1 January 2020; the credit risk premium corresponding to the recipient. Different rates can be set for SMEs and non-SMEs. The intention is to use a fixed base rate to provide certainty to the business environment in the Member States. As in the field of State guarantees, the Commission may impose a maximum loan amount based on the actual liquidity need of the beneficiary in order to prevent distortions of competition in the market and to obtain unfair advantages.

4. *Direct state aid to the banking sector* - Member States will be able to help banks and financial companies directly, which will also be considered as an aid to the real economy.

The temporary framework provides guidance and clarifies how the Member States should maximize the amount of aid granted to firms or agencies involved in the real economy directly or indirectly in the form of a larger volume of financing, risk portfolio aid, aid for higher guarantee requirements. for lower guarantee premiums or lower interest rates (S. López Piqueres, 2020). Moreover, in order to strike a balance at the European level, aid caps are introduced, as well as to limit undue support or residual financing for the banking sector.

5. *State aid schemes in the form of direct loans*, repayable advances or tax exemptions - these State aids could also be granted based on Article 107 (3) TFEU, in the form of temporary amounts, limited to a certain ceiling, but, under the current Temporary Framework, they can also be granted to enterprises and small companies in financial difficulty (lack of liquidity), if the Member State concerned considers that such measures are appropriate and necessary in the current exceptional circumstances induced by the COVID-19 crisis. As a result, the European Commission will consider such aid to be compatible with the provisions of the internal market and Article 107 (3) TFEU provided that simultaneous eligibility criteria are met: State aid does not exceed EUR 800,000, gross (ie before the application of tax exemptions or other tax burdens) per company; the aid is granted in the form of a scheme with an estimated budget; aid can also be granted to enterprises that were not in "difficulty" on 31

December 2019, but are currently in "difficulty" due to the negative effects of the COVID-19 crisis; the aid is granted until 31 December 2020.

Regarding the aid granted to companies that process or distribute agricultural and food products, there are, in the Temporary Framework, some special provisions. Thus, the aid granted to these companies is conditional on them not being part (in whole or part) of the primary production process and is not capped based on the price or quantities purchased by these traders from the primary producers. For the agriculture, fisheries and aquaculture sectors, it is specified that aid granted under the current Temporary Framework may be cumulated with de minimis aid, but not exceeding EUR 100,000 per undertaking.

To a large extent, all these support measures provided for in the *Temporary Framework of the European Commission* are found in the state aid schemes intended to support the real economy and have been adopted by our authorities.

Ways to attract European funds for the business environment through European Union funding programs

The analysis of the measures taken by each Member State shows that very few states have resorted to the financing measures provided for in the Multiannual Financial Framework 2014-2020, among which we mention Bulgaria, Latvia, and Romania. Measures were taken by the Romanian authorities regarding the allocation of financial resources from European funds, respectively from the European Union Programs 2014-2020, namely: the use of an additional 350 million euros from EU funds for the purchase of Covid-19 tests, protective equipment and mechanical ventilation equipment (March 24); The Ministry of European Funds announced on 25 March an additional allocation of EUR 682 million from EU funds to the Inspectorate General for Emergency Situations for the purchase of medical and emergency equipment; The EU funds minister said on March 18 that the government would use EUR 300 million. EU funds allocate funding to support measures for people who lose their jobs due to the COVID-19 crisis. The money will be attracted from allocations to the Human Resources Operational Program. The Minister of Regional Development said he would launch a line of funding to provide up to € 1 billion in aid to SMEs and EU funds. The measure is temporary and if the expected amounts are not enough, other sources of EU funding will be sought.

European investment plan for European green transactions - considerations

The European Green Deal is the European Union's (EU) new growth strategy to promote the transition to a climate-neutral economy by 2050. Confirming the importance of financial resources for such an objective majority, its investment pillar was the first initiative of the presented strategy. The European Investment Plan for Green Transactions, also known as the Sustainable Europe Investment Plan, aims to help finance a sustainable transition while supporting the regions and communities most affected by its impact. According to official documents issued by the European

Commission and the European Parliament, by combining legislative and non-legislative initiatives, the plan addresses three issues:

1) mobilizing funding of at least € 1 trillion from the EU budget and other public and private sources over the next decade;

2) putting sustainability at the heart of investment decisions in all sectors;

3) providing support to public administrations and project promoters to create a solid pipeline of sustainable projects.

The EU's Multiannual Financial Framework (2021-2027) has traditionally been a strong supporter of climate and environmental goals, with resources commensurate with the goal of facilitating a smooth transition to a carbon-neutral economy. The impact of the pandemic has raised concerns that decarbonization strategies could be derailed. However, more than ever, experts and stakeholders generally agree with their continued relevance, arguing that green investment from public and private sources must play a central role in any economic recovery plan at European level, and implicitly in local level.

The European Union (EU), is a supporter and leader in the fight against climate change at international level, is expected to further intensify its actions in this field during its institutional cycle 2019-2024. On 11 December 2019, in her first weeks in office, European Commission President Ursula Von der Leyen launched the European Green Deal as a new EU growth strategy to promote and facilitate the transition to a green, competitive and inclusive economy. Such a major economic transition requires huge financial investments, including to ensure that the process benefits all parts of society and to support the citizens and regions most exposed to the costs of decarbonisation (R. Waldholz, 2020).

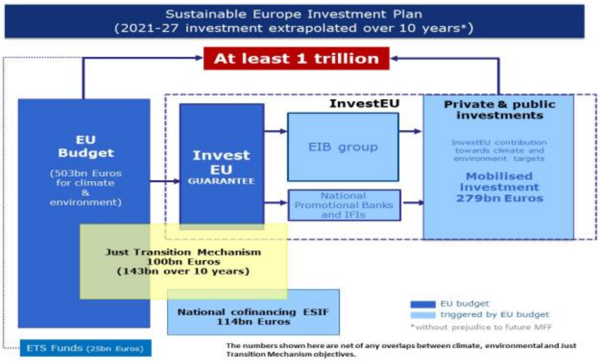
Based on the current target of reducing greenhouse gas (GHG) emissions by 40% by 2030 compared to 1990 levels, the European Commission has estimated that additional investments of € 260 billion per year will be needed. year to meet this target. Given that the environmental agreement intends to increase the intermediate target of reducing GHG emissions by at least 50% by 2030, the resulting financial needs will be even greater. For this reason, a measure planned under the Green Agreement is an investment plan to mobilize public and private funding towards the objectives of a fair transition to a green economy.

On 14 January 2020, *the European Commission published a communication detailing the European Investment Plan for Green Transactions*, also known as the Investment Plan for Sustainable Europe. The investment plan, which complements other initiatives expected under the European Green Agreement, aims to provide and use the necessary funding for the transition to 2030, seeking to put sustainability at the heart of both public and private sector investment and spending. the private one. In the period 2021-2030, the European Commission will mobilize at least € 1 trillion in sustainable investment by increasing resources for climate action within the EU budget and by using additional public and private funding. Part of the global resources will be specifically designed to support the regions most exposed to the challenges of the transition.

The mobilization of financial resources worth 1 trillion euros over ten years is part of the investment plan that has so far attracted the attention of the majority. According to official documents, about half of the amount would come directly from the EU budget, while other public and private sources would provide the rest, mainly through leverage. Furthermore, we believe that the European Investment Bank (EIB) should be a key partner in mobilizing additional funding, as it is expected to trigger investments of up to around € 250 billion (ie a quarter of the total) according to EU mandates under the investment plan. Given that the EIB has announced its own target of supporting € 1 trillion in climate action and investment in environmental sustainability over the next decade, it should be noted that the two targets only partially overlap. Therefore, it can be deduced that taken together, the European Investment Plan for Green Transactions and the EIB target should have the potential to provide around € 1.75 trillion in climate-related finance.

The overall level of investment for the *European Investment Plan for Green Transactions* requires further clarification on its time horizon, which covers the decade 2021-2030, in line with the fact that the current EU climate targets are for 2030. the next Multiannual Financial Framework (MFF) 2021-2027 is intended to cover a period of seven years, from 2021 to 2027. The European Commission has therefore calculated the total amount on the assumption that the next MFF, scheduled to start in 2028, will maintain at least the same level of ambition as its predecessor for climate finance for the last three years of the decade.

Figure 1 – Financing elements making up at least €1 trillion over the 2021-2030 period under the European Green Deal Investment Plan



Source: European Commission., 2020

The above figure shows the details of the total figure component of at least EUR 1 trillion. Furthermore, the European Commission presents this figure as clear from possible overlaps, taking into account the fact that different sources of funding and/or instruments may interact and contribute to a particular joint project or operation. In descending order of magnitude, five broad categories of climate finance sources would support a wide range of projects and contribute to the *European Investment Plan for Green Transactions*, as follows:

1. *EU budget totaling EUR 503 billion.* The European Commission has proposed that at least 25% of post-2020 MFF resources be allocated to climate-related spending, by incorporating climate considerations into numerous EU budget funds and programs. Tools that should make a significant contribution to this goal include:

a. funds under the common agricultural policy (CAP);

b. European Regional Development Fund (ERDF);

c. Cohesion Fund 2021-2027;

d. Horizon Europe Framework Program for Research and Innovation;

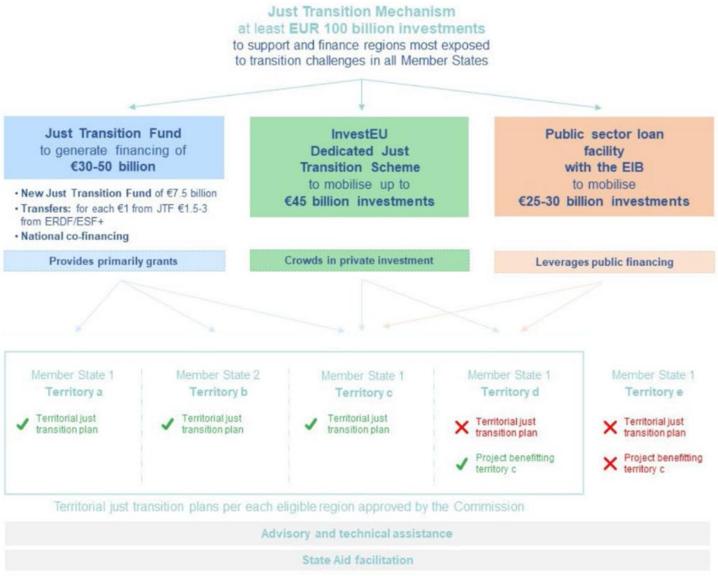
e. LIFE program; and

f. Connecting Europe Facility (CEF).

This approach is based on the experience with climate integration in the current MFF, below which the climate target amounts to 20% of total resources 2014-2020.

2. *The EIB Group and other investment partners in the context of InvestEU* (EUR 279 billion). The proposal for the MFF 2021-2027 includes the creation of the InvestEU program to streamline in a single investment scheme the operations currently carried out under the European Fund for Strategic Investments (EFSI) and various financial instruments supported by the EU budget. Moreover, InvestEU would be the key tool to exploit the capacity of the EU budget to benefit from additional public and private funding for investments in the Union's internal policies, as well as its targeting of the dominant segment of business beneficiaries, namely SMEs. The Commission has proposed a 30% climate target for InvestEU operations. The Commission intends to develop financial products aimed at ecological, climate, and social sustainability within InvestEU. *The Multiannual Financial Framework (MFF)* has a focus on the regions and communities most exposed to the transition challenges, this mechanism would be structured on three pillars (see figure below):

Figure 2 – Just Transition Mechanism over the period 2021-2027



Source: European Commission, 2020

Just Transition Mechanism, with the following:

a. *a fair transition fund, with € 7.5 billion in new money by 2027 and a specialized fair transition scheme within InvestEU;*

b. as well as a new public sector loan facility, with the EIB, to benefit from additional public funding.

Particular attention is paid to economic sectors that provide additional jobs, namely in the sector of activity the production of fossil fuels or related industries. Under cohesion policy, EU Member States will identify eligible regions and the envisaged transition process by 2030, in the fair territorial transition plans to be approved by the European Commission. Member States and regions will receive technical and advisory support from the Commission through a fair transition platform.

Discussion

The paper is an empirical research based on official documents reported by European Union member states in the early days of the COVID pandemic. Moreover, this period coincides with the new financial programming period at European level, as well as with the launch of new strategic programs until 2030 and 2050, respectively.

Commented [OM10]: for the 4. point of the Review Report. I revised by introducing the Discussion paper and motivating the fact that the paper is based on EU documents and highlighting aspects of this period, the period that will mark the European economy until 2050 (see Green New Deal).

As regards the general financial system, the *EU taxonomy* will play a major role in the measures designed to put sustainable finance at its center. The Commission will also explore how the EU taxonomy, originally designed for the private sector, could be used by the public sector beyond the scope of InvestEU to promote synergies. Besides, a renewed strategy for sustainable financing is envisaged, including the creation of a European Green Bond Standard as a tool for increasing public and private finance for sustainable investment.

Also, the Commission will develop a "Sustainable Procurement Screening" tool to provide tailored support to public investors in implementing their projects.

In May 2018, the European Commission presented its proposal for the new MFF which should cover the period 2021-2027, calling for an agreement to be reached before the 2019 European elections to avoid delays in the implementation of related instruments. Among other things, the Commission has proposed raising the climate integration target from 20% of total resources to 25%.

In the context of the *European Green Agreement*, climate integration in the EU budget should be further intensified, proportionate resources to facilitate a fair transition to a carbon-neutral economy. The call for further change towards climate transition included the call for a new and strengthened methodology for climate integration, with strong performance indicators and provisions to prevent any financial support for climate-damaging measures.

The emergence of Covid-19 and the declaration of a pandemic by the World Health Organization (WHO) in March 2020, caused significant uncertainty, triggering the announcement of packages of economic incentives to mitigate the social and economic impact of the public health crisis. An article published by the Peterson Institute for International Economics (PIIE) highlights the central role that public and private investment under the European Green Agreement must play in any recovery strategy. Drawing attention to the falling price of oil, the author recommends that the EU and its Member States keep fossil fuel prices for consumers at pre-crisis levels, through higher taxes, as a crucial measure for their decarbonisation efforts.

The goal would be twofold: on the one hand, the public sector would have additional revenue to combat the pandemic and its consequences; on the other hand, the move would prevent the price of oil from falling. However, the Commission said it would continue its intensive work on climate issues. As previously planned, the Commission has launched a public consultation on the upward revision of the GHG reduction target for 2030, which aims to gradually increase the road to climate neutrality in 2050. Furthermore, the European Environment Agency (EEA) intends to assess the impact of the pandemic on production and consumption patterns once the crisis passes. The Multiannual Financial Framework 2021-2027 is directly linked to the attitude of Member States to be directly involved in the adoption of measures, so that from 2021, small and medium-sized enterprises can use the financing instruments so necessary for their sustainability.

In May 2020, European Commission President Ursula von der Leyen presented the Commission's proposal for an economic recovery plan following the € 750 billion coronavirus pandemic *Next Generation EU*, and according to the official communiqué, it includes the following :

The proposed recovery instrument, *Next Generation EU*, will have a budget of € 750 billion, which will be in addition to the long-term budget, according to President von der Leyen.

The money for the Next Generation EU will be raised by temporarily raising the own resources ceiling to 2% of the EU's Gross National Income. This will allow the Commission to use its very strong credit rating to borrow € 750 billion in EU financial markets for the next generation.

According to the official document published today by the European Commission on the proposed solutions, in addition to the *Next Generation EU*, a renewed EU budget is proposed, amounting to approximately 1.1 trillion euros in the period 2021-2027.

All money raised through the Next Generation EU and the new EU budget will be channeled through EU programs.

Next Generation EU money will be invested in three pillars, with € 500 billion in grants and € 250 billion in loans to the Member States.

The first pillar is support for the Member States for investment and crisis resolution reforms:

• *A new Recovery and Resilience Facility with a budget of EUR 560 billion* - distributed in grants and loans. It will support the Member States in implementing investments and reforms that are essential for a sustainable recovery. Member States will design their own national recovery plans, based on investment and reform priorities identified as part of the European Semester, in line with national climate and energy plans, fair transition plans and partnership agreements, and operational programs from EU funds.

• *A new initiative, REACT-EU*, will provide a supplement to cohesion support to the Member States with a budget of € 55 billion. It will be available from 2020 and will be distributed according to a new allocation key, taking into account the impact of the crisis. This will ensure that there is no interruption in funding for key crisis relief measures and the support of the most disadvantaged. It will support workers and

SMEs, health systems, and green and digital transitions and will be available in sectors - from tourism to culture.

• *To support the green transition*, the Commission aims to provide additional funding for the Fair Transition Fund and the European Rural Development Fund. Cohesion policy programs will also be strengthened in the next EU budget period, to also allow for greater flexibility.

The second pillar is to launch the EU economy by stimulating private investment:

• *A new Solvency Support Instrument* will mobilize private resources to provide urgent support to healthy companies. Investments will be channeled to companies in the most affected sectors, regions, and countries. This will help balance the "game" conditions for those Member States that are less able to support through state aid. It can be operational from 2020 and will have a budget of 31 billion euros, which aims to unlock more than 300 billion euros in support of solvency. Guidelines will be developed to help align investment with EU priorities.

• *The Commission aims to modernize InvestEU*, the EU's main investment program, by doubling its capacity.

• In addition to the above, *a Strategic Investment Facility* will be created within InvestEU. It will be able to unlock investments of 150 billion euros thanks to the 15 billion euros brought to it by Next Generation EU. This will invest in strengthening our resilience and strategic autonomy for key technologies and value chains.

The third pillar is about learning lessons about the crisis:

The Commission intends to set up a *new autonomous EU4 Health program* with a budget of EUR 9.4 billion. It will invest in prevention, crisis preparedness, the purchase of vital medicines and equipment, as well as in improving long-term health outcomes. A number of other key programs will be strengthened to learn the lessons of the crisis, in particular rescEU and Horizon Europe.

In addition to the three pillars, the Commission aims to strengthen a number of other programs in the EU budget, compared to those discussed by the European Council in February. These include: Common agricultural policy; European Maritime and Fisheries Fund; The Single Market Program and programs that support tax and customs cooperation; Connecting Europe Facility; Erasmus +; Creative Europe Program; Digital Europe Program; European Defense Fund; Internal Security Fund; Asylum and Migration Fund, and Integrated Border Management and Pre-Accession Assistance Fund.

For the proper management of funding instruments through the programs, we believe that there should be a correlation and integration from and between the priorities of citizens and the business environment, respectively according to the figure below:

Figure no. 3. Direct relationship to and from the Programs, Priority Directions and Projects of Citizens and the Business Environment in Europe

Direct and permanent interconnection relations from and to the Programs, Priority Directions of each Member State of the European Union (27 states) and Concrete Project of citizens and business environment managed by the Managing Authorities of the European Commission and those managed at national level of each We believe that it is the solution to the management and orientation of funding sources towards European priorities in the context of current challenges at European and global level.

Conclusion

The reduction of the impact of the COVID-19 crisis required a rapid, focused and coordinated response from all states in the field of state aid (as shown by the analysis of each Member State), as well as to support the most vulnerable economic agents (including companies in the public catering sector, services, etc.).

State support is required to be: aimed at reducing the disruptive economic effects of the epidemic, and clearly defined and limited to what is needed to address the acute economic crisis, excluding unjustified benefits for companies or the banking sector, to be borne by taxpayers in EU Member States.

In order to turn state aid into an effective tool for supporting the real economy across the EU, sufficient behavioral rules are needed for beneficiaries to prevent the abuse of state support, such as, for example, company expansion or aggressive market strategies. with the help of a state guarantee (Manta, O., 2017).

At present, in addition to their own efforts, it is necessary to exogenously finance the business of companies. For European companies, even in conditions of economic crisis, exogenous financing through bank loans is the main solution to cover the need for financing both the current activity and their own development projects;

In the period 2020-2030, companies will have the improvement of financing through government intervention, but especially through innovative financial instruments that are in line with the principles of green financing and are found in the Multiannual Financial Framework 2021-2027.

Measures taken by other countries and which can be taken at the level of any state: setting up a government and business unit COVID 19 (following the example of the Danish Government) in collaboration with relevant business organizations and labor market organizations to solve sectoral economic problems. Among the main objectives should be MicroFinance Fund with a potential loan threshold of € 50,000 and intended to finance small family businesses; support for programs for SMEs (packages of financial instruments, ie loans, and guarantees to support current activities and development of investment and technology plans in accordance with green investment support policies); launching state-subsidized leisure vouchers to help hotels recover from the crisis; tourism support (EUR 11 million). Additional budget for the implementation of actions to support tourism in June-September 2020, in cooperation with airlines and tourism organizers, as well as actions to improve initiatives to attract tourists between October 2020 and March 2021 (eg measures adopted by The Cypriot Government); postponement of tax and social security payments for the tourism sector until the resumption of activities (quarter III estimate of the year), sectors that were severely affected by the pandemic (eg tourism, restaurants, entertainment, sports, cultural services, transport) will be exempted from paying social security contributions, payroll taxes and small business tax. The employees' contribution will be reduced until the resumption of the activity (respectively quarter III of the year); and cultural support: emergency support funding for the most affected artists and entities (€ 1 million); Resolution mechanism for the protection of canceled cultural and artistic performances (Manta, O. 2020).

In a healthy and rational society, strategy and action are not subordinated to ideology, doctrine. The action must be based on the rules governing each case. There is something quite satisfying about expressing a political and economic belief such as: "I am absolutely on the side of the free initiative" (Galbraith K.J., 1997).

Our future research on European funding instruments, funding models and funding programs is based on references to current decisions at European level, all the more so as the seven-year programming period is very clearly regulated by EU directives and regulations. European Commission.

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The Impact of Group Size on Decision Effectiveness

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Abstract

The relationship between organization and environment, based on the need to gather information and find resources, is increasingly characterized by a high level of uncertainty. Uncertainty means that managers do not have enough information and time to anticipate changes and make good decisions. More and more managers make decisions about new problems or situations. The level of risk increases, as well as the degree of complexity that the decision maker has to face. Under these conditions, organizations are moving towards the use of groups. The main purpose of the current research is to identify what are the most important benefits and limits of the group referring to its size, taking into analysis the banking institutions. For the current study is adopted the quantitative research and for the data collection is used the questionnaire. A total of 344 questionnaire are distributed. 80% of the participants agree that group size affects the quality of the decisions made and most of them prefer small groups. Also, most of them believe that within large groups are more conflicts, the relationships between members are more formal, the attention and individual commitment are lower than in small groups, the consensus is difficult, decisions can be made only through a voting process and there are no delays in decision-making, but coordination problems are not necessarily higher than within small groups.

Keywords: group decision-making, group size, group productivity, coordination, decision effectiveness

1. Introduction

When individual decision-making is compared to group decision-making, the advantages of the latter are numerous. It is thought that groups make better decisions than individuals, but we must said that groups make also bad decisions.

According to Cohen and Bailey (1997), effectiveness is a function of environmental factors, contextual factors, group processes and its psycho-social characteristics. Environmental factors refer to the characteristics of the industry in which the organization operates, such as the degree of uncertainty or turbulence. Contextual factors relate to the characteristics of the task, group and organization. Among the task variables we can mention autonomy and interdependence, while within group variables are the size, the demographic characteristics and the diversity. Organizational variables are rewards and supervision. Group processes refer primarily to communication, collaboration and conflict, while group psycho-social variables include norms, cohesion, mental models and affection.

If we analyze the above variables, we can easily distinguish that group's size has a significant impact on the effectiveness of the decisions made, although not directly. Thus, there are evidences to support that group size affects rewards and supervision, the type of communication and relationships between group members, conflict, cohesion and affection. However, we must admit that the issue of group effectiveness assessment is much more complex than we might think.

2. Aim of the study and research questions

The relationship between organization and environment, based on the need to gather information and find resources, is increasingly characterized by a high level of uncertainty. Uncertainty means that managers do not have enough information and time to anticipate changes and make good decisions. More and more managers make decisions about new problems or situations. The level of risk increases, as well as the degree of complexity that the decision maker has to face. Under these conditions, organizations are moving towards the use of groups.

If compared to individual decision-making, the advantages of group decision-making are numerous, but groups make bad decisions also. There are many studies that try to highlight the variables that influence group effectiveness, with the aim of helping the various business leaders and managers to improve the decisions made by the group. Undoubtedly, the performance of the group is influenced by a number of factors, some of which are under the control of the organization. One of these factors is the size of the group.

The main purpose of the current research is to identify what are the most important benefits and limits of the group referring to its size. Thus, in consistency with the main purpose, the research questions are formulated as follows:

1. How much are preferred large groups to make decisions?
2. What are the advantages of large groups compared to small groups?
3. What are the problematic aspects of large groups compared to small groups?

3. Literature review

The size is perhaps the most important variable of the group structure, because it directly influences group's ability to make a final decision. It should be noted that there is no consensus among researchers on the number of group members, but most of them argue that it is easier to reach consensus in groups of 5-7 members. Depending on the degree of complexity of the decision, the number of group members can increase to 12, but if they are more, it is argued that we are dealing with an ineffective group (Kume, 2010).

Large groups often operate as an aggregate of two or more subgroups. In some cases, the size of the functional group which is represented by the number of members actively participating is smaller than the size of the nominal group (Baron et al., 1992). The size of the group depends on various factors, such as the nature of the situation for which it have to decide (Noorderhaven, 1995).

Within large groups, competitiveness is high. If we refer to the experiments of Tripletts (1898), competitive situations increase individual commitment. But on the other hand, Allport (1924) highlights that the presence of others stimulates a member to commit more and leads to better results only for simple tasks. The opposite is true for difficult tasks. Furthermore, in large groups some members may take passive positions, a phenomenon known as "social loafing" (Liden, Wayne, Jaworski and Bennett, 2004). Individuals often commit less when they have to achieve a goal by operating in a large group than when they operate alone (Latané, Williams and Harkins, 1979). This means that in large groups some members become unproductive. Thus, in large groups motivation may decrease even if this depends on how the situation is perceived. The more the decision is perceived as being of particular importance, the more involved the group members are. Another reason that can lead to social loafing is tasks' interdependence. It has been proven that more the individual perceives that his task is interdependent, more difficult becomes for him to feel personal achievement referring to his work. When perceptions about the interdependence of tasks are high, individuals believe that their efforts are indistinguishable from the efforts of other members of the group. Thus, they think that it would be better to minimize their commitment, since there is no possibility for personal thanks or gratitude.

On the other hand, larger is the group, more the cohesion decreases. Coordination problems (Steiner, 1972) and productivity blockages (Diehl and Stroebe, 1987, 1991) can also occur within these groups. Experiments have shown that there is an important correlation between the degree of cohesion and social loafing. If group members do not like each other or do not have a close relationship with each other, they are more prone to social loafing. Moreover, if group members have a highly developed sense of "we", they perceive social loafing as a behavior that should not be adopted. In fact, studies have shown that there is a negative correlation between cohesion and social loafing.

Difficulties in coordination may appear during problem-solving phase and also decision-making phase. Thus, coordination losses can arise in particular in the analysis phase, but also in the selection phase, because the exchange of information is crucial for the generation, evaluation and selection between alternative courses of action. One possible source for coordination losses is productivity blockage: only one member of the group can speak and others have to wait for their turn.

Noorderhaven (1995) points out that small groups are more vulnerable because individual incompatibilities can paralyze decision-making, while large groups with more than 10 people tend to develop a more formal style of interaction, where individual differences can be covered more easily.

Within large groups are formed subgroups, which tend to deviate from the common objectives of the group and pursue their own interests. According to Scott (1987), within a group we can distinguish three types of subgroups. The first is the subgroup of the primary position, which is the epicenter of the group, because it constitutes the rules and guide the group towards the targets. The second subgroup is the subgroup with special status, composed by important members, which are supporters of the first subgroup, but they have the privilege to act independently of the primary position. The third is the subgroup without status, made up of members who have not influence on group decisions and that are often chosen to respect the predetermined size of the group. More subgroups are formed within a group, the greater is the risk of ineffective decisions.

Large groups must also be avoided because they damage the true interdependence and significant interactions between the members (Straus, Parker, Bruce and Dembosky, 2009). However, small groups fall more often in the use of the various biases and are more affected by the positivity towards their own group (Hewstone, Rubin and Willis, 2002).

Kreitner and Kinicki (2007) distinguish between two approaches: the mathematical approach and the approach of laboratory simulations. Mathematical models try to evaluate the optimal group size according to the desired results, such as the quality of decisions. According to these models it is not possible to establish the right size, which can vary from 3 to 13 members. There is no agreement on the size of the group even for the approach of laboratory simulations. Thus, Yetton and Bottger (1982) believe that the most effective groups are those of 4-5 members, while Laughlin, Hatch, Silver and Boh (2006) have concluded that for the decisions that require high intellect, the best groups are those of 3 members.

It should be noted that it is not always easy to determine the size of the group and to be sure that the number only is enough for good decisions, even when it is met as a condition. Referring to this, an important role is played by the personal perceptions on membership. Four types of group membership can be distinguished, as shown in Figure 1.

Psychological membership refers to the situation in which a member of the group feels attracted to the group and at the same time accepted by the other members. In the case of preferential membership, the individual feels attracted to the group, but finds it difficult to be accepted by others. In the marginal membership the situation is totally contrary. The individual is accepted by the other members of the group, but his attraction towards the group is low. Instead, in the alienative membership where both the attraction to the group and the acceptance by the other members are low, the individual can be considered outside the group.

Figure 1. Four kinds of group membership

		Acceptance: High	Acceptance: Low
Attraction	High	Psychological membership	Preferential membership
	Low	Marginal membership	Alternative membership

(Source: Noorderhaven, 1995, p.98)

According to what has been discussed above, to establish the size of the group, but also to choose the members, some questions must be answered: What is the individual propensity towards group decisions, is he an individualist or not? Furthermore, do the other members of the group agree on his participation and accept him as a member? This model demonstrates how acceptance and attraction are two important criteria to determine the size of a functional group.

Groups face problems and situations with different levels of complexity. Consequently, the different stages of the decision-making process require a different commitment. Decision-making process can be difficult for large groups, but can be successfully accomplished in groups of up to 12 people. The following table evaluates the effectiveness of the group according to its size.

Tabel 1. Group effectiveness and size

	2-3 members	*4-6 members*	*7-12 members*	*13-20 members*	*More than 20 members*
Problem solution	*Very low*	*Low*	*Normal*	*High*	*Very high*
Speed of judgement	*High*	*Very high*	*Normal*	*Low*	*Low*
Participation of members	*Very high*	*High*	*Normal*	*Low*	*Low*
Cohesion	*Very high*	*High*	*Normal*	*Low*	*Low*
Consensus	*Low*	*Low*	*Normal*	*Very high*	*Low*
Flexibility	*Very high*	*High*	*Normal*	*Low*	*Low*
Personal productivity	*Very low*	*Low*	*Normal*	*Low*	*Very low*
Group productivity	*Very low*	*Low*	*Normal*	*Very high*	*Low*

(Source: Kume, 2010, p.89)

The size of the group affects objectives achievement and is related to the type of objectives and decisions (Kreitner and Kinicki, 2007). As the group becomes larger, the interaction between members decreases and relationships become less affective. Furthermore, large groups tend more towards political than analytical solutions. But within larger groups, the energy and technical resources increase. The information collected is greater and is possible to identify more courses of action. Also, within large groups there are more critical judgments and the decisions made are more acceptable.

4. Research methodology

For the current study was adopted the quantitative research and for the data collection was used the questionnaire. This tool was considered useful in gathering facts and knowledge, behaviours and attitudes, opinions, motivations and perceptions regarding group's size and its impact on group effectiveness. The questionnaire facilitates the collection of more information in less time.

The formulation of the questions is very important and in this regard it has been tried to be clear in the content and to choose the most suitable form. Thus, the questions made were closed, which facilitate a quantitative evaluation. The questionnaire was developed based on the Likert Scale 1-5. It represents a simple technique that records the intensity of the agreement of each interviewee at each proposed statement, instead of simply approving or refusing them. The questions were formulated carefully, keeping in mind the object of the research. This field is characterized by a high level of confidentiality. Therefore, the risk was that the respondents gave unrealistic answers.

For the current research is chosen the non-probability sampling technique, mainly in the form of purposive sampling. So, the units of analysis are chosen for participating to group decision-making or for having the necessary knowledge and information about it. In some cases was also used the information provided from important or privileged subjects in order to identify other participants, anyway trying to meet certain criteria established previously. So, in addition to purposive sampling it was also used the snowball technique.

The sample was also determined based on the geographical criteria. Thus, the current research was focused on the banking institutions and their branches in Tirana and Durrës as the two main cities of Albania. It was considered more convenient to distribute the questionnaires to managers because they can provide more precise and detailed information about groups' size and decision-making effectiveness, as participants and compilers of decision-making policies and procedures. The managers selected for the survey belong to strategic and departmental level.

Table 2: The distributions of participants by hierarchical level

City *Position*	*Tirana*	*Durrës*	*Total*	*%*

Strategic level	*96*	*24*	*120*	*35%*
Department level	*118*	*106*	*224*	*65%*
Total	*214*	*130*	*344*	
%	*62%*	*38%*		*100%*

Table 3: The distributions of participants by years of experience

Interval of years	*No.*	*%*
1-5 years	*77*	*22%*
6-10 years	*54*	*16%*
11-15 years	*112*	*33%*
16-20 years	*86*	*25%*
More than 20 years	*15*	*4%*
Total	*344*	*100%*

5. Empirical findings

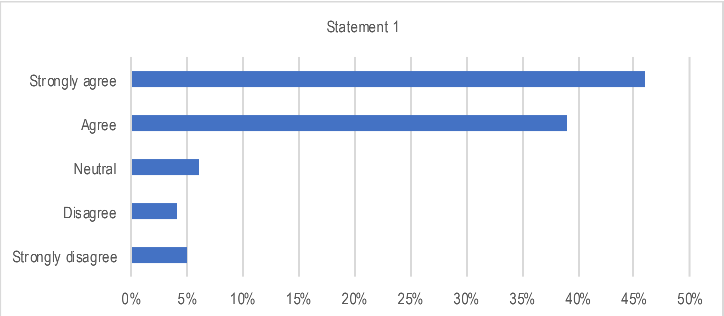
Through the distribution of the questionnaires, we have tried to collect information about the impact of group size on its effectiveness, based on the participants' experiencies and perceptions. A total of 412 questionnaires were distributed and 344 collected, for a response rate of 83.5%. Following, through tables and charts are summarized the data collected for each statement included in the questionnaire.

1: In the company where I work, groups are largely used for making decisions.

Table 4. Number of responses for each scale (Statement 1)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
18	*13*	*21*	*134*	*158*

Figure 2. Percentage of responses for each scale (Statement 1)



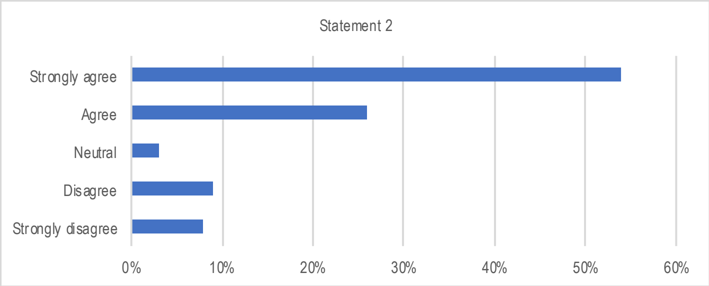
It was decided to take into analysis the banking sector because from the information collected informally prior to the current research, we were informed that almost all the decisions within the banking institutions are made by groups. As we can note from Figure 2, 85% of the participants affirm that group decision-making processes are widely used within their organizations.

2: The number of group members affects the quality of the decisions made.

Table 5. Number of responses for each scale (Statement 2)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
26	*31*	*12*	*88*	*187*

Figure 3. Percentage of responses for each scale (Statement 2)



From Table 5 and Figure 3, we can easily notice that 80% of the participanmts agree that the number of group members affects the quality of the decisions made. This is in consistency with the discussion made previously in the literature review. There are many studies and researchers that consider the group size an important variable that impacts the quality of decisions. However, we must underline that the right group size is not a guarantee for good decisions.

3: I prefer large groups to make decisions.

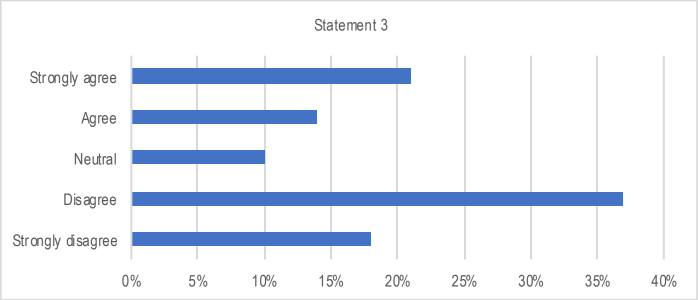
Table 6. Number of responses for each scale (Statement 3)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
62	*129*	*34*	*47*	*72*

It is so much discussed on group size, if large groups are better than small groups, but there is not an accordance by the previous studies regarding this. The results of Table 6 and Figure 4 show that 55% of the participants prefer small groups, 35% of them prefer large groups, while 10% of the participants have not a preference.

With the other statements of the questionnaires, we have tried to understand what are the most important benefits and limits of large groups. However, we consider the current study as a starting point for future researches in order to understand better why large groups are and are not preferred.

Figure 4. Percentage of responses for each scale (Statement 3)

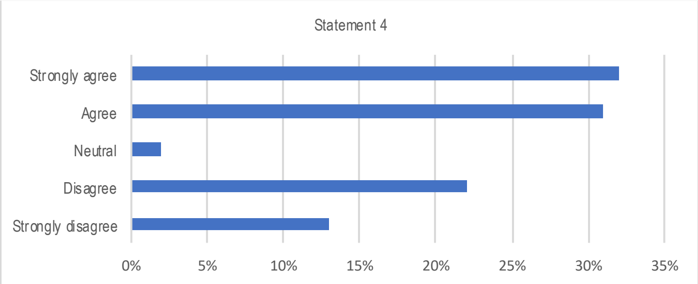


4: Within large groups, there are more conflicts.

Table 7. Number of responses for each scale (Statement 4)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
45	*77*	*8*	*105*	*109*

Figure 5. Percentage of responses for each scale (Statement 4)



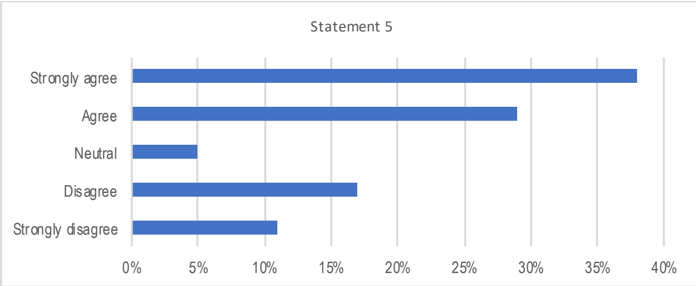
Previous researches have shown that for large groups conflicts are higher and cohesion is lower than for small groups. The results of the current study are in consistency with the previous studies. 63% of the participants of the current research agree that within large groups are more conflicts, while 35% of them doesn't think so.

5: If the group is large, the relationships between members are more formal.

Table 8. Number of responses for each scale (Statement 5)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
37	*58*	*17*	*101*	*131*

Figure 6. Percentage of responses for each scale (Statement 5)



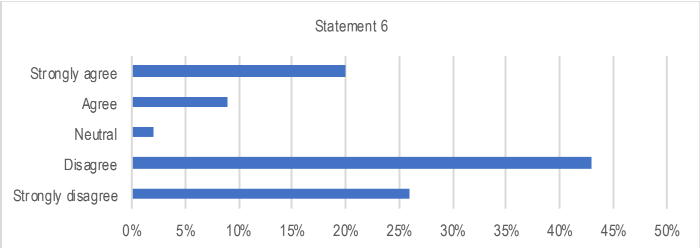
67% of participants of the current research admit that the relationships between members of a large group are more formal. Also, this result is in consistency with the conclusions of previous studies.

6: In large groups, the attention and individual commitment are lower than in small groups.

Table 9. Number of responses for each scale (Statement 6)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
89	*147*	*7*	*32*	*69*

Figure 7. Percentage of responses for each scale (Statement 6)



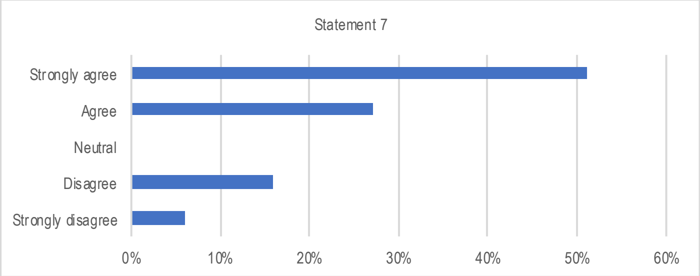
According to Liden et al. (2004), in large groups some members may take passive positions, a phenomenon known as "social loafing". Individuals often commit less when they have to achieve a goal by operating in a large group than when they operate alone. This means that in large groups some members become unproductive. 69% of the participants in the current research agree that within large groups, the attention and individual commitment are lower than in small groups. One more time, the results of the current research are in consistency with the previous studies.

7: In small groups, the consensus is easier than in large groups.

Table 10. Number of responses for each scale (Statement 7)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
22	*54*	*0*	*94*	*174*

Figure 8. Percentage of responses for each scale (Statement 7)



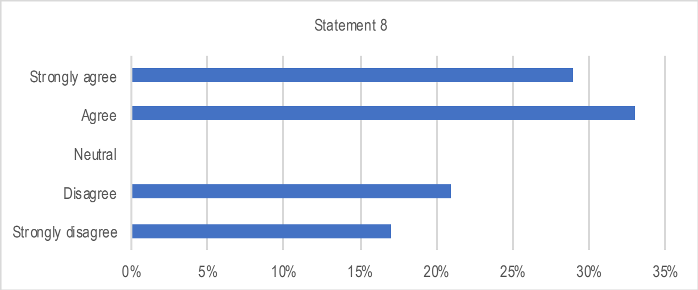
There are evidences that take into analysis the impact of group size on consensus achievement. It is believed that in small groups the consensus is easier than in large groups. 78% of the participants of the current research agree with this conclusion.

8: In large groups, decisions can be made only through a voting process.

Table 11. Number of responses for each scale (Statement 8)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
59	*73*	*0*	*113*	*99*

Figure 9. Percentage of responses for each scale (Statement 8)



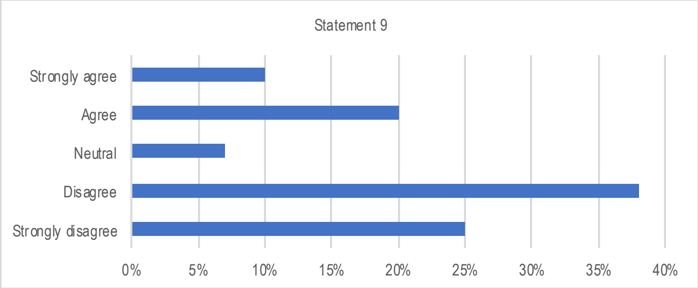
62% of them believe that in large groups decisions can be made only through a voting process. So, there will be always a minority that will have to submit to the majority.

9: In large groups, there are often delays in decision-making.

Table 12. Number of responses for each scale (Statement 9)

Strongly disagree	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
86	*130*	*24*	*69*	*35*

Figure 10. Percentage of responses for each scale (Statement 9)



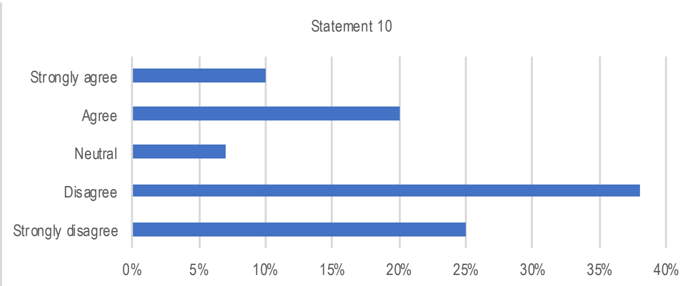
63% of participants do not believe that in case of large groups, there are often delays in decision-making. This conclusion is in consistency with the previous one. A voting process shortens the time required for making a final decision.

10: For small groups, group operation and coordination are easier.

Table 13. Number of responses for each scale (Statement 10)

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
32	147	14	57	94

Figure 11. Percentage of responses for each scale (Statement 10)



According to Steiner (1972), large groups are characterized by coordination problems. 44% of the participants believe that for small groups, group operation and coordination are easier. So, coordination problems does not depend only on group size.

6. Conclusion

The main purpose of the current research was to identify what are the most important benefits and limits of the group referring to its size. Thus, in consistency with the main purpose, the research questions were formulated in order to understand how much are preferred large groups to make decisions and what are the advantages and problematic aspects of large groups compared to small groups. It was decided to take into analysis the banking sector because from the information collected informally prior to the current research, we were informed that almost all the decisions within the banking institutions are made by groups, a fact which is also confirmed by the present research. Thus, 85% of the participants affirm that group decision-making processes are widely used within their organizations. But what think the participants about the importance of group size? 80% of them agree that the number of group members affects the quality of the decisions made.

It is so much discussed on group size, if large groups are better than small groups, but there is not an accordance by the previous studies regarding this. The results of the current research show that 55% of the participants prefer small groups, 35% of them prefer large groups, while 10% of the participants have not a preference.

But what are the benefits and limits of group decision-making according to its size? Previous researches have shown that for large groups conflicts are higher and cohesion is lower than for small groups. 63% of the participants of the current research agree that within large groups are more conflicts, while 35% of them doesn't think so. On the other hand, 67% of them admit that the relationships between members of a large group are more formal. According to Liden et al. (2004), in large groups some members may take passive positions, a phenomenon known as "social loafing". Individuals often commit less when they have to achieve a goal by operating in a large group than when they operate alone. This means that in large groups some members become unproductive. 69% of the participants in the current research agree that within large groups, the attention and individual commitment are lower than in small groups. There are evidences that take into analysis the impact of group size on consensus achievement. It is believed that in small groups the consensus is easier than in large groups. 78% of the participants of the current research agree with this conclusion. Furthermore, 62% of them believe that in large groups decisions can be made only through a voting process. So, there will be always a minority that will have to submit to the majority. 63% of participants do not believe that in case of large groups, there are often delays in decision-making. This conclusion is in consistency with the previous one. A voting process shortens the time required for making a final decision. According to Steiner (1972), large groups are characterized by coordination problems. 44% of the participants believe that for small groups, group operation and coordination are easier. So, coordination problems does not depend only on group size.

7. Recommendations

The group is a study object in many domains. Due to the change of contextual factors, but not only, as the more dynamic environment, the increasing level of problems' complexity, the transition from vertical structures to more flexible structures, etc., organizations are increasingly using groups to make decisions. However, the use of the group does not absolutely guarantee good decisions. A very important factor that affects the effectiveness of group decisions is its size. There is no consensus among researchers on the optimal size of the group, but there are enough studies that show that large groups of more than 12 members bring more problems than benefits.

At the end of the present research, we would recommend:

- The avoidance of large groups, in order to minimize conflicts and delays in decision-making;
- A careful selection of group leader, with good organization and coordination skills;
- A careful selection of group members according to their problem knowledge and skills;
- The creation of a positive climate and spirit of cooperation within the group;

- Conditions for each member of the group to have the opportunity to contribute to the decision-making process.

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Relationship of Pay and Job Satisfaction

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Abstract

The study measures the relationships of pay satisfaction and its dimensions (pay level, benefits, pay raises and administration/structure) with job satisfaction. A total of 200 public sector employees, from different companies and non-governmental, independent institutions participated. The results showed that overall pay satisfaction and pay level affected job satisfaction while pay raises, benefits and administration/structure did not. The results and limitations of the study were discussed and suggestions on future research were given.

Keywords: pay satisfaction, pay level, benefits, pay raise, administration, structure, job satisfaction

Introduction

Pay is an important aspect of doing business because it represents both, one of the largest organizational expenses, and one the most valued employee outcomes (Shaw, Duffy, Jenkins, & Gupta, 1999). Pay includes several forms of compensation such as "direct, cash payments (for example, salary); indirect, noncash payments (for example, benefits); the amount of pay raises and the process by which the compensation system is administered" (Williams et al., 2006, p. 392). The importance of pay to most employees makes it necessary for companies to analyze the attitudes and behaviors of these employees towards pay, in order to establish the right policies and structures to perform more effectively. Pay satisfaction refers to the extent to which a person is satisfied with the process and level of direct or indirect monetary rewards received for work (Ducharme et al., 2005), or in other words, as the "amount of overall positive affect (or feelings) individuals have toward pay" (Miceli & Lane, 1991, p.246).

Early researchers considered pay satisfaction an unidimensional construct (Orpen & Bonnici, 1987) and used either ad hoc measures or the pay satisfaction sub-scales of both the Minnesota Satisfaction Questionnaire (MSQ) and the Job Descriptive Index (JDI) (Fong & Shaffer, 2003). A major break-through in the research was made with the conceptualization of Pay Satisfaction Questionnaire by Heneman and Schwab

(1985), as the first multi-dimensional construct of pay satisfaction. PSQ was a more appropriate measuring instrument than the Minnesota Satisfaction Questionnaire (MSQ) and Job Descriptive Index (JDI) because its values explained more areas of pay satisfaction (Judge, 1993; Scarpello et al.1988).

Nowadays, there is wide evidence to support the multidimensionality of pay satisfaction with the majority of studies showing that there are four dimensions (Carraher and Buckley, 1996; Currall et al., 2005; DeConinck et al., 1996; Heneman et al., 1988; Judge, 1993; Scarpello et al., 1988; Shaw et al., 1999), namely (1) pay level, (2) benefits, (3) pay raises, and (4) pay structure and administration. However most of the research on pay satisfaction has been focused on its dimensionality and antecedents. Vandenberghe and Tremblay (2008) advised on switching the focus of the research on to the consequences of pay satisfaction as a necessity to understand them better.

Job satisfaction is one of the most important consequences of pay satisfaction because it is related with other work outcomes (Hulin, 1991; Kinicki et al., 2002; Koh and Boo, 2001). Locke (1976) defined job satisfaction as "a pleasurable or positive emotional state, resulting from the appraisal of one's job experiences" (p 1304). It is a global concept comprised of various facets, which depending on the categorization can range from five (Smith, Kendall, & Hulin, 1969) to nine (Locke, 1976; Westlund and Hannon, 2008). Out of all the different facets of job satisfaction, pay satisfaction requires independent assessment because of the big implications with organizational expenses (Currall, Towler, Judge, & Kohn, 2005; Ram & Prabhakar, 2010). There are several studies on the pay and job satisfaction relationship (Ago, Mueller and Price, 1993; Best and Thurston, 2006; Tremblay, Sire and Balkin, 2000), however most treat pay satisfaction as a unidimensional construct (Singh and Loncar, 2010).

The purpose of this paper is to explore the nature of the relationships of pay satisfaction and each of its dimensions with job satisfaction. The originality and value of the research is due to the use of a multidimensional factor, its focus on an outcome variable and its applications in a developing economy like Albania where there is very little- if any at all- research on pay satisfaction.

Methods and Procedures

200 questionnaires were collected via Google forms from public sector employees. Most of the respondents were females (54.5 %) and the rest were males (45.5 %). The majority of the employees sampled were under the age of 35 years (43.5 %), those in the 35-45 years age group were 38.5%, followed by the 45-55 years group (11%) with the rest being older than 55 years. The majority of the respondents (60.5 %) had less than 15 years of work experience and 62.5 % had been less than 5 years at their current position. More than half of them (51.5%) were non managerial employees with the rest being managers of all three levels.

The data were collected using an Albanian version of the survey scales. The questionnaire with 33 questions divided in three sections was developed by utilizing previously used and very reliable measures. The first section with 10 questions was used to acquire information on the participants' demographics characteristics. The second section with 18 questions asked the participants to rate their pay satisfaction levels. The final section with the remaining 5 questions asked the employees about their job satisfaction. The levels of pay satisfaction were rated with a five point Likert Scale with 1 being "Very Dissatisfied" and 5 being "Very Satisfied" and the levels of job satisfaction were rated with a five point Likert scale with 1 being "Strongly Disagree" and 5 being "Strongly Agree".

Heneman and Schwab's (1985) four dimensional Pay Satisfaction Questionnaire, the most popular multifaceted measure of the construct, (Carraher and Buckley, 1996), (Vandenberghe and Tremblay, 2008) was used to measure pay satisfaction. The four scales measure satisfaction with pay level, benefits, pay raise and pay structure and administration. There were four questions on pay level (e.g. *How satisfied are you with the size of your current salary? How satisfied are you with your overall level of pay?*); four questions on benefits (e.g. *How satisfied are you with your benefits package? How satisfied are you with the value of your benefits?*); four questions on pay raise (e.g. *How satisfied are you with the raises you have typically received in the past? How satisfied are you with your most recent raise?*); and six questions on pay structure/ administration (e.g. *How satisfied are you with the way the organization administers pay? How satisfied are you with the consistency of the organization's pay policies?*). The Cronbach α estimates of internal consistency for Pay Level, Pay Raise, Benefits, and Pay Administration were .91, .87, .80, and .89, respectively.

The General Satisfaction construct of the Job Diagnostic Survey (Hackman & Oldham, 1975) was used to measure job satisfaction. It is an overall measure of the employee's satisfaction and happiness in his or her work. They were five statements (e.g *Generally speaking, I am very satisfied with this job. I am generally satisfied with the kind of work I do in this job.*) The Cronbach α estimates of internal consistency for job satisfaction were .72.

Results

To analyze the nature of the relationships between pay satisfaction and its dimensions of pay level, benefits, pay raises and administration/structure with job satisfaction we use the Chi Square Independence Test. In order to establish a relationship between the variables at a 95% confidence interval we need to have a Pearson Chi Square coefficient at less than .05. Table 1 shows the results of the test for pay level and job satisfaction. The Chi Square coefficient, expressed through Asymp.Sig. (2-sided), = 0.048 which is less than p = 0.05 (5%). This shows that our variables are connected and that pay level affects job satisfaction.

Table 1. Chi Square test between pay level and job satisfaction.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.901[a]	3	0.048
Likelihood Ratio	11.758	3	0.008
Linear-by-Linear Association	4.646	1	0.031
N of Valid Cases	200		

Table 2 shows the results of the test for benefits and job satisfaction. The Chi Square coefficient, expressed through Asymp.Sig. (2-sided), = 0.254 which is greater than p = 0.05 (5%). This shows that these two variables are independent of each other and that benefits do not affect job satisfaction.

Table 2 Chi Square test between benefits and job satisfaction.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.071[a]	3	0.254
Likelihood Ratio	3.935	3	0.269
Linear-by-Linear Association	1.693	1	0.193
N of Valid Cases	200		

Table 3 shows the results of the test for pay raises and job satisfaction. The Chi Square coefficient, expressed through Asymp.Sig. (2-sided), has a value = 0.075 > 0.05, thus showing that even pay raises are not related with job satisfaction.

Table 3. Chi Square test between job satisfaction and pay raise.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.918[a]	3	0.075
Likelihood Ratio	7.076	3	0.070
Linear-by-Linear Association	1.759	1	0.185
N of Valid Cases	200		

Table 4 shows the data from the independence test of administration/structure and job satisfaction. The results reflect a lack of relationship between the administration/structure dimension and job satisfaction as the value of the Pearson Chi coefficient in this case is 0.336>0.05.

Table 4 Chi Square test between job satisfaction and organizational structures.

Chi-Square Tests			
	Value	*df*	*Asymptotic Significance (2-sided)*
Pearson Chi-Square	*3.382[a]*	*3*	*0.336*
Likelihood Ratio	*3.446*	*3*	*0.328*
Linear-by-Linear Association	*2.943*	*1*	*0.086*
N of Valid Cases	*200*		

To explore the relationship between overall pay satisfaction and job satisfaction we construct a multiple linear regression, as follows:

$Y_i = b_0 + b_1X_1 + b_2X_2 + \ldots . b_nX_n + \varepsilon_i.$

First we see the multicollinearity of the independent variables between them (in our case 4 dimensions of pay satisfaction). The values of the following data show that the coefficient of their interaction is within the allowed limits -0.7 to 0.7, thus the correlation between them does not pose a problem in their interaction with job satisfaction as the dependent variable (Table 5).

Table 5 Correlation between pay satisfaction dimensions.

Correlations					
		Pay Level	*Benefits*	*Pay Raise*	*Administration/Structure*
Pay Level	*Pearson Correlation*	*1*	*.632***		
Benefits	*Pearson Correlation*	*.632***	*1*		
Pay Raise	*Pearson Correlation*	*.624***	*.643***	*1*	
Administration/Structure	*Pearson Correlation*	*.641***	*.680***	*.683***	*1*

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

Before constructing the regression equation we refer to the ANOVA analysis. Table 6 shows that there is a relationship between the dimensions of pay satisfaction and job satisfaction since the value of Sig. = 0.00 <0.05.

Table6. ANOVA

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.517	4	1.129	5.374	.000b
	Residual	40.983	195	0.210		
	Total	45.500	199			

a. Dependent Variable: job satisfaction

b. Predictors: (Constant), Organizational structure, Benefits, pages Page increase, Level of Payment

Data in table 7 shows that in this correlation two dimensions of pay satisfaction are directly related to job satisfaction. They are pay level and pay raises as the respective values of Sig. are .005 and 0.00, both < 0.05.

Therefore our equation will have the form:

(Job satisfaction) = 3.127 + 0.117 (Pay Level) +0.047 (Raises)

Table 7 Multiple regression analysis between pay dimensions and job satisfaction.

Model	R^2	R^2 adjusted	t	Sig.
Constant	0.399	0.381		
Pay Level			19.693	**0.000**
Benefits			1.947	0.053
Pay Raise			-4.027	**0.000**
Administration/Structure			0.588	0.557

Pay level has a greater influence on job satisfaction than pay raises as shown by the higher coefficient $\beta=0.117$.

Discussions and Conclusions

The study discovered that not all dimensions of pay satisfaction were related with job satisfaction. Overall pay satisfaction and pay level were related to job satisfaction while pay raises, benefits and administration/structure were not. The relationships of pay and pay level satisfaction with job satisfaction were expected considering empirical studies and the lack of relationships for the other three dimensions can be explained with the context in which the study was conducted. Organizations in the public sector might offer benefits of lesser value and number because of budgetary constraints. Employees in Albania also value much more the direct cash rewards like salaries or bonuses than indirect non cash rewards like benefits. Pay raises in the public sector are not frequent and usually just adjust the salaries to the level of inflation. The public sector causes limitations for the study. It is recommendable to also conduct this study on private sector employees in order to fully explore the nature of the relationships.

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Smart Retailing in COVID-19 World: Insights from Egypt

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Abstract

COVID-19 pandemic has had a significant impact on business in general and the retail sector in particular which was hardly hit as sales fell by 20 percent during this period. The main challenges that face retailers nowadays during COVID-19 outbreak include: balance in supply and demand; safety of employees; trust between retailer and consumer; distribution & transportation capability; shortage of manpower and consumer behavior (Fernandes, 2020; Kumar et al., 2020; Pantano et al., 2020). Yet, retailers around the world started to understand the benefits and new opportunities offered by smart technologies (Inman and Nikolova, 2017; Renko and Druzijanic, 2014). New technologies like internet of things (IoT) can play a significant role in controlling the pandemic situation in the retail sector and are expected to bring substantial benefits such as lower labor costs, increased efficiency, attraction of new shoppers and the generation of new revenue channels (Roy et al., 2017; Vaishya et al., 2020; Wünderlich et al., 2013). However, only a limited number of retailers has adopted IoT due to the huge financial investments required and uncertainty of customers' acceptance (Alkemade and Suurs, 2012; Evans, 2011; Pantano et al., 2013). It is, thus, expected to see smart retailers taking a series of actions over the short to medium term to conserve cash and structure of their company for post-COVID-19 operations. This research aims to explore the retailers' perceptions towards the adoption of smart retail technologies in Egyptian retailing context throughout conducting a series of semi-structured interviews with mid-to-top level management in different retail organisations and discuss the advantages and challenges expected from smart retail technologies adoption. Moreover, the research explains how smart retail can help overcoming uncertainities and is considered a well managed response strategy by retailers to COVID-19.

Keywords: COVID-19, Egypt, Internet of Things (IoT), Smart Retail, Retail 4.0, Omni-Channel

Introduction

Technology development is ongoing with an exceptional speed (McLean and Wilson, 2019). One of the industries that is observing a revolution due to the continual advance in technology is the retail industry (Priporas et al., 2017). In this era, retailing has become a dynamic industry and consumers depending on technology have significantly increased (Zhitomirsky-Geffet and Blau, 2016).

Retailing has changed dramatically in the last decades, due to ongoing digitization that enabled increased innovation in retail sector. Retailing is promptly shifting from traditional in-store and multichannel practices to Omni-Channel practices (Ailawadi and Farris, 2017). Thus, the concept of retail 4.0 is about Omni-Channel retail experiences, breaking the boundaries between the physical and virtual, and integrating service experience of various channels through an innovative model.

The Omni-Channel business model includes the use of multichannels such as physical in-store locations, social media platforms, mobile web, mobile devices, mobile applications, Chabot's, and virtual reality and all of the channels can be leveraged to serve all of their customers in purchase process regardless where and when. "Omni-Channel retailing" is widely known as new age of retail (Verhoef et al., 2015). Therefore, one of the most critical and serious challenges for retailers today is how to integrate new digital technologies into traditional operations and services to deliver more advanced, tailored customer experiences regardless of the channel used by end-customers.

While retailers usually lack modern capacity and they generally adapt to innovations; innovative and interactive technologies and systems for selling goods and services are available and growing fast to support customers and retailers (Pantano, 2014). Currently the Internet of Things (IoT) is considered as one of the highly rated technological and strategic innovations that are anticipated to create new business opportunities by 2020 (Fagerstrøm et al., 2020) throughout developing a digitally enhanced environment aiming to deliver intelligent and autonomous solutions for both service providers and customers. This linkage between physical and digital entities across virtual platforms is known as The Internet of Things (IoT) which is not a single technology, but it is more of a set of numerous complementary technologies with competencies to connect the virtual and physical world. IoT stands on three main principles: 1) identification 2) interaction and 3) communication. Taking into consideration that these pillars are not only applicable among themselves or with other associated objects, but also with end-users (Gigli and Koo, 2011; Hoffman and Novak, 2015; Miorandi et al., 2012; Roy et al., 2018). The retail industry is on the verge of introducing IoT and smart technology which will lead to a significant improvement in retailing processes as well as entertaining consumers (Dacko, 2017; Inman and Nikolova, 2017; Pantano et al., 2017; Roy et al., 2017; Willems et al., 2017).

The emergence of COVID-19 pandemic and its implications are causing negative impact in the short- and mid-term to retailers, therefore urgent strategies and tactics for retailers are required (Pantano et al., 2020). The integration of new and innovative technologies like Internet of Things (IoT) can play a key and major role in reducing retailers' problems in dealing with COVID-19 pandemic (Vaishya et al., 2020). This research aims at exploring the retailers' perceptions towards using smart technologies within the Egyptian retail context; consequently discuss the challenges resulting from smart retail technologies adoption as well as the advantages expected from shifting towards smart retail.

Overview of Retail Business in Egypt

Egypt retail market is one of the most appealing markets for investments in the world indeed. In addition, Egypt population is the biggest in the Middle East North Africa region (MENA). The population of Egypt as of January 2020 was 102,334,404 (Worldometer, 2020). Also, Egypt had one of most diversified economy in the Arab world. According to AT-Kearney (2016), Egypt is the third largest economy in the Arab world and its total retail sales amount to US$ 133 billion. Egypt retail market is competitive, fragmented and traditional similar to many developing countries.

Overall, the retail industry in Egypt is mainly divided into two main sectors; modern and traditional retail. Mainly, traditional retail has served Egypt's consumers shopping needs for decades. The traditional retail sector includes several formats, such as street vendors, independent high-street shops, and neighborhood corner stores. Modern retail, also known as organized retail, refers to retailing activities achieved by licensed retailers who are registered for sales tax, income tax, and value added tax, etc. In recent years, Egypt retail market shifted from traditional retail towards modern trade. The modern retailing growth in recent years can be assessed by the rise of shopping malls, franchise stores along with the increasing number of grocery modern retail formats such as supermarkets, hypermarkets, and discounters. Inflation, complex bureaucracy, depreciation of the Egyptian pound versus dollar, terror attacks, and consumer spending power are the main challenges for retail investors in Egypt. However and despite these challenges, many local and multinational retailers have submitted plans to join or expand their business in Egypt.

Another exciting fact in Egypt's retail market is the rise of online retailing due to the evolution of smartphones and social media. Egypt has a number of key e-commerce platforms where "JUMIA", "SOUQ" and "NOON" are the most familiar ones. Also, there is a large segment of individuals initially starting up their businesses totally on online platforms, such as "Facebook", "Instagram" or other websites. According to AT-Kearney report (2016), online retailing business in Egypt has reached US$ 544 million in 2015/2016 which approximately forms 0.4% of the total retail sales amounted to US$ 133 billion. Retail Experts suggest that online retailing activities volume will grow by 35% on annual basis. Applying this estimation and in case of constant demand on e-commerce products and services, online retailing volume is expected to become US$ 1.93 billion by the year 2019/2020.

Currently, COVID-19 pandemic caused significant negative implications in regards to national economies, businesses and individual jobs (Parker et al., 2020). According to The World Bank (2020), despite the extraordinary efforts of many governments to counter the decline with monetary policy support, it expects a 5.2 percent contraction in global GDP in 2020; this is considered the deepest global recession in decades. Since World War II, the world has not practiced such heavy restrictions on the freedom of individuals as those executed by numerous governments due to the COVID-19 pandemic (Pantano et al., 2020).

Service sectors such as retail hit hardly (Fernandes, 2020). Retail sales fell by 20 percent over the same period and COVID-19 pandemic has disrupted everything where huge challenges and uncertainties have impacted retail industry and the consumers' normal habits and behaviors in retail settings might be limited for now (Fernandes, 2020; Pantano et al., 2020)

Many consumers are in self-imposed isolation where trips to brick and mortar stores are no longer possible or fraught with challenges. Retail organizations around the world like Deloitte, KPMG, Nielsen, Forbes, IDC and McKinsey suggest that technology adoption can play a significant role in controlling the pandemic situations and retailers problems (Kumar et al., 2020; Vaishya et al., 2020).

For retailers, smart retail technology is expected to bring substantial benefits such as lowering labor costs, increasing operations' efficiency, attracting new shoppers and generating new revenue channels. In addition, it will provide consumers with tremendous benefits such as superior, convenient, entertaining, interacting, fast, satisfactory, personalized and smart shopping experience (Roy et al., 2017; Wünderlich et al., 2013).

The Internet of Things (IoT) in Retailing

The Internet of Things (IoT) also known as the Internet of Everything or the Industrial Internet is a novel technology standard seen as a worldwide network of machines and devices that are able to interact and connect with each other (Lee and Lee, 2015). Although the definition of IoT is still in its development stages, its generally agreed that "*it is a paradigm where everyday things are embedded with technology that equips them with sensing, identifying, networking and processing capabilities which enable them to communicate with other devices and services over the Internet to accomplish objectives*" (Whitmore et al., 2015). It is estimated that there will be between 25 billion and 50 billion connected devices by 2025. Furthermore, Manyika et al. (2015) predict that customers are expected to capture 90% of IoT benefits and it will have a potential impact of US$11 trillion by 2025. The IoT is considered as one of the most distinguished area of future technology and is attaining a huge attention from a broad range of industries. The real value of IoT for enterprises is attained when connected devices communicate and integrate with merchant systems, customer support systems, business intelligence applications, and business analytics.

IoT is, therefore, recognized as the next big thing in the retail industry that is considered one of the most important areas for IoT applications (Gregory, 2015; Pantano and Timmermans, 2014) and it will have a significant impact on the retail industry namely in three crucial areas: (1) customer experience; (2) supply chain, and (3) new channels & revenue streams (Firdausi, 2016; Gigli and Koo, 2011; Miorandi et al., 2012). The effective deployment of IoT in retail context could have an economic effect of $410 billion to $1.2 trillion per year in 2025. IoT Shelf Availability, Automated Checkout, Smart Customer Relationship Management and Real-time In-store Promotions are the most promising applications for IoT technology in the retail sector (Manyika et al., 2015).

In the new ecosystem, as more retail 4.0 technologies are adopted, it can be concluded that retailers of the future will rethink how to create and capture value in light of IoT technological advancement by introducing what so called “SMART” store, products and services that are characterized with hybridization between new technologies and traditional retail features to engage with their customers and create seamless shopping experiences embedded in our daily life activities.

Therefore, it is argued that IoT enabled technologies will be a game changer for retail sector in the future. IoT technologies help creating interactive consumer experiences giving rise to “smart” retail stores where inventories levels and customer movement in store can be tracked; real-time notifications when products are out of stock to restock; install smart shelves; alert consumers about promotions and discounts when near certain products and automated checkouts. Therefore, the paper main objective is to explore the perceptions of Egyptian retailers towards the adoption of smart technologies and examine the main constraints and benefits of smart retail adoption within the Egyptian context. To achieve this objective the researcher will attempt to answer the following questions:

Q1. What are the challenges and obstacles of smart retail adoption?

Q2. What are the advantages and expected results of smart retail adoption?

Q3. What are the retailers’ recommendations for successful smart retail adoption?

Methodology

A qualitative research method has been selected for this research. Qualitative data analysis procedures are considered to be very useful and necessary because the baseline knowledge on smart retail, IoT technology and the surrounding issues with respect to the population of interest are still new.

The most widely used method for sorting out sample size for qualitative interviews is the saturation of information (Vasileiou et al., 2018). In other words, sample size for qualitative research determine, when no new information, no new data and no new themes can be extract from participants (Morse, 1995). Moreover, Morse (1995) affirms that the more useable data are collected from each participant, the fewer participants are needed. Furthermore, he confirmed that in qualitative interviewing parameters such as the scope of study, the nature of topic (i.e. complexity, accessibility), the quality of data, experts experience aim and the study design should be taken into account by researchers to determine the qualitative research sample size.

A semi-structured interview consisting of 9 questions (See Appendix A) is designed in relation with the research objective; however, the discussions remain flexible and open-ended and the participants are informed that their honest and frank opinions are what the researcher is interested in and that there is not a wrong or right answer.

The interviews mainly focused on getting insights from the retail managers concerning: (1) the impact of COVID-19 on the retail industry; (2) offline retailers readiness to implement smart retail technologies (SRT); (3) smart retail technologies (SRT) impact in physical stores; (4) the obstacles and challenges that affect the adoption of Smart Retail Technologies (SRT); (5) the advantages of smart retail technologies (SRT) adoption in retail sector; (6) their perception of post smart retail technologies (SRT) adoption results; (7) their perception towards consumers' willingness to adopt smart retail technologies (SRT); and finally (8) based on their experience in the retail industry, their recommendation to successfully adopt smart retail technologies (SRT).

Using a convenience sampling strategy to select the participants, five experts confirmed their willingness to participate in this study which was considered being sufficient for the purpose of the current study.

The participants are selected from different types of retail industry including: fashion, beauty and gifts retailing, food distribution, books and hypermarket chains. To assure the usefulness of the data, the researcher selected the participants with sufficient knowledge about smart technologies and its applications on retail sector. The interviews were conducted via ZOOM for approximately 45 minute per interview, and all interviews were audio recorded with the interviewee consent to increase the accuracy of data collected since it permits the interviewer to be more focused on the interviewee (Patton, 1990). It also allowed the researcher to transcribe each interview effectively. The researchers took handwritten notes during the sessions. After all the interviews were completed, the discussions were transcribed and data are organized in themes and analyzed. Table 1 illustrates the profile of each of the five cases that participated in the interview with brief information about the company, its size and if they currently adopt Smart Retail Technologies (SRT).

Table 1

The Sample Characteristics (Case profile)

Cases	Job title	Management Level	Gender	Location	Experience (years)	Company	Type	Company Size	Type of Technology used/adopted
RE-01	Area manager	Mid-level	Male	Egypt	>10	ALEF Bookstores	Bookstore Retailer	>300	Digital platform
RE-02	Category manager	Mid-level	Male	Egypt	>15	Carrefour Egypt	Hypermarket & supermarket chain	>6,000	Digital platform, Self-checkouts, Click & collect, Intelligent self-service kiosk
RE-03	Business development manager	Mid-level	Male	Dubai	>10	Hershey Company Middle East	Chocolate manufacturer	>40	Digital Platform
RE-04	Retail area sales manager	Mid-level	Male	Kuwait	>20	Chalhoub Group Middle East	Luxury retailer in beauty, fashion, and gift sectors.	>12,000	Digital platform, Smart mirrors, click & collect, Intelligent self-service kiosk
RE-05	Store manager	Mid-level	Male	Egypt	>10	Zara	Fashion retailer	>1,000	RFID Readers, Digital platform, Intelligent self-service kiosk

Thematic Analysis

When a pattern emerges repeatedly in multiple cases, it is identified as a theme, thus considered an explanatory finding that describes the phenomenon. The main purpose of this section is to develop a clear interpretation for the data collected and to distinguish between information relevant to all cases and those aspects that are exclusive to some cases in particular. First, data are decontextualized by exploring individual case, then data are re-contextualized by grouping into themes with commonalities taken from multiple respondents to reduce data across all cases (Ayres et al., 2003).

Within Case Analysis

The within-case analysis depicted the issues each expert reported in regard to the eight objectives mentioned above. Table 2 presents the eight objectives and relates each objective with the interview questions developed by the researcher.

Table 2

Objectives and interview questions

Objectives	Question
The impact of COVID-19 on the retail industry	How is the current COVID-19 pandemic affecting the retail industry in Egypt? To what extent SRTs could help the retail industry during the current pandemic crisis?
Offline Retailers readiness to implement SRT	Which retailers have the "capabilities necessary for successful Smart Retail Technologies implementation?
Smart retail technologies (SRT) impact in physical stores	Which smart retail technologies will have the biggest impact if implemented within retail stores? Why?
Obstacles and challenges that affect the adoption of Smart Retail Technologies (SRT)	What are the obstacles and challenges that may prevent retailers from adopting Smart Retail Technologies?
Advantages of smart retail technologies (SRT) adoption in retail sector	What are the changes and expected benefits to take place if retailers adopt smart retail technologies?
Retail experts perception of post smart retail technologies (SRT) adoption results	What is your perception regarding the changes smart retail technologies may create?
Retail experts perception of consumers' willingness to adopt SRT	Do you think the consumer will accept using Smart Retail Technologies? Why?

Retail experts' acceptance to adopt smart retail technologies (SRT).	Are you considering/ accepting adopting Smart Retail Technologies? Why?

Case RE-01

First: concerning the impact of COVID-19 on the retail industry in Egypt, the respondent noted that with regards to online retailers who have been tested during this period, a few online retailers proved that they have the capacity to accept orders from new shoppers and to deliver a great online experience. He elaborated that the impact of COVID-19 on offline retailers in Egypt forced integration on online channel and moving for multichannel. Retailers recognise the necessity to merge all available channels including web store, mobile applications and social media and etc. Furthermore, the respondent stated that he expects to see further adoption of smart technology mainly in Egypt modern retail sector (e.g. shopping malls, supermarkets, hypermarkets, famous brands). He, finally, noted that the pandemic outbreak accelerated and forced the consumer adaptation to online shopping and it has become a habit. He also believes that many shoppers will continue to use the online platforms after the current situation ends.

Second: concerning retailers' readiness to implement SRT, he noted that he does not believe that Egypt offline retailers have the essential capabilities to implement SRT now.

Third: concerning the smart technologies, he believes it will have the most impact if implemented within physical stores (offline). Moreover, he confirms that the use of virtual mirrors instead of dressing rooms is expected to increase significantly; automated checkout and self-checkout payment system are very interesting technologies that can improve customer shopping experience. However, he mentioned that if systems do not work well or break easily, customers will avoid them and go to regular cashiers instead. He also added that he believes that these technological innovations are important, but automated technologies cannot replace humans totally, especially in developing countries.

Fourth: concerning the expected obstacles and challenges that may prevent retailers from implementing SRT, he noted that smart technologies require huge funding and financing investments. Moreover, he added that customers will be the biggest challenge, no matter how improvement smart technology can provide, without customer acceptance the technology would be useless.

Fifth: concerning the advantages of adopting SRTs in retailing, he noted that retailers can become more efficient, smart technology can prevent errors caused by human factors and reduce overall operation costs, response time to the minimum, improve the accuracy of inventory tracking, track goods across the supply chain, and help managers take better informed decisions with regard to lower prices either on promotional or low-turnover items, or increase pricing on higher-demand items and thus drive more sales and revenue.

Sixth: with regards to his perception of the changes smart retail technologies may create, he noted that he asserts that changes would be both positive and negative. As for the positive side, it can help retailers deal with COVID-19, generate new revenue stream and save retailers costs. As for the negative side, the automation would eliminate jobs and eventually it may affect Egypt's economy negatively.

Seventh: with regards to his perception on consumer willingness to accept and use SRTs, he noted that it mainly depends on consumers' age group; older generations would be a the major challenge for retailers while younger generations would accept and use smart technology and smart devices easily. Moreover, he mentioned that he believes younger generations would be the early adopters for smart retail technology and SRTs would enhance customer shopping experience in which shopping can be faster and enjoyable.

Eighth: with regards to his acceptance to SRT adoption in the future, he confirmed his agreement of the importance to shift towards smart retail and added that it can help retailers in the new post-COVID-19 world. and improve customers shopping experience.

CaseRE-02

First: concerning the impact of COVID-19 on the retail industry in Egypt he noted that with regards to online retailers, online sales have increased in comparaison to last year. He elaborated that COVID-19's impact on offline retailers led to a drop on stores'sales, cash flow and forecasted profits for 2020. Further, the respondent stated that he expects the adoption of smart technology to increase in the coming years and offline retailer stores should deploy smart technologies to compete with online platforms. He, finally, noted that the pandemic accelerated the consumer adaptation to e-payment solutions.

Second: concerning retailers' readiness to implement SRT, he noted that he believes that multinational retailers only would have the financial and human resources capacity to implement smart retail technologies (SRT).

Third: concerning smart technologies, he believes to have the most impact if implemented within physical stores (offline). He believes that the use of real time in store promotions technology would help retailers increase their sales and improvetheir connection with target customer.

Fourth: concerning the expected obstacles and challenges that may prevent retailers from implementing SRTs, he noted that retail industry was hit by an economic slowdown, losses and decrease in revenue streams in 2020 due to COVID-19. He added that currently most retailers focus on cost savings and smart technologies, howeverthis would be costly to be fully implemented. Further, he noted that customers' willingness and trust to use smart technologies should be considered as the main challenge that can prevent retailers from smart technologies' adoption. Finally, he highlighted that the internet infrastructure in Egypt needs a huge investment to improve network connections and to ensure a high speed internet.

Fifth: concerning the advantages of adopting SRTs in retailing, he noted that retailers can become more efficient. Smart technology can reduce operations and labor costs, help offline retailers to compete with online stores, and improve shopping experiences for consumers. Thus drives more sales and revenue.

Sixth: with regards to his perception of the changes smart retail technologies may create, he noted that he is evident that changes would be positive. It will help retailers generate more revenues.

Seventh: with regards to his perception on consumer willingness to accept and use SRTs, he noted that consumers would use it by time especially if it is easy, useful, error free and saves customer time. Moreover, he mentioned that he believes smart technology would transform retail businesses; it would facilitate customers shopping, make it faster and enjoyable, and will help stores to interact and engage with customers better.

Eighth: finally with regards to his acceptance to SRT adoption in the future, he confirmed his agreement as long as it is easy, useful and convenient for consumers.

Case RE-03

First: concerning the impact of COVID-19 on the retail industry in Egypt, he claimed that e-commerce dominated the retail market during Corona virus pandemic. In his elaboration about the impact of COVID-19 on offline retailers, he noted that online sales grew, offline retailers'sales has shrunk and their market dominance was negatively impacted. He added that the pandemic accelerated the collapsing of the already struggling traditional retail sector. He pressured that it has become crucial to modern retail sector to use digital tools and platforms and to renovate and reshape their business models. Furthermore, the respondent stated that he believes that the pandemic would accelerate the use of smart technologies, but still it depends on the retailer's target customers acceptance. He, finally, noted that during the current pandemic, consumers' behavior and shopping preferences around the world have changed in which they were actively stockpiling emergency supplies (e.g. foodstuffs, canned goods, flour, sugar and bottled water) and reduced their spending on some other categories, such as apparel, footwear, accessories…etc.

Second: concerning retailers' readiness to implement SRT, he stated "only the multinational retailers in the modern retail sector can implement SRT , such as in Carrefour", he believes that small and local retailers may not be ready to implmenet SRT

Third: concerning the smart technologies, he believes it would have the most impact if implemented within physical stores (offline), he believes that automated checkout and self-checkout payment systems are the most realistic technologies that can be implemented currently in Egypt and the Middle East

Fourth: concerning the expected obstacles and challenges that may prevent retailers from implementing SRTs, he noted that the uncertainty of consumer acceptance to smart technologies is the biggest challenge. He stated that without the consumer acceptance to use smart retail technologies, the efforts to implement SRT would be unsuccessful and waste of resources.

Fifth: concerning the advantages of adopting SRTs in retailing, he noted that smart technologies can change all retail operations. It can increase the speed and flexibility of operations, help improve retailers' bottom line, inventory management and reduce order processing time. However, he believes that smart technologies would not be implemented in less than three to five years.

Sixth: with regards to his perception of the changes smart retail technologies may create, he noted that changes would be positive, furthermore confirms that with current growth of e-commerce on average 35% annually with respect to the steady situation in offline retailing that is currently declining due to COVID-19; He affirms that smart technologies become a necessary strategic response for offline retailers.

Seventh: with regards to his perception on consumers'willingness to accept and use SRTs, he noted that it mainly depends on consumers' age group, their education level and income.

Eighth: with regards to his acceptance to SRT adoption in the future, he confirmed his agreement and added that it can help retailers' offline retailers who must start to consider implementing smart retail technologies to catch up with ecommerce players and fulfilling consumers' demands for innovative and new shopping experiences.

CaseRE-04

First: concerning the impact of COVIDCOVID-19 on the retail industry in Egypt, he claims that consumers shifted to online retailers to fulfill their shopping demands. He elaborated that the negative impact of COVID-19 on retail stores led to several decisions such as employees lay off and salary reduction. Moreover, the respondents stated that smart retail technology is a highly regarded solution for certain retailing sectors (e.g. cosmetics sector) in the current pandemic. He added it can maintain social distancing measures and decrease the human interaction. He, finally, noted that the pandemic changed consumers' attitudes, behaviors towards online shopping.

Second: concerning retailers' readiness to implement SRT, he noted that he believes that only brands have the essential capabilities to implement smart retail technologies now.

Third: concerning the smart technologies, he believes it will have the most impact if implemented within physical stores (offline), he believes that self checkout payment systems can be easy and simple for consumers in our region. . Furthermore, he added that smart retail technologies impact will differ from one retailer to another based on the retailers' products'offering and store formats.

Fourth: concerning the expected obstacles and challenges that may prevent retailers from implementing SRTs, he stated that "financing investments, customers' acceptance, and dealing with employees' resistance are the main challenges to successfully adopt smart retail technologies".

Fifth: concerning the advantages of adopting SRTs in retailing, he noted that smart retail technologies can help retailers maximize the efficiencies of operation, optimize cost, and increase the company revenues.

Sixth: with regards to his perception of the changes smart retail technologies may create, he noted that both positive and negative changes will occur. As for the positive side, he believes that it can help retailers enhance consumer shopping experience, generate new revenue stream and save costs for retailers. As for the negative side, he stated that business executives would face high resistance from employees.

Seventh: with regards to his perception on consumer willingness to accept and use SRTs, he noted that it mainly depends on consumers' characteristics such as age, education, gender, and income. He believes that younger generations will be early adopters to accept and use smart technology.

Eighth: with regards to his acceptance to SRT adoption in the future, he confirmed his agreement and added that it would help retailers create a better customer experience, thus increase their sales and bottom line results.

CaseRE-05

First: concerning the impact of COVID-19 on the retail industry in Egypt, he noted that with regards to online retailers, online sales have increased. He elaborated that the COVID-19 impacted the sales of offline retailers negatively. Furthermore, the respondent stated that he expects smart retail technologies to be very useful mainly for customers who have decided to apply social distancing and stay away from any risks caused by shopping in crowded stores (e.g. shopping malls). Finally, he noted that during pandemic outbreak, customers were panicking and had problems with communication.

Second: concerning retailers'readiness to implement SRT, he noted that he believes only well-known brands that have large amounts ofcash flow would be able to implement smart retail technologies.

Third: concerning the smart technologies, he believe it will have the most impact if implemented within physical stores (offline), he believes that the use of virtual mirrors automated checkout systems, and click and collect are very interesting technologies that can improve customers' shopping experience.

Fourth: concerning the expected obstacles and challenges that may prevent retailers from implementing smart retail technologies, he noted that the internet infrastructure, bureaucracy, and dealing with unskilled workers would be the biggest challenges.

Fifth: concerning the advantages of adopting SRTs in retailing, he noted that smart retail technologies can help retailers reduce costs, and ultimately increase the profits.

Sixth: with regards to his perception of the changes smart retail technologies may create, he noted that he believes that changes will be positive and negative. Smart technologies will help in reducing operating costs, increase profits, and allow retailers to decrease stores floor area and concentrate more on technological means.

Seventh: with regards to his perception on consumer willingness to accept and use SRTs, he noted that it mainly depends if consumers' will accept and use smart technology when introduced or will resist it and have concerns.

Eighth: with regards to his acceptance to SRT adoption in the future, he confirmed his agreement and added that adopting smart technologies can increase the productivity of the stores in terms of sales transactions; help customers checking for availability of products, support staff during shipments arrival.Consequently, improving service quality.

Cross-Case Analysis and Discussion

The cross-case analysis presents the similarities and differences between the 5 cases in light of the thematic map. Table (3) illustrates the 8 objectives and extracted themes from the the 5 cases analysed with respect to each objective.

Table 5.13

Objectives and themes

objective	Theme	Case(s)
The impact of COVID-19	Impact on online retailers; Impact on offline retailers; Impact on SRT adoption ; Impact on Consumers	RE-01,RE-02,RE-03,RE-04,Re-05
Offline retailers readiness to implement SRT	Modern retail sector.	RE-01,RE-02,RE-03,RE-04,Re-05
Smart retail technologies (SRT) impact in physical stores	Automated and self-checkout payment system, Virtual mirror, Click and Collect.	RE-01,RE-03,RE-04,Re-05
	Real time in store promotion	RE-02
Obstacles and challenges that affect the adoption of Smart Retail Technologies (SRT)	Customers' acceptance	RE-01,RE-02,RE-03,RE-04
	Financial challenges	RE-01,RE-02,RE-03,RE-04

	Employees' resistance	RE-04
	Internet infrastructure	RE-05
Advantages of smart retail technologies (SRT) adoption in retail sector	Improved consumers' shopping experience	RE-01,RE-02,RE-03,RE-04,Re-05
	Reduce operation and labor cost	RE-01,RE-02, RE-04,Re-05
	Increase sales and revenue	RE-01,RE-02, RE-04,Re-05
	Improve retail operation efficiency	RE-01, RE-03,RE-04
	Improve Inventory management	RE-01, RE-04
	Help retail stores compete with online shopping	RE-02, RE-03
Retail experts perception of post smart retail technologies (SRT) adoption results	Positive perception	RE-01,RE-02,RE-03,RE-04,Re-05
	Negative perception	RE-01
Retail experts perception of consumers' willingness to adopt SRT	Positive perception	RE-01,RE-02,RE-03,RE-04,Re-05
Retail experts' acceptance to adopt smart retail technologies (SRT).	Retail businesses acceptance adopting SRTs to their advantage.	RE-01,RE-02,RE-03,RE-04,Re-05

The Impact of COVID-19 on the Retail Industry in Egypt

The emergence of COVID-19 global pandemic is one of the defining events of 2020 and its implications disrupted everything where huge challenges and uncertainties have overshadowed the retail growth for 2020. Hence, it was necessary to discuss the impact of COVID-19 on the retail industry with the interviewees. Four primary themes have been extracted during the discussions with the interviewees: (1) Impact on online retailers; (2) Impact on offline retailers; (3) Impact on SRT adoption; (4) Impact on consumers. It is worth mentioning that all the respondents mentioned that online shopping grew while offline retailers' sales dropped.

According to The German-Arab Chamber of Industry and Commerce (GACIC) in Egypt, dependence on e-commerce has significantly increased in Egypt in which rising of Covid-19 and the physical distancing measures, encourage consumers to depend on online marketing sources for groceries, fresh food, hygiene products, clothes, medicine, electronics (AHK Egypt, 2020). Morover, 80% of Egyptians made online purchases for food, health care products or clothes during the curfew from March until June to confront the coronavirus pandemic (Consumer Protection Agency, 2020).

According to Fernandes (2020), retail sales fell by 20 percent over the same period and COVID-19 pandemic has disrupted everything where huge challenges and uncertainties have impacted the retail industry (Fernandes, 2020; Pantano et al., 2020). The respondents explained that Egyptian consumers' behavior changed, shoppers shifted to online retailers to fulfill their demands. Moreover, this pandemic accelerated the consumer adaptation to online shopping. They also indicated that smart retail technologies can be an inevitable solution during the current pandemic and they expect further adoption of smart technologies in the future.

Finally, all respondents explained that smart retail technologies can help offline stores to compete with online retailers, maintain the social distancing, reduce human interaction, and decrease risks caused by shopping at crowded stores.

For example: First: Concerning the impact of COVID-19 on the retail industry in Egypt respondent (RE-02) stated that with regards to online retailers "*online sales have risen from last year*". In his elaboration for the impact of COVID-19 on offline retailers he mentioned "*During this outbreak, offline retailers sales have dropped, cash flow impacted negatively and forecasted profits for 2020 have fallen*". Further, the respondent quoted in regards to the impact of COVID-19 on smart retail technologies adoption "*COVID-19 will increase the adoption of smart technologies in stores and I believe offline retailer stores should deploy smart technologies to compete with online platforms".* Finally he quoted in regards to the impact of COVID-19 on consumers "*due to the current pandemic, consumers' adoption to use credit/debit cards or mobile wallets instead of cash in hand increased*".

Offline Retailers Readiness to Implement SRT

Proceeding with the questions and topics, the interviewees expressed their thoughts in respect to offline retailers' readiness to implement smart retail technologies. The main trend was noted among the respondents that: in regards to the financial investments and human capital required only the multinational retailers in the modern retail sector and brands are likely to implement smart retail technologies.

The following quote is quite interesting *"The well reputed retailers only will be able to successfully implement smart technologies with their financial and human capacity"* (RE-02).

Smart Retail Technologies (SRT) Impact in Physical Stores

Regarding smart technologies, most of the respondents think automatic and self-checkouts payment systems would have the biggest impact on consumers while shopping instores. Many of them indicated that the current checkout process is a serious source of disappointment for many customers because they have to wait in long queues before they can proceed to the cashier. One of the participants outlined the main advantages of automated and self-payment systems penetration in retailing in *"simple, easy, speed up check out,"* RE-05 said. Inman and Nikolova (2017) pinpoint that several global retailers have begun to introduce the Scan and Go technology to reduce consumers wait time during check out process along with savings labor cost to the retailer. Kang et al. (2015) and Pantano and Priporas (2016) explained in their studies that consumers use smart technologies in shopping to avoid to avoid queues, carrying cash on hands and thus have a speedy and easy transactions

Also, respondents mentioned that virtual mirror, click and collect and real time in store promotions are very interesting technologies. Although most of them believe that smart retail technologies are important innovation and can improve customer shopping experience; however, interviewees were concerned from automated technologies system failures, and replacing humans totally, especially in developing countries; for example*"Based on our type of customers, I believe in the Automated Checkout system since they will avoid standing in queues and waiting to pay in cash. The virtual mirror is a great idea especially in the current circumstances where we have to sanitize all products tried by different customers. Also click and collect is one of the very good applications that I expect to grow in Egypt"* (RE-05).

Obstacles and Challenges that Affect the Adoption of Smart Retail Technologies (SRT)

One of the most important topics discussed with the interviewees were the obstacles and challenges that may prevent retailers from adopting Smart Retail Technologies. It was noticed that majority of the respondents (80%) believe that customer acceptance and financial challenges are the main obstacles to adopt SRTs. For example RE-03 quoted *"I believe the uncertainty of consumer acceptance to smart technologies is the biggest challenge without their acceptance; it will be unsuccessful and a waste of resources especially with the huge financial investments Smart Retail Technologies require" (*RE-03). It is worth to mention that according to Alkemade and Suurs (2012), Evans (2011) and Pantano et al. (2013) studies, factors that most likely to intimidate retailers to employ smart technologies are uncertainty of consumer acceptance, massive financial investments required, and challenges in measuring returns on investments.

However, one of the interviewees mentioned employee resistance to change will cause uncertainty and consider being a significant factor in adopting SRTs. Additionally, other interviewee mentioned the internet infrastructure, software and dealing with incompetent technicians are major threat and obstacle to successfully adopt SRTs, i.e. *"The software and internet infrastructure, bureaucracy and having to work with incompetent technicians are the worst obstacles we may face"* (RE-05).

Advantages of Smart Retail Technologies (SRT) Adoption in Retail Sector

Retailers' benefits and advantages from smart retail technologies discussed with the respondents, six primary themes were extracted during the discussions with the interviewees: (1) Improved consumers' shopping experience; (2) Reduce operation and labor cost; (3) Increase sales and revenue; (4) Improve retail operation efficiency;

(5) Improve Inventory management; (6) Help retail stores compete with online shopping.

All respondents mentioned that smart retail technologies can help retailer improve customers shopping experience in terms of faster shopping, enjoyable convenient personalized and easier. For example RE-02 quoted "*Smart technology will transform retail businesses, it can facilitate customers shopping, make it faster and enjoyable. It can help stores to interact and engage with customer better; provide them with recommendations and good understanding what customers want".* In addition, RE-04 quoted *"Smart retail technology will enhance customers' shopping experience especially younger generation and early adopters' consumers. I believe consumers look for more convenient and improved services like reducing shopping time ease of payment and credit, receiving deliveries faster, personalized offers etc."* Fotiadis and Stylos (2017); Pantano and Priporas (2016) and Pantano and Viassone (2014) mentioned that retailers employ various novel and innovative (smart) technologies to enhance the consumers' shopping experience.

Furthermore, the majority of the interviewees (80%) believe that Smart Retail Technology can help retailers reduce labor and operation cost and increase revenue. For example, RE-04 quoted "*Smart retail technologies can help retailers maximize the efficiencies of operation, optimize cost and thus increase the company revenue".* In addition, interviewees mentioned that retailers can benefit from SRTs in improving retail operation efficiency, improving inventory management, tracking goods across the supply chain, helping managers take better informed decisions in regard to goods pricing and preventing errors. According to Roy et al. (2017), Wünderlich et al. (2013), the implementation of Smart Retail Technology is expected to bring substantial benefits such as lower labor costs and increased efficiency for retailers.

Finally, two of the interviewees' highlighted that smart technology is necessary to physical stores to compete with the rise of online shopping; e.g. RE-02 quoted "*Smart technology will help offline retailers to compete with online stores".* Pantano and Timmermans (2014) mentioned that smart retail technology is considered to be a necessary strategic for offline retailers especially.

Retail Experts' Perception of Post Smart Retail Technologies (SRT) Adoption Results

Interview participants were asked to predict the post smart technologies adoption results. Most of the perceptions concentrated on the positive relevant consequences. Some representative excerpts are: *"Definitely positive since the reduced costs would increase the profits of the company"* (RE-05), *"Certainly positive, because it will drive more revenue"* (RE-02).

On the other hand, one of the interviewees expressed his concerns about the widespread use of smart technologies in retailing and the possible negative impact on particular job categories; such as, cashiers and stock clerks e.g. "A*utomation will eliminate jobs and eventually it may affect Egypt economy negatively" (RE-01).*

This has been discussed in Priporas et al.'s (2017) study that expressed concerns about the possible negative consequences of the smart retailing on employment and job market since some of the technologies being Proposed (i.e. robots) may replace actual employees.

Retail Experts' Perception of Consumers' Willingness to Adopt SRT

Since consumer acceptance and the use of smart technology in retailing are the main challenges facing smart retail technooloy adoption, participants were asked about the perception in regards to consumer's willingness to accept and use smart retail technology. All of the interviewees believe that although it will be challenging at first, by time consumers will accept and use smart retail technologies in which age will be a significant factor e.g. "Consumers will adapt and get used to it by time" (RE-02, RE-05), "It depends on consumers' age group, older generations will be a real challenge for retailers while Generation Y & Z will accept and use smart technology and smart devices easily".(RE-01, RE-03, RE-04). According to Lee (2009), age is an important factor in the new digital culture that is why there are differences in different categories of consumers, (i.e., Generation Y, Generation Z) and in their expectations as consumers.

Retail Experts' acceptance to Adopt Smart Retail Technologies (SRT)

The last topic discussed during the semi-structured interviews with the retailer experts was whether to accept or not smart retail technology in the future. All of the participants were convinced that smart retail technology should be implemented to deal with COVID-19, improve customers shopping experience, help customers check for the availability of products, support staff during shipments arrival, improve quality of service, catch up with ecommerce players, deal with consumers' demands for innovative shopping, increase sales and revenue; e.g. *"Definitely, smart retail technologies can help retailers deal with COVID-19 and improve customers shopping experience"*(RE-01*),"Definitely, offline retailers must consider implementing smart retail technologies to catch up with ecommerce players and dealing with consumers' demands for innovative shopping"* (RE-03) and finally *"Definitely, 100% SRT will help retailers create a better customer experience and thus increase their sales and bottom line"*(RE-04).

According to Greenhalgh et al. (2004), Pantano and Naccarato (2010), Weber and Kantamneni (2002) studies, the ability of retailers to build and defend their competitive market position depends on their willingness and capacity to use technology.

Conclusion

COVID-19 pandemic has hit retail sector hardly, sales fell by 20 percent over the same period and huge challenges and uncertainties have impacted the industry and consumers' (Fernandes, 2020; Pantano et al., 2020). The findings provide an understanding on retail experts' insights in regards to interactions with smart technology in retail settings, perception, and expectations on the potential impact of smart technology on the industry and consumers in the future and exlpore the impact of COVID-19 pandemic on the retail industry.

First, all the interviewees agree that smart technology will spread and they hope that retailers will manage to adapt fast to this dynamic environment especially with the rise on online shopping and the emergence of COVID-19 global pandemic and its implications. Second, All interviewees highlighted that Egypt's modern retail sector (e.g. modern distribution areas, shopping malls and brands) had the financial and human resources required to successfully implement smart retail technologies. Third, most of the interviewees explained that the main challenges to smart retail technologies adoption are customer acceptance and financial challenges. Moreover, smart retail technologies adoption can face challenges such as employee resistance, internet availability, software, dealing with incompetent technicians and bureaucracy. Fourth, all interviewees pointed out that smart can retail technologies can enhance shoppers' experience on offline retail settings suggesting that smart retail technologies can deal with consumers' demands regarding the ease, speed, enjoyment and convenience of shopping transactions. Fifth, given the challenges offline retailers are facing from a host of online channels, all the interviewees agreed that smart technology is a promising route to establish competitive advantages. Sixth, Most of the interviewee's perceptions relevant to consequences of smart retail technologies adoption were positive. It was highlighted that smart retail technology should be implemented to deal with COVID-19, improve customers shopping experience, help customers checking for availability of products, support staff during shipments arrival, improving quality of service, to catch up with ecommerce players, dealing with consumers' demands for innovative shopping and increase sales and revenue. Finally, several interviewees noted their concerns in regards to the shift from the human to human interaction to human machines interaction. Morover interviewees highlighted their concern in the potential negative impact on job market and the number of employees due to SRTs adoption.

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Appendix A: interview with retail experts

Before we start please indicate;

Your Name:

Company/Organization:

Size of Your Organisation:

Location:

Position at your organization:

How is the current COVID-19 pandemic affecting the retail industry in Egypt?

To what extent SRTs could help the retail industry during the current pandemic crisis?

Which retailers have the "capabilities necessary for successful Smart Retail Technologies implementation?

Which smart retail technologies will have the biggest impact if implemented within retail stores? Why?

What are the obstacles and challenges that may prevent retailers from adopting Smart Retail Technologies?

What are the changes and expected benefits to take place if retailers adopt smart retail technologies?

What is your perception regarding the changes smart retail technologies may create?

Do you think the consumer will accept using Smart Retail Technologies? Why?

Are you considering/ accepting adopting Smart Retail Technologies? Why?