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FACTORING AS A NEW POSSIBILITY IN THE FINANCIAL SECTOR

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Abstract

Over the past fifteen years, an increasing number of small and medium-sized companies have begun to consider factoring as a practical source of working capital. Unfortunately, the availability of accurate information and time has not kept the same pace with the growing interest in this used form of funding. The financial sector, especially the banking sector, has been hit by the difficulties generated by the tensions of debt dependence, which are affecting the banking market assessment and its ability to create medium and long-term funds. Consequently, making a comparison with the past, in general, the most valued valuation methods are the cost of funds which have increased significantly. Current economic conditions, characterized by credit constraints, make factoring one of the most favorable solutions for businesses. This funding method is one of the ways it takes a short time to negotiate and one of the easiest methods to provide working capital funds.

Factoring services offer an alternative to credit to companies that need little help with funds. By selling your receivables to a factoring company, you receive a portion of the forward amount and receive the rest, minus a percentage that the company receives as a payment as soon as the amount is collected. You get most of your funds before the customer has paid the account, instead of waiting until after paying the bill. The factoring service works to collect accounts receivable so that you can devote your resources and efforts elsewhere to your business. Through factoring, businesses can: -Enable their boards and senior management to make better informed decisions. -Proactively manage the provisions and effects on capital plans. - Make strategic decisions with a view to mitigating risks in the event of current underlying conditions. - Get assistance in understanding the evolving risk nature of the banking sector.

Key word: *Albania, Factoring, Services, Financial Institutions*

Introduction

The crisis that began in 2008, continues even today its effects. While some countries suffer more than other countries, the European Union, in general, is influenced by the economic slowdown with possible impact on consumption and investment decisions. For small and medium companies, one of the simplest and fastest way to keep working kapitak is converting accounts receivable into immediate cash using a transaction known as a financial transaction called "factoring". Many companies that are new to the market or the growth phase can not wait 30-90 days to their customers to pay their bills. In order to survive and continue to grow, they need their money more quickly. Factoring frees up money receivables so you can get paid for what you possess much before customers pay bills. It is very flexible, very effective form of business financing. Even if it used as a short-term solution, even if used as a permanent means of financing, factoring with those of the K immediately optimize cash flows without sinking in even deeper debt. Factoring is a simple mechanism to accelerate the receipt of money are won before. No debt is created, so there is no interest to pay, and no principal to repay. Rather than create a debt on the balance sheet, factoring of receivables creates secure cash flows and improves business classification in connection with loans. It strengthens the balance because it creates more cash on hand and fewer receivables. Moreover factoring does not require a transfer of ownership or transfer. Factoring is the only source of business financing where the amount of capital you able to grow at the same portion of sales success. As soon as you grow, and the more bills to recreate the more cash you will able to krojuar even more sales and marketing initiatives.

Literature review

Factoring term refers to both purchase and sale of bills receivables at a discount from face value. The structure, terms, conditions of such a transaction may vary in several ways. Companies engaged in the business of buying receivables are called "factors". "Factors" provide flexibility and entrepreneurial awareness rarely demonstrated from banks or other lenders, whose activities are limited by regulations or laws (Vasilescu, 2010). Companies that sell receivables referred to as "clients" or "seller" (not the borrower). Customer Customers, who currently detyohen for money represented by bills are known as "customers" or "the account debtors". The money factor provides a client as initial payment for the factored invoices are called "advance". Factoring differs from commercial lending because it involves a transfer of assets more than a loan in cash. In assessing the risk, primarily fakrotët see more quality asset that is purchased (for example, ability to collect receivables) rather than financial condition of the seller/client. This focus makes factoring a convenient tool for many growing businesses where traditional commercial borrowing proves that it is impractical and unavailable. Factoring is essentially a two-pack services (Salinger, 2006). *Lending-Credit Services* include assessment of the customer's credit reliability of the accounts which factor will purchase, on the basis of sales invoices associated with each account. Factor usual bases these estimates on a combination of asset data and public data on the performance of accounts payable. As shown, the SMEs that use factoring are basically the function of granting credit. The added value here is that commissioners factoring enjoy significant economies of scale decisions, reflecting their high access to credit information.

Companies that can benefit from factoring. The list is virtually as long as the index of consumers that they need to have. Any company that is experiencing the stage of entry, growth or maturity, needs good cash flow. If flows of a company's money is good and the company has always enough money to pay his bills, pays payroll and taxes, and can be expanded to the desired extent without help, then this company does not need factoring. However, if it is necessary to improve the cash flow, factoring can be one of the best ways to achieve it. A company that considers factoring will need to have at least one customer whose bills can be factored. The new companies are opened from several months to several years, as long as they have the best receivable, are often good candidates. Customers are very large corporations that often make their vendors to wait 60 days or more to pay as part of their terms to do business with them. These customers are usually good to be factored. Companies that sell strictly so customers will not be factoring their receivables. A good strategy to improve the cash flow of a company is accepting credit cards from customers consuming, and factoring their receivables for businesses and government customers (Bakker, Klapper and Udell, 2004).

Results

Like any other business even factoring has its risks, but there are also tools for managing this risk, which are described in the second chapter of the thesis. As mentioned in all the above items, the factoring industry is gaining greater development due to the bad condition of the liquidity of companies or banks. This chapter describes the moment when a company needs to factoring and become cost analysis of factoring commission. One of the strengths of factoring is that it improves the cash flow of the company. For this reason, this chapter will be analyzed through a concrete example of how improved cash flow when a company is financed through factoring. Then through the analysis of financing or factoring bank loan, we will see that factoring is lower cost than bank loans, if the need for liquidity is short term. In the last issue of this chapter we will explain the method of calculating the expected return and will conclude a factoring company can have a high annual rate of return. Specific risk of factoring. There are many people who want to live comfortably, without taking over the risks inherent in the cash market. They prefer to deposit their savings in savings deposits, treasury bills or where the end of the period are sure you will earn interest on the amounts deposited and will have to secure their money. This category of people can not undertake the creation of a factoring business, as it itself carries risk. When companies operate in this kind of business, carry upon them the risk of losing money. These risks are limited to four potential often:

-Failure by the client.

A customer cannot pay one or more bills for many reasons: the dispute born with its suppliers for quality product or service offered, lack of liquidity to pay at the right moment, business closure or bankruptcy. Commissioners factoring in the time of drafting contracts, are very careful to protect themselves from this type of risk.

-Poor management of supplier businesses.

A supplier that does not have good skills in the management of its businesses could bring problems in connection with the factoring company. If the supplier's service is poor-, or poor-quality products are, they bring the client dissatisfaction, therefore he does not pay the bills. Registration of invoices held in incorrectly is another problem stemming from bad business management. Such a problem makes it more difficult to enable connection of a factoring agreement. So factoring companies, prior to conclude an agreement, clearly define the managerial skills of business administrators.

Personal events.

In his personal life supplier may also have unexpected events like severe illness, separation from spouses, death of a family member, which affect the business of the supplier. But even in these cases, which are unexpected, as anyone can be in such events occur, commissioners try to minimize factoring through risk management tools.

-Fraud

Fraud by the supplier is unpleasant but possible. Such frauds are the most varied. One is receiving payment from a supplier itself in time that must collect factoring company and the supplier did not passes factoring company but keeps to himself. Another trick may be the sales invoices which are still the customer's requirements are not met, as no finished product without distributing etc. Or another possible fraud is a supplier instructs the client is no longer in relation to the factoring company and therefore payments should go back suppliers. Even when the supplier owns a company that misleads and has not paid clients, which in fact has neither the company nor the client is a fraud which could face factoring companies. However, if there is any fraud, factoring companies, which can be prepared for such losses, they should achieve this kind of loss to keep to a minimum.

Risk management methods. Factoring companies, sooner or later, will face the risk of loss during their activity. But they try to reduce this risk as much. They always keep in mind the fact that the possibility to lose, especially large amounts, increases dramatically when:

- a) finance large amount of supplier invoices,
- b) not prepare a regular analysis of suppliers or do not use the proper legal documents to protect their investment.

Thus, if a factoring company spends money on an unsteady hand, then you should not be surprised if he loses. Currently, there are many risk management modes, which can be used by either factoring company. As with other investments, these methods do not provide the factoring companies that will not lose a penny, but rather they reduce the possibility of losing especially large losses. The main ways you can use a factoring company to manage risk are divided into five categories:

-Setting the limits.

The limits that establish a factoring company depend on the amount of funds it has and how much is tolerant to risk. These limits prevent the company to become overly focused. Funding limits determine the maximum monthly amount that the company finances new suppliers, as well as the limit for each supplier.

-Setting the industry that the company will finance the factoring.

In fact, there are plenty of companies that need liquidity to continue their operation in the market, but factoring companies do not have to take risks and their capital to waste time with all these companies. There are some that are more suitable for financing with factoring.

-Performing a good supplier analysis.

Analysis must pass four stages: defining desired supplier, the customer desired determination, the determination of whether the new bills are bills that you want to finance and undertake appropriate actions to ensure payment of outstanding bills. All these will make the factoring company to be very careful at the time of signing a contract with the supplier.

-The creation and establishment of reserves.

The reason for the creation of reserves is simple. If a company has factoring invoices that are not liquidated in time, you can use the reserve fund, so as not to affect its cash flow.

-Guarantees for loan.

This method of risk management is more important for large companies factoring, which decide on funding large amounts. This guarantee is achieved through insurance companies, which provide unpaid supplier bills that are financed by the factoring company.

But all factoring companies, when business finance, must draw up a list of policies to be followed in order to minimize the risk of loss. This list will help a lot, especially at the time of obtaining a new supplier, new client or new bills.

Conclusions

Factoring, as a phenomenon that is spreading across the world, has received due attention in connection with legislative support and accountability at the beginning of XXI century. In order to enable congressmen to factoring companies should adopt laws that ensure them an equal operating environment with companies operating in other business areas. It is a form of predominantly financial instruments and an important source of external financing for small and medium-sized enterprises (SME's). Factoring is not a traditional investment, but an industry that can operate people who want to make a fortune, taking into account the risk and quality of service factoring. There are at least two differences between factoring and bank loans, which are in favor of factoring as a better financial alternative for small and new firms: First, these two alternative financing tools vary according to the type of collateral. In the case of factoring, accounts receivable which are yet unrealized assets used as collateral, while in the case of bank loans are stable assets that are used as collateral. Secondly, the difference between factoring and bank credit is in the process of credit risk assessment. While banks are interested in credit analysis firm that requires credit, factoring companies investigate qualitative and quantitative characteristics of suppliers and its customers. Factoring is not free from risk. A factoring broker can face many risks, but only smart people can cope with success and manage these types of risks. Using the tools of risk factoring, factoring Commissioner can manage to profit to be higher than the loss. Funding via Factoring is one of the tools that requires less time and one of the easiest methods for providing liquidity. Factoring avoids the need for long-term financing and generate constant need for cash flow. Factoring reduces overall costs, when you can apply for commercial loans and short application time, as credit analysis is not a long time and also takes certain prepayments. Factoring, unlike other forms of kredithënjes, involves three parties that facilitate communication, decrease in payment deadlines, creating opportunities for liquidity and increasing investment power business. Factoring is widely accepted as an alternative source of funding and is used in almost every industry that sells business-to-business or business-to-government. Factoring is the ideal form for funding:

- ✓Business trade, manufacturing and services trade with buyers
- ✓Businesses with extended payment terms or with high loan
- ✓Businesses with rapid growth or seasonal sales fluctuations
- ✓Businesses that have receivables and inventory lrtë that offer less banking collateral
- ✓Businesses that are moving into new markets or expand to new clientele

✓ Young entrepreneurs and newly started businesses\

Recommendations

Presentation and application of factoring as a short-term source of funding for SMEs will be successful if it is accompanied by an appropriate education and awareness campaign. The Albanian banking system is liquid and generally used for investments in treasury bills and lending to immovable property collateral. I think it would be preferable to be taken to the base and other asset classes as collateral, such as accounts receivable. Factoring is a flexible resource; it is not strictly defined and that makes it adapted to the environment. The lack of accessible information for business loans makes factoring warranty (which factor is responsible for the credit of the buyer) impractical, because there are known both buyer and seller. For this reason, it is recommended using no guarantee factoring (where the factor is not responsible for the credit of the buyer). Factoring A company should determine the type of society that will finance because they cannot risk capital and time with some companies that need liquidity to continue their operation in the market.

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TOURISM AND MANAGEMENT - A CHALLENGE FOR WOMEN

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Abstract

The tourist trade and tourism management represent a special challenge to women. If this is the century of tourism, and if this is the time of “pink-collars” in management, that is, an invasion of female managers, then the domination of women in this industry can truly be expected. The authors point to numerous trends in tourism development that women have successfully embraced. Inevitable questions arise in the Balkan region: Is there a fear of strong women? What is the business style of female managers and what advantages do female managers have over their male counterparts? The authors seek the answers to these and other questions through case studies.

Key words: *female manager, tourist trade, tourism management, business style.*

Introduction

Big and radical and everyday changes contain some innovations in communications among people sexes and professions there are fewer and fewer differences among typically male and female jobs and there are more and more women on managing positions in politics, public institutions, culture and economy. Some traditional barriers have been knocked down, although not yet completely. Writing about women on managing positions, women who are on the highest positions in companies in tourism, is not easy at all. In professional literature there are very few written texts and very few themes are dedicated to a woman as a manager so, we can conclude that a woman is discriminated against men even in this regard. Because her position and role have been changing, she through centuries, it is expected that will get her position in 21st century, in the century of changes and the fact that women are equally good at managing as men are, will be accepted.

Tourism and management- a challenge for women

Today 164 years after the pioneer role of Thomas Cook tourism has become a large public need, something without which we can't imagine the man's existing in this “fast world”. Even the old oriental proverb says: “you don't need to live, but you must travel”. It shows how necessary tourism has become to a man, regardless the fact that only one third of the mankind have enough money and can travel.

Tourism is not a simple group of activities. It means the constant interaction among people permanent contacts and services. As a public and economic occurrence, it is in the process of strong changes. It's complete affirmation and massiveness tourism reached in the after-war period thanks to the growth of standard of living and free time. So, the number of tourists between 1950. and 2000. increased 27,9 times in international movements while the income of international tourism unappeared 226 times during the same period of time (Jovicic: 2003).

Those who work on tourism market especially those more powerful, have stronger impact on the consumers in tourism than in other fields. Tourism is interpersonal people contact face to face. That's why people working in tourism should know that they have a great responsibility because they work with people cultures landscapes but above all time that is the most precious to a man, his free time (Popesku: 2002).

In a tourist economy company carrying out of commanding managing, business and processes are provided. A man or a woman manager runs the business through other people, runs carrying out individual jobs and tasks or is decupled either with the development of some organized department or a company as a whole. Such a person is expected to achieve the development of the firm that is to enable the realization of its basic and strategic goals.

The manager of a current or future company of tourist complex can't develop the authentic professional career without developing the real proportion between the four fields: creation, knowledge and techniques efficiency and human values (Figar: 2001).

Management should understand to be the process of creating and maintaining of the needed conditions where the individuals, acting through organized groups, achieve the predicted goal. The achieving of that goal is based on knowledge and empiricism (Stefanovic: 2004).

Is there fear of strong women?

Entering 21st century means the increases number of women in management especially in the top management of a tourist company. Women managers are making the new way of running a business and while doing that they don't take over the skills attitudes and habits of men. It means that they are making their own style of management and behavior toward the employees. In that way they show that nontraditional ways of management can be very successful in the world of business.

The following results have been obtained in the international Women's Forum

Research (Harvard Business review: 1990):

- Women-top managers earn the same amount of money per year as men do in tourism or some other profitable areas so the fact that there is a big gap between their profits cannot be acceptable.
- Only 39% of men managers have wives who are employed, while 71% of women managers are married to employed man. Because of that their mutual annual income is much bigger than the income of men managers and their wives.
- Women base power and authority on their success made on contacts with employed people.

Except physical biological differences between sexes there are much prominent psychological differences which can be seen in their behavior towards other people, the way they run business, the way they lead and direct people. The differences are numerous and evident and every human being should be aware of them all this life.

The basic problem is that men are used to see women as mothers, sisters, girlfriends, wives, lovers and mainly as objects and hardly as equal business partners.

Some men even declare that they feel embarrassed when doing business with women managers.

The biggest minds in psychology made their own views of women by analyzing their behavior, characteristics and the way they react. In order to understand and get to know closely the behavioral and energetic business woman in tourism you should get to know closely her psychological individual characteristics. This is the way some experts in psychology describe a woman.

Sigmund Freud had his theory if a woman wants to be a woman, she must possess a certain extent of masochism, passiveness, vanity, envy, jealousy (especially of men) and some defects of her super-ego.

Karl Gustav Jung was much wiser and suggested to women to reveal investigate and inspire their "animus" (the masculine part of a women's psyche, in essence of her femininity).

Jin Sikoda Boleu, Jung's successor thinks that a woman can integrate to those numerous paradoxes as in herself and to be sweet, charming sensitive, but as the same time to be brutal while making adequate professional decisions. She can be:

- a woman - a fighter and daddy's daughter who defends patriarchal principles better than many men,
- a woman – a little girl and mammy's daughter who glorifies matriarchal wisdom,
- a woman- mother and wife who represents the gray eminence of the family even the firm,
- a woman- sister and successful competitor in male sports and a hunter of professional trophies,
- and of course, we mustn't forget a woman-a lover who is able to draw out what is best in a man, to inspire him with unseen projects but at the same time to become his nightmare of caprice, selfishness and Machiavellism.
- we shouldn't even forget a woman –a saint who is always ready to give wise advice and is an encouraging example of the fact that all women are not the same (Stefanovic: 2000).

One of the problems that a woman has nowadays is that she is not satisfied with just one role. Contemporary life has changed woman's role and she is expected to be equally good at work and at home which is, for a woman-manager of a tourist economy company another challenge. She is persistent stubborn, well organized, thorough and succeeds to reconcile the expectations is asked for both at work and at home.

How can we then allow the women "the citizens of the second rank (class)" to become the top managers in the serious world of business. Who can allow that to them? Stressed prejudiced confused men afraid of strong women?

Men keep together while women are often used manipulated to be the pawns in male wars and then they ask men for support. Women must be more connected in order to make progress in their careers-says Kerol Bark. While Pamela Reis, one of the successful business women, gives her female students of the last year of economy the list with about ten names of successful women they can ask for support information and advice. This complicate and interesting question inspired me to conduct a poll on the theme how men-manager see a successful business woman on managing positions in our surrounding. One hundred businessmen from Nis, Pirot and Prokuplje were asked for their opinion. The results are unofficial and here are there.

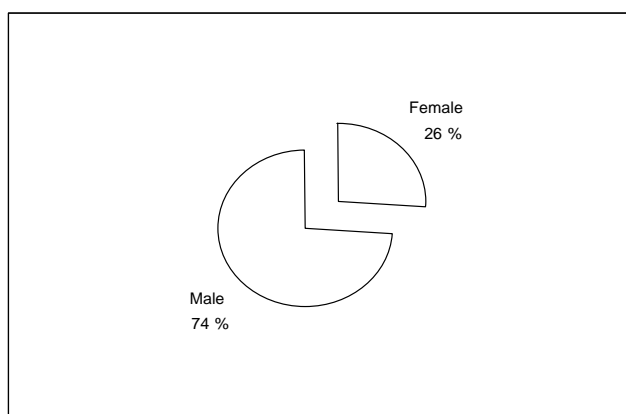
Table 1. *How men-manager see a successful business woman on managing positions in our surrounding.*

| | <i>Question</i> | <i>Yes</i> | <i>No</i> |
|----|---|------------|-----------|
| 1. | Do you think that women can be good managers as men are? | 13% | 87% |
| 2. | Would you rather negotiate with a woman manager on the same hierarchy level with yours? | 3% | 97% |
| 3. | Would you prefer your superior to be a woman? | 15% | 85% |

| | | | |
|-----|--|--|-----|
| 4. | Would you rather choose a woman for your first associate? | 21% | 79% |
| 5. | Would you like your wife to be a woman manager? | 13% | 87% |
| 6. | Would you like a woman manager to be your lover? | 58% | 42% |
| 7. | Would you like a woman manager to be your mother? | 9% | 91% |
| 8. | Would you like a woman manager to be your daughter? | 41% | 59% |
| 9. | Do you think that a woman manager can take as much as you do? | 39% | 61% |
| 10. | Is a woman manager capable of dual career? | 17% | 83% |
| 11. | Does a woman clear her way towards success more by charm and her beauty than by other qualities? | 89% | 11% |
| 12. | Is your wife responsible for your success? | 35% | 65% |
| 13. | What is the most valuable with a woman manager? | 1. beauty 2. rhetoric 3. intellect | |

Such answers are of course unexpected and disastrous. It's difficult and it's a slow process to accept changes in these areas, but at the same time they are not impossible. This is still a new profession and we should give them support and some time to show their qualities and let them swim in "manager 's" waters. The next chart shows no that there are fewer women in management.

Graphic 1. *The sex of managers*



Source: *Prof. dr. Pere Sikavica, Prof. dr. Fikreta Balitijarevic-Siber, Management- theory and a big empirical research in Croatia mass media, Zagreb 2004.*

However, there are more and more women who are fighting for their positions and in other economical fields and they should be given the chance and support towards the fulfilling of their aim. Once you couldn't imagine a woman doing some job's but today there are a lot of women-successful surgeons, the owners of successful companies or women in politics. The rate of women having jobs from 1971 to 1998.raised from 56,8% to 72,5%, while the rate of men having jobs is slowly going down with a tendency of further decline (Torrighen: 2000).

The business style of a woman-manager

If a business woman in a tourist company identified herself with a business man, she would accept new patterns of behavior which are opposite to her nature and at the same time she would lose her own identity. That would show her down in making progress in her job where tact, cooperation and solving conflicts are required. At the same time a business man would have a good excuse for his critical attitude towards a business woman in tourism. A woman must remain a woman in business and must discover the authentic ways of power. The most authentic way of power of a business woman is her maternity which is more and more accepted in the world as the best business school.

In order to raise and educate children you need similar knowledge and skills as in business. They are: observation, consultations, giving directions developing habits, satisfaction of one's need's, learning and solving problems. At the beginning of 1990's a new style in business appeared which is a synthesis of male-female, wild gentle commanding styles. The period of integral extreme approach is appearing which represents the combination of the best things men and women do in business tandem.

Businessmen have chosen and created their own form of power. They have been accepted in business but they forced women to become stereotype in business for a long time. That's why women used defensive ways of power: charming, flattering, seducing and flirting not knowing that's not power but only techniques of control in order to feel more secure and more powerful. The other group of women accept the ways of power and the styles of management that men use. In that way they identify with men and use the power of authority. They long for career where control is distinct, they make decisions alone, express anger, swear in a word. They behave aggressively. They have chosen aggression in order to defend themselves from the influences of other people and to show their own power while in that way, they showed insecurity, endanger and helplessness.

Power is necessary to a successful business woman. It's a strong constructive power which make them active to finish their job successfully, to get respect and reputation and to create her own style in business. New task of a woman manager in a tourist company on her way up, is to discover and realize her own balanced style by which shy will avoid the traps of either too mild or too commanding behavior, that is the style which corresponds to her values expectations of her associates and business demands in a tourist company but, at the same time in harmony with the strategic aims of a tourist firm. That's necessary in order to:

- make her personal contacts with her colleagues and clients better --- make her associates work more effectively
- increase the productivity.

A successful business woman in a tourist company, who should make her own business philosophy, should be led by Aristotle's message: "He who hasn't learned to listen never will be a good commander". The advice to a woman manager, who is making her own business style can be built on the formula of the seven habits of successful business people and they are:

1. be proactive
2. Start working having in mind the aim
3. Put the most important things on the first place
4. Think about mutual benefit- "my victory-your victory"
5. Try to understand other people in order to be understood
6. Join your powers in a team
7. Sharpen your tools.

An advantage of a woman manager in relation to a man manager

To the question if there is any advantage of a woman manager of a tourist Company in relation to a man manager the answer would be positive. The first and the basic think is that the biological structure, emotional and other psychological hormonal differences certainly have influence on the fact that a business woman behaves differently than a business man. From those differences emerge certain advantages and they are (Maric: 2000):

- ③ A business woman has a talent for an effective interpretation of nonverbal messages which occur in a business communication and gives her a significant advantage
- ③ In a large number of situations along with all male analyses and prognosis of a job, making decisions intuitively is sometimes crucial; women are more intuitive than men,
- ③ Women are biologically stronger which means they live longer and less suffer from so called professional diseases on which one should pay special attention: hypertension and heart attack. That means a woman is stronger to work on manager jobs than men are.
- ③ Women are more persistent to realize certain business ideas. They reluctantly give up their ideas and they show that by their shrewdness (emotional intelligence). In business arrangements they often "go till the end" till the final success.

Conclusion

It's quite certain that the time of "pink collars" is coming that is the participation of women managers in tourism is increasing. If you take into consideration the fact that women contribute of tourism then you can rightly conclude that tourism and management are really attractive to women.

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THE IMPACT OF DATA SCIENCE ON DATA MANAGEMENT

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Abstract

In our time data expert need to deal with an enormous amount of data that need to be managed and build knowledge upon them to maintain a solid step in the landscape of continuous development and change. The lack of proper data management will certainly lead towards confusion, problematic issues, stress and, of course, failure. If we take all of this into consideration, it is quite clear that managers need to find tools with which they can facilitate such an undertaking so they can achieve the objectives of a given enterprise, no matter its size and scope. Data Science is an IT field that tries to provide how managers can achieve these tasks, something that we will try to exemplify and evaluate in our paper. In order to prepare and evaluate the outcome of the paper we have used various methods that have provided the means to analyze the problem from different aspects. First and foremost, the exploratory method has been used to explore the huge material available in books, websites, other paper of the field, all of which have been contextualized and selected to give the needed clarification of the problem and to make the point as concise as possible. Considering the importance of data and the value it brings to the table of any given business or any other institution makes it obvious that managing it is the key to success, which is why we have chosen this topic and our purpose is to make people focus on proper data management.

Keywords: data science, management, data, information.

Introduction

Every one of us needs, at some point, to manage some data. Individuals will certainly have a lot less work to do than let's say a medium organization, still, data management is vital to how we do our work. Data science is the bridge upon which organizations are building their managing environment with the tools provided to achieve their goals in any given case and situation. It doesn't matter if it is a small company at your neighborhood or a large-scale corporation such as Microsoft, Google or Apple, each one of them must manage their data to see what works and what doesn't regarding their products, and what may be even more important, it gives them the tools to make strategic moves for the future.

Importance of Data Management

We are continuously witnessing a rapid growth of data no matter their nature or importance. Whatever their purpose maybe they represent a task with which data managers need to deal with so they can obtain a better understanding where their business stands, how it can be improved and where lies the future. Will all this end? Probably not, because data management and analytics are growing daily, databases in general and data management, in particular, will continue to have even larger importance in every field of development.

Data managers will always strive to get meaning out of a huge pile of data so they can use it in their "war" with the competition. In other words, this is the only way a company can survive in an ever-changing landscape. It is not unusual to see many companies use software that will alert them about any probable lack of products or negative customer response for any given product or service. This is of very high importance if a company wants to know how to plan their strategy for the future. This is the most important issue for every company, to know what to expect tomorrow, because a good manager or database administrator always is directed towards the future, towards what can the next day bring and the next tool help in the business landscape.

As we can see, we are dealing here with an issue of utmost importance which is very important but also very sensitive too. The main problem is with finding competent people who can deal with such task which requires specific abilities to see and plan the future. Certainty can never be achieved and that is a fact, but working towards a data analysis-based strategy will certainly create a better environment with as fewer problems as possible. Working in this direction will require specific training and specific tools, which in return will require a certain

amount of expenses. The field of Data Science tries to provide the means to deal with such things in providing a framework upon which every expert can bring to the table his or her expertise, and together they can reach the objectives.

We mention all of this not to demotivate young people who want to get into this field of technology, but on the contrary, to prepare them and make them aware that these professions require a serious approach and specific competencies and abilities. If we take into account the profession of Database Administrator, we will discover that it is one of the most requested jobs in any given country, suggesting that people who are capable of undertaking such a job are not in great number. If this is true for the more advanced countries, particularly in the field of Information Technologies, the Balkans, where we work and learn ourselves the issue becomes even more problematic, considering we are late in the application of such tools. So, data management will require us to train talented people, provide them with the proper tools and build a working environment for them, so they can work and reach the needed results. (Hoffer, Ramesh, Topi; 2011)

Data Science we can be considered a new approach in dealing with IT issues, particularly in the field of data management, displays a new approach to data analysis to better understand data and generate important information to be successful in the world of business, especially compared to the competition.

The complexity of data management derives from the fact that a company, especially if it is new, will be faced with a wide range of applications, some of which will be desktop-based, some web-based, and particularly nowadays, mobile-based, each of which, although it may be similar in content, still, it will require a different approach to solve a given task. Data Science tries to build a framework for a seamless transition from one environment to the other, or building applications that will look and act similar no matter the device from which a database administrator will do his or her job.

Data management requires teamwork. No single person can analyze the data from even a small enterprise. Although applications facilitate a high degree this process, still, there must be human intervention, especially when we reach the phase of reporting. With the advance of Artificial Intelligence, these tasks are becoming more easily managed, but we're still not at a level of full automation (Hoffer, Ramesh, Topi; 2011).

Data management represents a complex network of cooperation, analysis, evaluation, assessment and decision-making. Making a decision is the most important thing in a given company; but good decision derives from good data analytics, therefore database management is crucial to make better decisions.

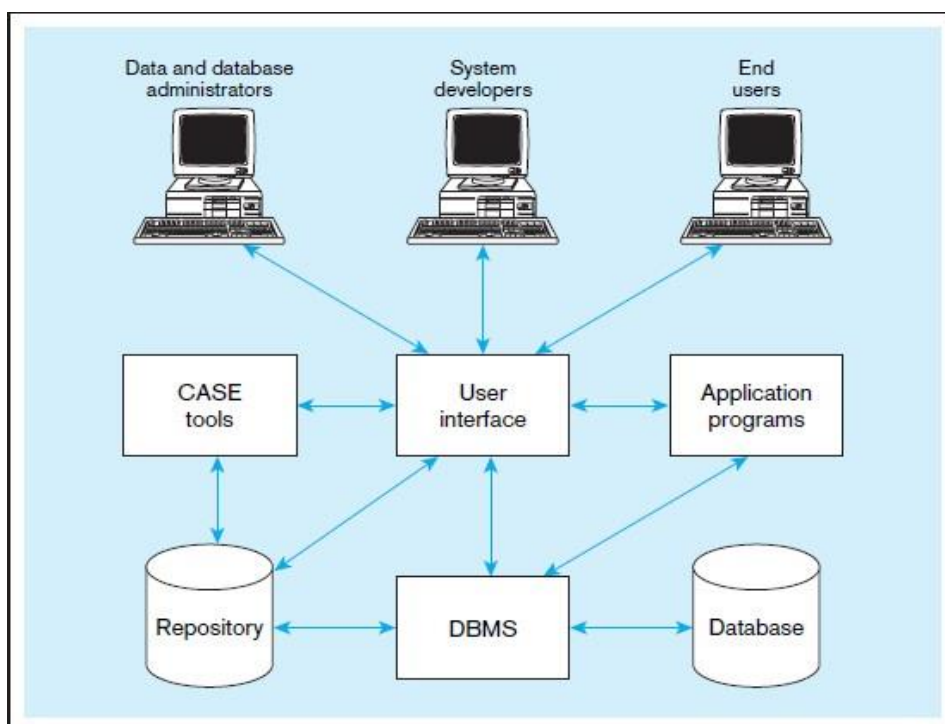


Fig. 1 *Components of the database environment*

Databases come in different kinds and scale. Each one of us has our own databases; it can be inside our laptops, smartphones, desktop PC-s, tablets, etc. We make folders where we keep our personal documents; we save our contacts in our phones, each of these represent data that most of the times our devices arrange and manage by themselves, rarely requiring our intervention. However, when we deal with large corporations, with an enormous amount of data, things become more difficult and require different measures of management and analysis because here we are dealing with enterprise-customer relationship, product sales analysis, services analysis and so on.

When we reach the level of sharing data, we encounter databases known as Two-Tier Client/Server Databases. These databases involve groups, some small, some large, but usually around 25 people, all of who exchange data, provide feedback, enter new data, modify previously entered data. All of this makes data management more prone to problems and needs a specific approach to deal with such tasks (Hoffer, Ramesh, Topi; 2011).

In other words, to manage data, means to acquire new information, acquiring new information helps in making proper decisions.

Gathering experts to teach talented people who want to do such a job as managing data is the first step towards building a good strategy so we can be able enough to face the growing challenges of enterprise development and change because there is no doubt that if we manage everything properly, with skilled personnel, our enterprise will be ready to advance in this world of high competition.

What about Data Analytics

When we analyze data, one of the reasons we do such a task is to evaluate what has been done up to that point. Data analysis will also provide us with the means to evaluate what should be done next. Data Science in providing tools such as Tableau, Microsoft PowerBI, etc., gives data analysts the groundwork upon which the enterprise will build the strategy, usually for a year. All of this depending on the size of a particular enterprise.

A lot of times, some organizations will need to build their strategy from the ground up, without the help of previous data analysis. This usually happens when the company is new and there is no previous data to be analyzed, or when a company is dealing with a change of leadership which in return asks for partial, or at times, total reconstruction of how the company works. All of these are daunting tasks that sometimes can be avoided, but other times must be undertaken (Laursen, Thorlund; 2010).

We should have one thing in mind, especially when we deal with a new company which is just entering the world of business. Yes, such a company indeed lacks its own data upon which to make strategic moves, still, there is no obstacle to evaluate how other companies do their stuff; they should learn both from the ones who are successful and from those who have failed. Data Science encapsulates all of this to provide the needed tools to overcome every possible outcome. It is to be believed, of course, that there doesn't exist a single formula of success, but analysis, continuous proficiency and training are the most important aspects where Data Science can help a lot.

One other thing that is crucial in this area, is what data is important and more relevant at what point in time. This is a tricky thing which needs to be considered, because although a specific data seems highly important, and in fact, it may actually be as such, still, that particular data may have no high relevance in a given problematic environment. This means that we should be aware of what is important for a specific issue and waste no time in something which seems important, but in fact, it distracts us from the main thing. At times, it may be needed to sacrifice a given data for the sake of doing the job faster. In other words, data analytics is a complex and sensitive process for which we hope that Data Science will continue to be a solid supporting ground to achieve the strategic points of any company or educational institution to do the right thing at the right time.

When a company develops its strategic plan, it certainly means that it should set specific targets that need to be achieved based on data analysis outcome. The target can be of any nature such as evaluating how new products are selling, how older ones need to be restructured, how human resource needs to be managed, does the company

need additional working force, what production facilities need improvement, and so on. Whatever the target maybe it should fulfil some standards to be considered successful. Those standards are as follows:

The data should be *measurable* because if we face unmeasurable tasks than the target may not be so relevant after all. For example, if we are not sure about the expenses of e given product, we cannot build a decision on such a target; if we're unaware about how many workers we need to achieve a certain amount of producing a given product, the target should be immediately re-evaluated or we should skip to another target.

The vast majority of organizations decide based on mutual coordination of a board of decision-makers, thus if any given decision is to be made, it should be agreed by each one of those who make decisions. If in any case, certain members of the board are against anything, there might be problematic data analysis resulting in unclear reports, which may lead to wrong decisions that may be costly (Laursen, Thorlund; 2010).

Every organization is of different scale and capability, meaning that not all of them can achieve large objectives; not all of them can produce the same number of products. This leads us to the third standard, which is that the targets must be realistic. We cannot expect an organization of 20 people to achieve results as one with 200. We cannot expect an academic institution with just a few professionals to provide same teaching capacity as a large university with a large budget and a much higher number of academics. Data Science should and must provide the tools to extract invaluable information from the data so decision-makers can take proper decisions.

Every day we set a goal to do something, no matter if it is for our personal interest, or for our organization, one thing is for certain, we specify, or at least we try to do that particular task or job in a specific period. We can never start something, especially when we are dealing with business tasks, without specifying the time at which the task should be completed. This is another standard that should be fulfilled so the target can be established. We cannot take upon something and prolong its completion indefinitely (Laursen, Thorlund; 2010).

Data analysis represents a crucial aspect in data management, for which Data Science is at the forefront of developments in providing the means to overcome any possible obstacles we may encounter throughout the process of data management.

Data Science to the rescue

As we mentioned until now, data management is one of the most important aspects of managing an organization. Data scientists are those who should be prepared for any possible scheme of action regarding the acquisition of knowledge out of raw data. Data scientists use various methods and techniques to achieve their goals, but one which is gaining a lot of attention is the agile approach to development. The agile approach is very popular almost in any IT field, be it software testing, software development, etc. This approach is usually based on some principles that should be followed. In our particular case, some researchers suggest these changes that should be undertaken so the agile approach can be successful

- Choosing generalists over specialists
- Preferring small teams over large teams
- Using high-level tools and platforms: cloud computing, distributed systems, and platforms as a service (PaaS)
- Continuous and iterative sharing of intermediate work, even when that work may be incomplete (Jurney; 2017).

The agile approach is based on team-work, which means that those involved should comply on certain principles, such as time. If you want to be a part of an agile team you should have the time to do it. If you can't find the time, problems are certain to follow.

Trusting each other is another key point of the agile approach. Team members should base their cooperation on trust. They should believe that every other member of the team is capable for the task he has been given and in that way the probability of success will certainly be much greater.

What benefit can we have from a team that lacks communication? Members of a team need to communicate to explain the tasks, to provide suggestions, to ask for help and so on. Communication is a bridge by which different experts can combine their knowledge to achieve the main objectives of the organization (Jurney; 2017).

Conclusion

We believe that we have properly clarified the importance of data management in every aspect of doing business and how important is the approach displayed by Data Science. We can make a point that Data Science is evolving continuously, finding new ways to help those who need to make decisions for their organization; machine learning combined with Artificial Intelligence will certainly facilitate largely the tools for the data scientist, but let's hope that these developments will be done for the sake of the wellbeing of humanity and not just for the sake of technology. The former will make our lives better, while the latter, well, we're not so sure.

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AIR POLLUTION AND THE IMPACT ON ECONOMY AND HEALTH

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Abstract

This scientific work has to do with environmental pollution in general but especially environmental air pollution. From the data of the World Health Organization are a large number of diseases that appear, are affected or exacerbated by the impact of environmental air pollution and thus affects the quality of life of people in general. Environmental pollution usually includes air, land and water pollution. Sources of pollution are usually household appliances with the use of combustible materials, vehicles which, with the materials they use for combustion, greatly pollute the environment, indiscriminate use of pesticides and chemicals in agriculture as well as waste incineration and mismanagement. The use of natural resources outside the normal criteria has had alarming effects on the environment. Environmental pollution with special emphasis on air pollution treated in this paper certainly has a significant impact on the economies of countries facing this phenomenon. Environmental policies and instruments usually tend to reduce pollution levels to reduce costs from countries' budgets as well as the impact of pollution that has gross domestic product. During pollution, of course, there are restrictions on the lives of citizens with chronic diseases, thus being absent from work and affecting the functionality of certain institutions but also various private companies.

The treatment in this paper of environmental pollutants, the impact on public health and the impact on the general economy will be more detailed.

***Keywords:** source of environmental pollution, environmental protection, World Health Organization, health impact, respiratory diseases, pollutants, waste mismanagement*

Introduction

Air pollution is one of the most serious environmental risks. The most recent Global Burden of Disease (GBD) study estimates that air pollution – indoor and outdoor combined – was the cause of 5.5 million premature deaths globally in 2013. Air pollution also has further consequences on human health, leading in particular to an increasing number of respiratory and cardiovascular diseases. Moreover, it affects crop yields and the environment, with impacts on biodiversity and ecosystems, amongst others. These impacts have significant economic consequences, which will affect economic growth as well as welfare. The projected increase in concentrations of PM_{2.5} and ozone will in turn lead to substantial effects on the economy. According to the calculations in this report, global air pollution-related healthcare costs are projected to increase from USD 21 billion (using constant 2010 USD and PPP exchange rates) in 2015 to USD 176 billion in 2060. By 2060, the annual number of lost working days, which affect labor productivity, are projected to reach 3.7 billion (currently around 1.2 billion) at the global level. The market impacts of outdoor air pollution, which include impacts on labor productivity, health expenditures and agricultural crop yields, are projected to lead to global economic costs that gradually increase to 1% of global GDP by 2060. The most dangerous consequences from outdoor air pollution are related to the number of premature deaths. This report projects an increase in the number of premature deaths due to outdoor air pollution from approximately 3 million people in 2010, in line with the latest Global Burden of Disease estimates, to 6-9 million annually in 2060. A large number of deaths occur in densely populated regions with high concentrations of PM_{2.5} and ozone, especially China and India, and in regions with aging populations, such as China and Eastern Europe.

The potential economic consequences of both the market and non-market impacts of outdoor air pollution are very significant and underscore the need for strong policy action.¹

In 2015, WHO and OECD estimated that the economic cost of premature death and disability from air pollution in Europe is close to USD 1.6 trillion. Air pollution takes its toll on the economy in several ways: it costs human lives, it reduces people's ability to work, it affects vital products like food, it damages cultural and historical monuments, it reduces the ability of ecosystems to perform functions societies need and it costs money in remediation or restoration.²

¹"OECD POLICY HIGHLIGHTS The economic consequences of outdoor air pollution"

https://read.oecd-ilibrary.org/environment/the-economic-consequences-of-outdoor-air-pollution_9789264257474-en#page20

²"Air pollution and economic development, The United Nations Economic Commission for Europe (UNECE)" <https://www.unece.org/environmental-policy/conventions/envlrapwelcome/cross-sectoral-linkages/air-pollution-and-economic-development.html>

The three different market impacts of air pollution are: reduced labor productivity; increased health expenditures; and crop yield losses. They all contribute to a projection of GDP that is below the projection that excludes the pollution feedbacks on the economy. At the global level, the consequences of labor productivity and health expenditure impacts continue to increase significantly relative to GDP. In contrast, agricultural impacts are relatively stable over time in percentage of GDP, i.e., in absolute terms these impacts grow more or less at the same speed as GDP. Taken together, the total annual market costs of outdoor air pollution are projected to rise from 0.3% in 2015 to 1.0% by 2060.

For most air pollutants, emissions are projected to increase in the coming decades. Rising emissions reflect the underlying baseline assumptions on economic growth: with increasing GDP and energy demand, especially in fast growing economies such as India and China, emissions of air pollutants rise, albeit at a slower pace than GDP. In particular, emissions of nitrogen oxides (NO_x) and ammonia (NH₃) are projected to increase strongly. These large changes are due to the projected increase in the demand for agricultural products and energy. In many places, concentrations of PM_{2.5} and ozone are already well above the levels recommended by the WHO Air quality guidelines.

The most worrying and striking impact of air pollution is the large number of premature deaths. The number of premature deaths due to outdoor air pollution is projected to increase from 3 million people globally in 2010 to a global total of 6 to 9 million people in 2060. This large increase is not only due to higher concentrations of PM_{2.5} and ozone, but also to an increasing and aging population and to urbanization, which leads to higher exposure.

The projected increasing concentrations of PM_{2.5} and ozone will also lead to a higher number of cases of illness, which will imply more hospital admissions, health expenditures and sick or restricted activity days, which lead to labor productivity losses (Table 1).

The number of cases of bronchitis is projected to increase substantially, going from 12 to 36 million new cases per year for children aged 6 to 12, and from 3.5 to 10 million cases for adults. Children are also affected by asthma, with an increasing number of asthma symptom days for children of age 5 to 19. These increasing cases of illness have been translated into an equivalent number of hospital admissions, which are projected to increase from 3.6 in 2010 to 11 million in 2060.³

³"OECD POLICY HIGHLIGHTS The economic consequences of outdoor air pollution",

<https://www.oecd.org/environment/indicators-modelling-outlooks/Policy-Highlights-Economic-consequences-of-outdoor-air-pollution-web.pdf>

The additional cases of illness also lead to an impact on normal work activities. In 2060, lost working days at the global level are projected to be around 3.75 billion days. But there will also be an increasing number of (minor) restricted activity days.⁴

Table 1. Projected health impacts at global level

| | 2010 | 2016 |
|--|------|-------|
| Respiratory disease (million number of cases) | | |
| Bronchitis in children aged 6 to 12 | 12 | 36 |
| Chronic bronchitis (adults, cases) | 4 | 10 |
| | | |
| Asthma symptom days (million number of days) | | |
| Asthma symptom days (children aged 5 to 19) | 118 | 360 |
| | | |
| Healthcare costs (million number of admissions) | | |
| Hospital admissions | 4 | 11 |
| | | |
| Restricted activity days (million number of days) | | |
| Lost working days | 1240 | 3750 |
| Restricted activity days | 4930 | 14900 |
| Minor restricted activity days (asthma symptom days) | 630 | 2580 |

Source: OECD POLICY HIGHLIGHTS The economic consequences of outdoor air pollution

⁴" OECD POLICY HIGHLIGHTS The economic consequences of outdoor air pollution",

<https://www.oecd.org/environment/indicators-modelling-outlooks/Policy-Highlights-Economic-consequences-of-outdoor-air-pollution-web.pdf>

There are two major policy implications from these findings. The first is that more stringent air quality regulations could be warranted based solely on economic grounds. This is because the large economic benefits from pollution reduction are greater than previously thought and compare with relatively small abatement costs: for example, reducing emissions of fine particulates by 25% across Europe would cost EUR 1.2 billion annually according to the European Commission, but the economic benefits from such emissions reductions would be at least two orders of magnitude greater. Consequently, such a reduction in pollution would easily pass a cost-benefit test, even ignoring the large benefits in terms of avoided mortality. Secondly, air pollution control policies may contribute positively to economic growth, reinforcing the case for integrating green considerations into mainstream economic policymaking. Simulations suggest that reaching the air quality targets required by the European Commission Ambient Air Quality Directives for the period 2010-20 would increase European GDP by 1.25%, with the most polluted countries experiencing GDP growth of up to 3%. Since Eastern European countries face higher pollution levels on average, air pollution control policies could significantly contribute to economic convergence between Eastern and Western Europe, and could be seen as useful complements to structural policies aiming at fostering economic growth. However, poor air quality may cause direct reductions in economic activity because it negatively impacts cognitive or physical ability. In addition to impacts of pollution that are mediated through the labor market, air pollution may also have a direct impact on output, in particular in the agricultural or forestry sectors, where air pollution has the potential to damage crops or trees and thus cause reductions in field. Estimating the potential effect of pollution on high-skill workers is more challenging, because tasks are typically less routinized and can often be shifted in time and space. Nevertheless, there is some evidence that pollution also affects productivity in high skill tasks.⁵

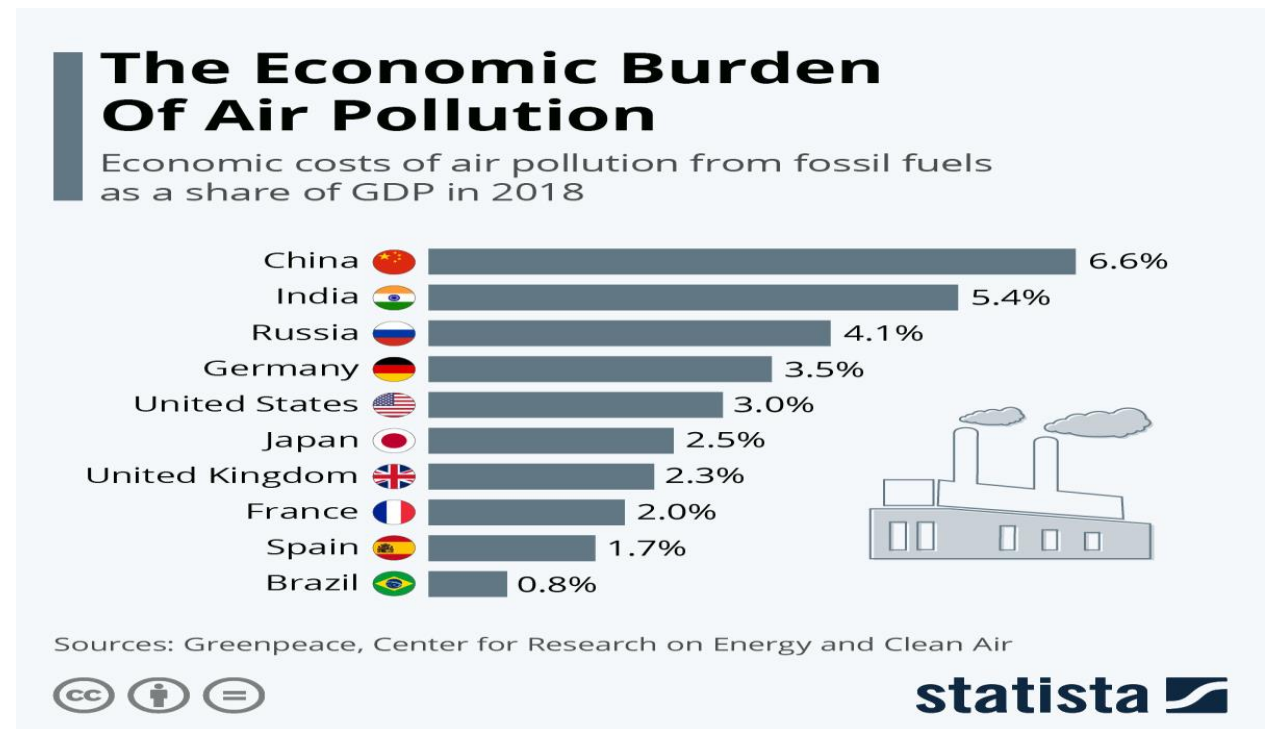
Greenpeace Southeast Asia and the Centre for Research on Energy and Clean Air have released a new report about the costs of air pollution from fossil fuels, both human and economic. Burning gas, coal and oil results in three times as many deaths as road traffic accidents worldwide and it is estimated that air pollution has a \$2.9 trillion economic cost, equating to 3.3 percent of the world's GDP. In 2018, the report estimates that it was linked to 4.5 million deaths with PM2.5 pollution also responsible for 1.8 billion days of work absence, 4 million new cases of child asthma and 2 million preterm births. It can have an impact on the economy in many forms such as higher rates of asthma, diabetes or chronic respiratory diseases leading to reduced ability to work and lower participation rates in the labor force.⁶

⁵"The economic cost of air pollution: Evidence from Europe",

<https://www.oecd-ilibrary.org/docserver/56119490-en.pdf?expires=1587927668&id=id&accname=guest&checksum=470CEB7142676B44CD4B93224F604411>

⁶"This is the global economic cost of air pollution", <https://www.weforum.org/agenda/2020/02/the-economic-burden-of-air-pollution/>

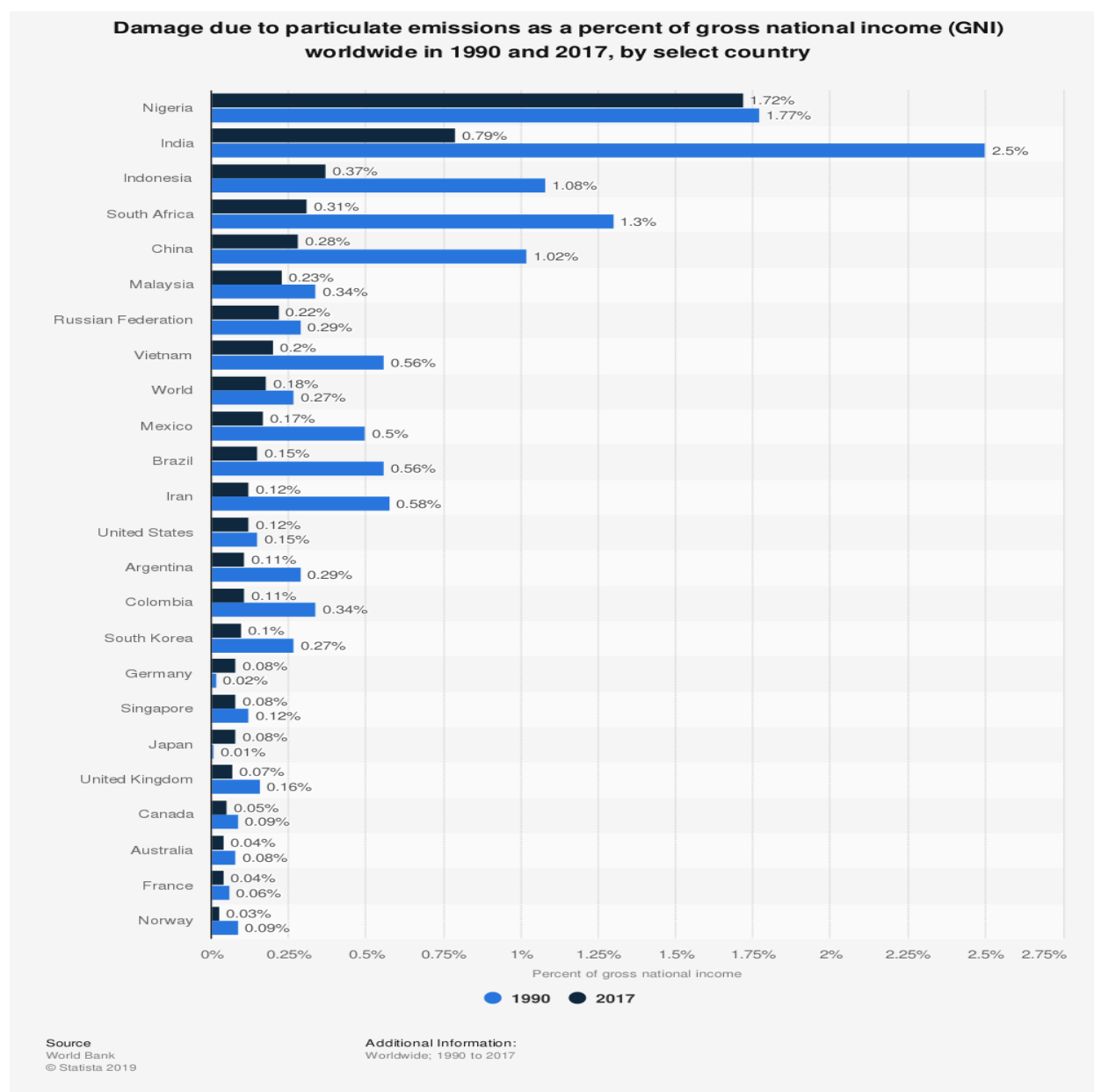
Children susceptible to asthma attacks also miss school days, impacting their learning while healthcare requirements can result in their guardians also taking extra time off work. According to the report, disability from chronic diseases cost the world's economy \$200 billion in 2018, with sick leave and preterm births costing \$100 billion and \$90 billion respectively. The total annual cost of air pollution in China is estimated to be \$900 billion each year with costs in the U.S. running to \$600 billion annually. Indian cities have scored unfavorably in air pollution indexes for years and the issue costs the country \$150 billion per year on average. In 2018, the cost of dirty air equated to 6.6 percent of Chinese GDP, 5.4 percent of India's GDP and 3 percent of U.S. GDP.⁷



⁷“This is the global economic cost of air pollution”,

<https://www.weforum.org/agenda/2020/02/the-economic-burden-of-air-pollution/>

This table shows the damage due to particulate emissions as a percentage of gross national income in some countries of the world.



Source: Statista.com

While pollution-related deaths strike mainly young children and the elderly, premature deaths also result in lost labor income for working-age men and women. The report finds that annual labor income losses cost the equivalent of almost 1 percent – 0.83 percent -- of Gross Domestic Product (GDP) in South Asia. In East Asia and the Pacific, where the population is ageing, labor income losses represent 0.25 percent of GDP, while in Sub-Saharan Africa, where air pollution impairs the earning potential of younger populations, annual labor income losses represent the equivalent of 0.61 percent of GDP.

When looking at fatalities across all age groups through the lens of “welfare losses”, an approach commonly used to evaluate the costs and benefits of environmental regulations in a given country context, the aggregate cost of premature deaths was more than US\$5 trillion worldwide in 2013. In East and South Asia, welfare losses related to air pollution were the equivalent of about 7.5 percent of GDP.⁸

In 2011 air pollution from the energy industry cost the U.S economy \$131 billion in “social damages” according to one study. Most of this was in the form of health care costs for people who became sick from air pollution. As staggering as it may seem, the cost in 2011 was actually lower than in 2002 when social costs tallied \$175 billion.

The decline has been attributed to the effectiveness of more stringent emissions regulations and points to the need to continue in this direction.

Air pollution has some indirect costs, too, including unexpected impacts to school and work performance. A study found that the productivity of pear packers in Northern California was measurably lowered by air pollution. Another study found that Chinese call center workers take more breaks on high pollution days. A third study found that there were more absences in Texas school districts as a result of high carbon monoxide levels.

Air pollution knows no borders and can wreak havoc with climate and weather. For example, pollution from Asia's manufacturing industries has reached the United States. This particularly affects the western part of the United States. It could also lead to more powerful storms over the Pacific Ocean.⁹

⁸“Air Pollution Deaths Cost Global Economy US\$225 Billion”,

<https://www.worldbank.org/en/news/press-release/2016/09/08/air-pollution-deaths-cost-global-economy-225-billion>

⁹“Air Pollution Causes, Effects, and Solutions”,

<https://www.thebalance.com/air-pollution-causes-effects-solutions-4775825>

While air pollution can have serious effects on your health, it can also impact your wallet. With the increased need for health care comes the potential for increased costs of health insurance and out-of-pocket expenses.

According to a study by the RAND Corporation, 30,000 people were admitted to the hospital or emergency room between 2005 and 2007 for asthma, respiratory, and cardiovascular issues related to California's air quality. The study found that three-fourths of the cases could be attributed to high ambient levels of fine particulate matter, while the rest were related to high ozone levels. As a result of these hospitalizations, the public and private health insurance companies—and thus the employers and employees—ultimately paid about \$193 million for the care.

This study is just an example of the financial costs that can come from the health effects of air pollution. On a larger scale, pollution-related health care costs could increase individuals' health insurance premiums and out-of-pocket expenses for drugs and services associated with these effects, such as respiratory issues like asthma. And, depending on the type of plan, such as one with a high deductible, the costs to manage these health effects with medicine, inhalers, and more could be higher. While many individual factors into play with the true cost of air pollution, it may still be smart to consider how health risks can pose a threat to your financial situation. Understanding how to prevent the health effects of air pollution could help you save money in the future.¹⁰

Even before the point of death, even in cases of illness, where it appears as though accountants and economists are considering the same costs, they are not counting the same thing, but rather addressing two features of the same reality. Consider, for example, a night's hospital stays on the part of a given patient. The financial cost may be found in, inter alia, the attributable part of the wages paid to the relevant medical staff, the attributable part of the bills paid to the relevant suppliers of equipment, energy, materials, and so on. In contrast, the economic cost is the sacrifice of value by the individual patient and, if relevant, the patient's household. This entails the sacrifice of consumption as a result of the wages foregone, the sacrifice of leisure as a result of the free time foregone, and so on. There are different calculations at work: they are not interchangeable, nor can their results be added up.

Similar considerations apply to the impact on the national accounts of air pollution or any other health risk factor. The premature deaths of working-age people will have an impact on the national accounts through the loss of labor inputs to production and the outputs of it. Those responsible for measuring, analyzing and forecasting changes in gross domestic product (GDP) will have an interest in measuring this impact.¹¹

¹⁰“Health Effects of Air Pollution”,

<https://www.thebalance.com/health-effects-of-air-pollution-4772278>

¹¹“Economic cost of the health impact of air pollution in Europe”,

Conclusions

Environmental pollution, or more precisely environmental air, has been found to have very negative effects on the health of the population, ecosystems and the economies of countries around the world in general.

Environmental pollution is getting worse day by day in different parts of the world, exceeding the established pollution limits, the excesses of which severely damage human health but are sometimes also life threatening and fatal.

According to the Protocols of the World Health Organization, certain diseases are associated with environmental pollution, such as diseases of the respiratory system: asthma, emphysema, acute bronchitis, chronic obstructive pulmonary disease, cardiovascular disease and stroke.

In this regard, it should be considered that from the impact that pollution has on health, namely the increase of diseases, the increased attendance of patients in health centers for treatment also increases the cost of health care, which means that a significant part of the state budget is allocated for this.

This also includes premature deaths from environmental pollution that reduces productivity in general, obtaining medical leave from employees during periods of pollution that reduce working hours also loses efficiency at work and burdens the budget of the health fund.

Therefore, the governments of the states should have long-term plans to reduce environmental pollution with special emphasis on environmental air pollution and thus in some way reduce the costs of environmental pollution and the means of financial means dedicated to the fight against pollution to direct them to a better and healthier life for the citizens.

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IMPORTANCE OF KOSOVO DIASPORA IN ECONOMIC DEVELOPMENT

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Abstract

Diaspora has great importance in economic development of Kosovo, because today Diaspora its main contributor in economic development in our state and in social, culture, political and historical development, because diaspora all of the time it has contribute in building of Kosovo in every economic field and other social aspects. Therefore, increase of investment from diaspora in Kosovo is key object for economic development, so it should be the main priority for our government.

Government of Republic of Kosovo should have serious approach in treating effectively and efficient of diaspora, and should make long term strategy for ensuring of better conditions, to make ideal conditions to invest in Kosovo in different fields. Different investments from diaspora, today require liberal politics and pragmatic and planned strategy development, drafting favorable legal rates for strategic investment in all of economic activities. Where such investment from diaspora present the most effective way to create new opportunities for jobs and creating condition to increase and develop economic sustainable. Diaspora should stimulated to invest in Kosovo in different fields as in: education system, healthcare, tourism, hotel, energy, agriculture, farming, etc. A special importance have investment from diaspora and its specifically for Kosovo by taking into account condition in how it should be realised economic development.

Key words: *Diaspora, Strategic management, Economic Development, remittances.*

Introduction

Kosovo diaspora for the country, it gives continuously economic, politics, and moral support. The typical example that shows importance of diaspora for development of Kosovo is sum of remittances that diaspora sent in the country every year.

Importance of Diaspora for Economic development of Kosovo is undeniable and indispensable. Especially large diaspora such as Kosovo that contain a large part of direct foreign investment and for more they can be ready to invest more in conditions to discourage other investors. Every year hundred millions invests of diaspora enter in Kosovo economy. Increasing of investments from diaspora its key object for economic development, so, it should be priority of priorities for country government. Government of Kosovo should have serious access about diaspora and it should have long term project to offer better condition, in that way diaspora will invest in different fields in the country. So, diaspora is potential with multidimensional value for the country. Even though they are outside home country, it has been constantly treated as an inseparable part of Kosovo's culture and people.

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Outside home country lives and operate over 800⁴thousands members of diaspora⁵, but this number is increasing, taking into account that immigration is challenge almost in every country (family reunion, education, living standar).

Genesis of immigrations outside of home country it has happend in different phase, starting from 60's, where in massive manner houndred and thousands family were subjected to ill-treatments, rape and discrimination from authorities of Serbia. Much of it in previous years has been placed in Turkey. Nowadays, Albanian community in this country it is belived is bigger that it present in statistics, but in abstinence of updated statistics we still have no real figures. However, its very important to understand that a very large part today saves customs and language, and other part it is fully integrated, is assimilated in Turkish society.⁶

From that time, immigration has been continous characteristic of our society. With the exception of the postwar period, trends for immigrations, first, that was by persecution of Yugoslavia system for political reason, then economic reason, etc. In this viewpoint, the case of saving mother tongue and identity, and strengthening of relationship with diaspora it's very important for Kosovar's citizens, in that manner to avoid assimilation of this communities and it risk losing this part of society⁷. Diaspora, in general, its distributed accros the world, however, always it has has remained the best and most meaningful link between Kosovo and the countries where it operates and lives. Apart from the distribution mainly in Western countries, our diaspora characterizes its integration into the countries where they live and operate, especially younger generations who are born and grown from outside home, the most recent part of the country of origin. This factor is very good explanatory because part of the diaspora is active and the second and third generation are more disconnected from the country of origin, and this disconnect is more and more present. A large percentage of our diaspora is well integrated in the countries where they live and from this diaspora there is created enormous potential of human and economic capital, therefore integration of diaspora in the countries where it lives and operates is also an important aspect of the relationship interstate for our country, using diaspora as a mediator partner. Taking these indicators into account, the diaspora has multiple powers for many reasons, both in terms of human capital and economic capital. Therefore, the preservation and development of national identity has a special importance, both for the state and for the society of Kosovo. Fortunately, from what we see and from ongoing contacts with Diaspora members, we can conclude that the national identity is still preserved to a high degree in the first generations. However, in the second and third generations there is a trend of impoverishment of language and connections with the country of origin. Organizing mother tongue and culture education through the educational system could create opportunities for preserving national identity to a greater extent⁸.

Which is importance of Diaspora in Economic development in Kosovo

Kosovo is the youngest country in the world, today still faces with a lot difficulties in different aspects of state of construction and economic.

Economic increase in Kosovo behave about 4% where country economic is based in import and we buy more and we sell less, local production its supported littlebit from state institutions of the country and the market its not ensured, and as well as providing few facilities to Kosovar producers. Kosovo has powefull Diaspora, and consequently the majority of the population lives with remittances that Diaspora sent to them. Kosovo Economy still is faced with serious problems. Since the time of rapid and immediate development in the early post-war years of 1999, Kosovo's economy has had little or no progress.

Despite the fact that the level of donor assistance is still high, although this level of assistance has experienced a downward trend, and since 2001 Kosovo has had very little GDP growth, ie Gross Domestic Product (GDP), as well as and there was a non-movement of BPV per inhabitant⁹. Kosovo has youngest population in Europe, with population growth one of the fastest in Europe. To prevent further unemployment growth¹⁰.

⁴IOM Kosovo (2012), Need to add the link,

⁵Easy immigration profile 2017,

⁶Project strategy for Diaspora pg. 6, 2019-2023 and Operation Plan 2019-2021,

⁷Project strategy for Diaspora pg. 6, 2019-2023 and Operation Plan 2019-2021,

⁸Project strategy for Diaspora pg. 6, 2019-2023 and Operation Plan 2019-2021,

⁹Diaspora and Immigration policies pg. 7, Forum 2015, December 2007 Prishtin

¹⁰Diaspora and Immigration policies pg. 15, Forum 2015, December 2007 Prishtin

Remittances are largely stimulating domestic consumption, which affects the deepening of imports and consequently the trade deficit. This view mainly sees Kosovo as a transit country for remittances, where diaspora money goes in, circulates for several months and then goes out of the country usually through the import of food products. Excepted of this, a large sum of money the diaspora invests in the property, where as a results, last year's there is an increase in the demand for real estate purchase, this phenomenon has also affected the rise of prices for local citizens who live in Kosovo. Diaspora related financial transactions include remittances, travel expenses in Kosovo and international investments made or facilitated by members of the Diaspora. Given the Diaspora population as opposed to the resident population in Kosovo, the economic impact of these transactions is high in relation to domestic production of Kosovo and of great importance for Kosovo's international reserve inflows¹¹.

Remittances strengthen demand for imported and domestic goods and services, raise prices and ultimately payrolls throughout the Kosovo economy, thus contributing to the Kosovo transition from economic recovery following the investment-inclusive and inclusive growth conflict, which is a prerequisite for human development¹². Creating appropriate policies regarding immigration and Kosovo's diaspora status is key to boosting economic growth and reducing macroeconomic disproportion in Kosovo. Through the implementation of such policies, the diaspora could contribute more effectively to raising human and financial capital, increasing economic growth and creating new jobs in Kosovo¹³. Strategic objectives aim at empowering, facilitating and encouraging diaspora engagement in the socio-economic development of the country of origin. Within this objective, the strategy aims to promote, stimulate and co-operate with formal and informal economic platforms in different parts of the world. Also, this objective aims to provide mechanisms for knowledge transfer and exchange of experiences from the Diaspora and vice versa¹⁴. Labor migration and economic interaction with the Kosovar diaspora abroad have a profound impact on the economic and livelihoods of many individuals in Kosovo and this is not limited to the level of households. Economic cooperation with Kosovo Diaspora are deep and they strengthening impact in macroeconomic development of Kosovo and in this manner of all Kosovar's¹⁵.

According data of Central Bank of Kosovo, shipments, which are mainly spent on consumption, amount to about 750 million euros a year. Capital investments, mostly in real estate, amount to 250 million and expenditures during their stay in Kosovo amount to 900 million per year. Given these, with this strategy, this large multidimensional capital of the diaspora is aimed at the overall development of the country, these investments, which benefit both the diaspora and Kosovo. Diaspora investments in the country are a very important factor in preserving the identity of young people in the diaspora and their connection with the homeland¹⁶.

Diaspora investments require planned policies and strategies, continuous improvements in the legal and institutional framework, improvement and modernization of the infrastructure and improvement of the business climate. These investments represent the most effective way to create new jobs and at the same time create conditions for sustainable economic growth. Almost, every diaspora member has high interest to invest in Kosovo in different fields such as: Healthcare, Agriculture, Farming, Energy, Tourism, Hotels.

Diaspora remittances in Kosovo are one of the main sources of funding

Remittances from Diaspora, today present source that ensure social stable statement and this money mainly send in the most case in consumption of family and less for investments on business. Kosovo Diaspora today is the most powerfull promotor of economic development and raising of social welfare in Kosovo. It has been around for years 700 million euro Remmitances per year that impact in country stable.

In 2018, total value of remmitances from Diaspora was 730.5 million euro. Remmitances of Diaspora's, according to the delivery channels mostly sends from agencies for money transfer, followed by other channels of delivery and banks¹⁷.

¹¹Diaspora and Immigration policies pg. 33, Forum 2015, December 2007 Prishtin

¹²Diaspora and Immigration policies pg. 33, Forum 2015, December 2007 Prishtin

¹³Diaspora and Immigration policies pg. 7, Forum 2015, December 2007 Prishtin

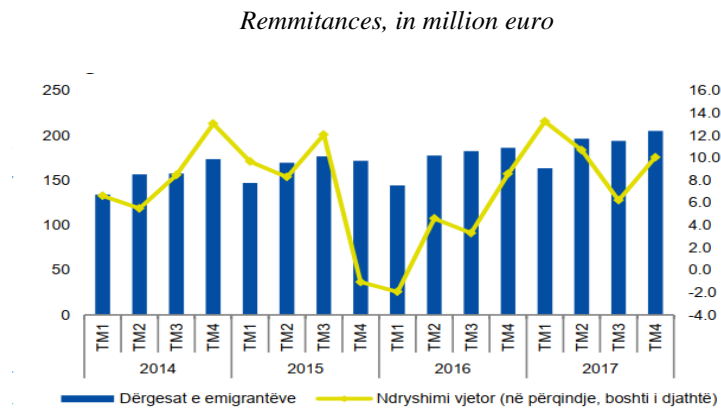
¹⁴Project strategy for Diaspora pg. 16, 2019-2023 and Operation Plan 2019-2021

¹⁵Immigration as force for developmentpg. 12, Human Development Report in Kosovo 2014 Swiss Cooperation Office Kosovo

¹⁶Project Strategy for Diaspora pg. 10, 2019-2023 and Operation Plan 2019-2021

¹⁷Macroeconomic overview Ministry of Finance ASK and CBK 2018

While, accepted remittances in Kosovo for 2017, which at the same time represent the largest category within the secondary income account, amounted to euro 759.2 million, representing an annual growth of 9.9%. Remittances in Kosovo come mainly from Germany and Swiss, country which sent from 39.9% respectively 22.5% of general accepted remittances in Kosovo. A significant part of remittances is accepted and from USA, namely 7.0% of total remittances¹⁸.



Source: CBK (2018)

Accepted remittances in Kosovo for 2016, which at the same time presented the largest category within the secondary income account, amounted to euro 691 million, which represents an annual growth of 3.8%¹⁹.

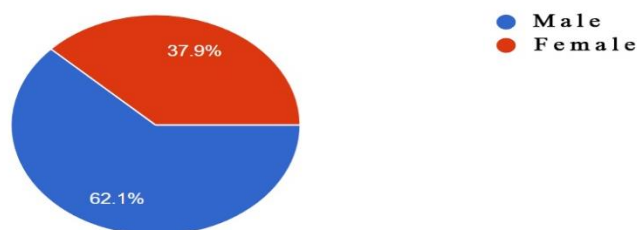
Analys Importance of Kosovo Diaspora in economic development

In practical part of research and that what is role importance and what important role plays in Diaspora in economic development in the Republic of Kosovo through various forms is presented through a clear analysis which gives clear directions about the future which are the main forms to the implementation of the needs and forms of cooperation better with the diaspora for the development of Kosovo. In this online survey 161 respondent's that answer 12 question closely related to the subject, while the other two appear of information collectors in this part.

In this survey are answered 62.1% from *male* gender and 37.9% female gender.

Gender

161 responses



¹⁸CBK report for 2017, pg. 32, <https://www.bqk-kos.org/>

¹⁹Annual Report 2016, pg. 31, <https://www.bqk-kos.org/>.

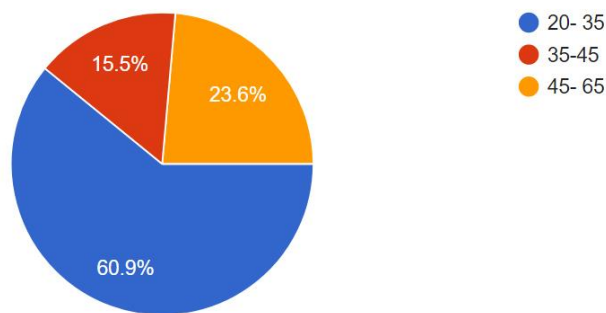
In the second part author's have decided to collect respondent of different age which are presented as three options and are as chronology assigned related with topic as below:

- ✓ 20-35;
- ✓ 35-45;
- ✓ 45-65.

For first option in general are 161 respondents 60.9% are answered in survey those aged 20 to 35 years old, with 23.6% those from 45 to 65 years old from all respondents are answered 15.5% in aged 35 to 45 years old.

Age

161 responses

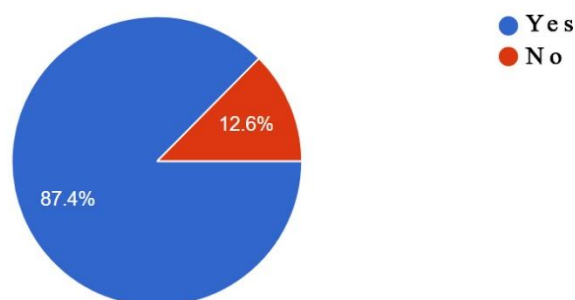


Question 1:

Research had aimed to extract importance of Diaspora's and its role in Kosovo, respondent's are answered question with 87.4% that have at least members of family outside of country and with 12.6% do not have anyone of family member.

1. Do you have family members living abroad?

159 responses

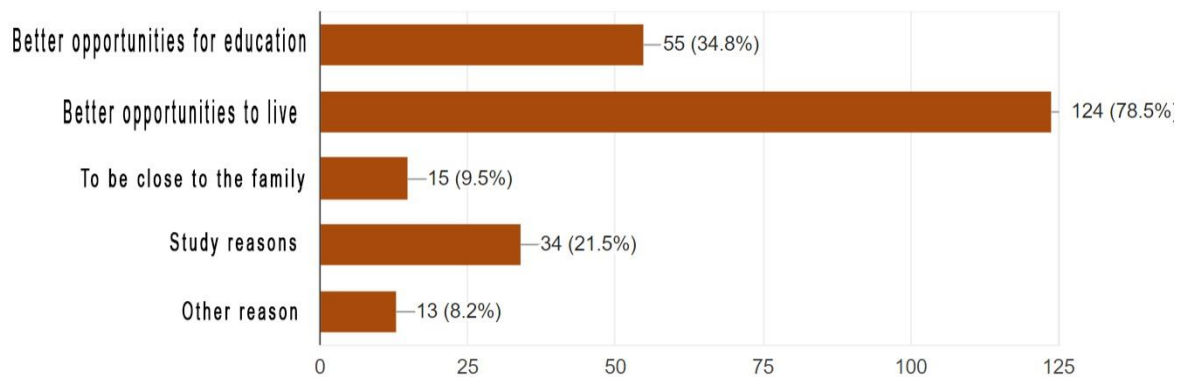


Question 2:

In second question related with the reason of leaving from Kosovo taking into account a lot of factors and circumstances in Kosovo as transition country and with no less importance in this phase, whereas answers/ research results for this question it gives interesting results over leaving the country, where 78.5% give reason if they go abroad from Kosovo they can have more opportunities for a better life, with 34.8% they think that they can find better opportunities for better education, 21.5% think for study reason, etc.

2. What are the reasons for leaving Kosovo?

158 responses



Question 3:

According a lot of research of scientific that have done for their forms and investments in Kosovo have given different results which leaves much to be desired. In this question, respondents with 46.3% think that investments in Kosovo made by Diaspora for *emotional reason with hometown* with 40.6% think for family reason and with 10% think for increasing and business development to operate in Kosovo.

3. What do you think, what they push to invest Diaspora in Kosovo?

160 responses



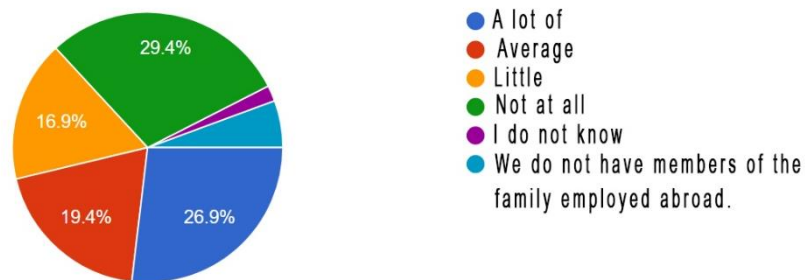
Question 4:

The issues raised try to give a solution to the question of the diaspora role for Kosovo, where fourth question require from respondents to give reason which present dependences of citizens of Kosovo from inputs of Diaspora. So, with 29.4% responded that they are not at all dependent on these investments, 26.9% respond that they are very dependent on 19.4 think they are on average.

So, according to the reasoning of the diaspora respondents with their investments for a large part, they have no impact and are not dependent on their businesses, their having good income and other reasons, while the rest see themselves more dependent leaving a vacancy in that investments should be increased in order to stabilize the market and economy in the country.

4. How much are you dependent on the revenues coming from the diaspora?

160 responses

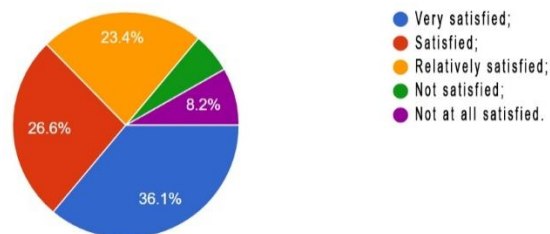


Pyetja 5:

Investigations of Diaspora and their help through citizens that live in Kosovo according respondents is good, even are express as *very satisfied* with 36.1%, while with 26.6% are *moderately satisfied*, and with 23.4% of respondents think that are *relatively satisfied*. This present that those investments excepts that have increase their impact they have improve living in Kosovo for family that help doing of daily obligation for a better life.

5. Do your family financially contribute and how satisfied are you with the support and assistance that is offered to you?

158 responses



Question 6:

Different circumstances and reasons have pushed our nations together to invest in Kosovo and as such are referred to as diaspora investments, so according to the research we can see that 58.8% of respondents do not have any family members employed outside the Republic of Kosovo and they do not they have the idea and even the knowledge about Diaspora investments in the country that is primarily economic development is very doubtful. While 29.4% think that these investments are on average good and have a positive effect by raising the quality of the market economy.

6. Which is importance of Kosovo Diaspora in economic development of the country?

160 responses

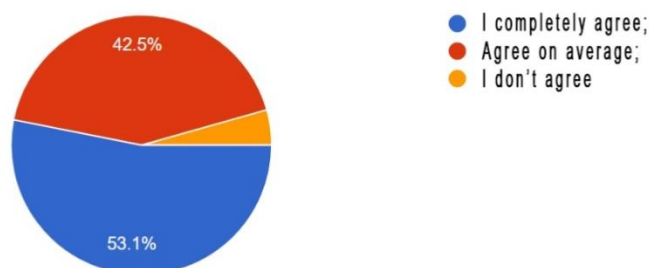


Question 7:

Bearing in mind development and development policies in the Balkans and beyond, of the 160 respondents surveyed think that diaspora is among the most important contribution of investment success in Kosovo, giving particular importance to this field, while 42.5% think that there are other forms of investment but also this is among the most important by *agreeing on average*.

7. It is Diaspora one of the most Important contributors of success for investments in Kosovo?

160 responses

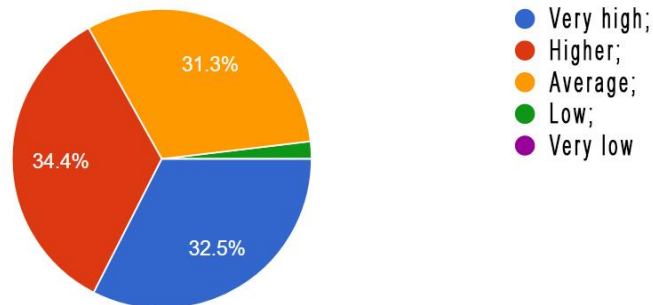


Question 8:

Any investment made in any given field gives rise to its impact, which has little or no negative or positive impact, so foreign investments (diaspora investments) in Kosovo have created a new logic of aid by facilitating many things. According to respondents, 34.4% think that the diaspora influence on economic development is high and is estimated at the same time for the citizens, with 32.5% think that the impact is very high and this support is expected to be even greater in the future while 31.3% of the respondents think that their influence is moderate.

8. Do you think the diaspora's influence on the economic development in Kosovo is high?

160 responses

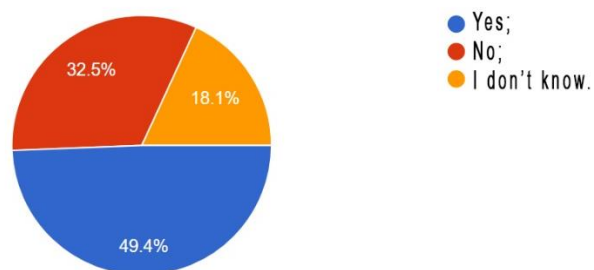


Question 9:

Considering the disturbance of the many citizens in this period in the Republic of Kosovo, it is necessary to take measures to create favorable conditions to regulate the situation and young people to work for their country, developing it in different forms and making it even stronger compared to economic competition and beyond. Considering many factors, respondent's responded with Yes 49.4%, 32.5% with No and 18.1% were shown as neutral.

9. Do you think that people should not leave their hometown?

160 responses

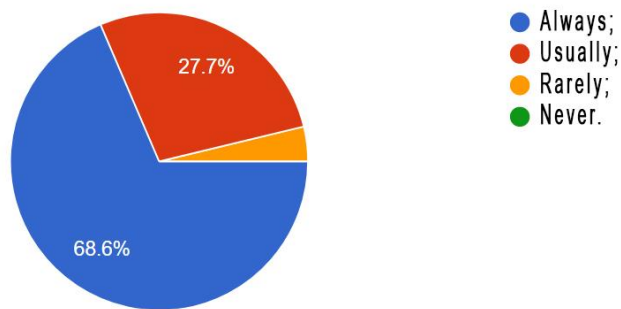


Question 10:

According to the respondents' responses, it is very disturbing to leave the citizens, which situation is also evidenced by the responses of respondents who with 49.1% answered positively that they would leave, with 26.4% not leaving and 20.1% responding with the option possibly leaving an opportunity to flee, but even in the case of improving economic and social conditions, they would stay in Kosovo.

11. Is the diaspora arrival in Kosovo well expected?

159 responses

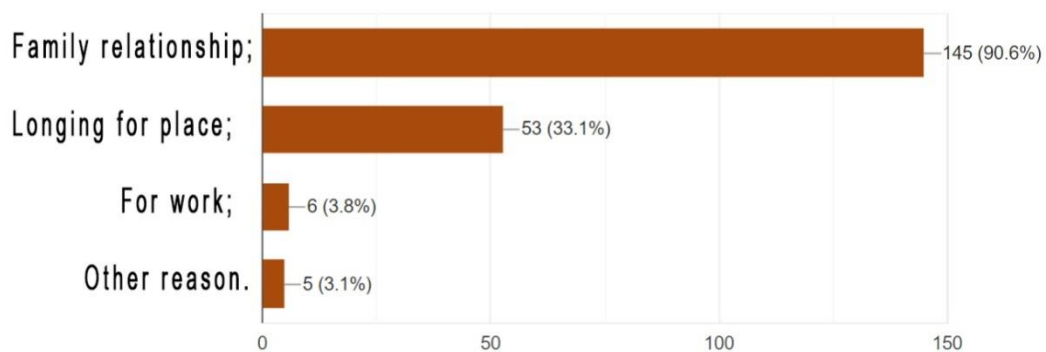


Question 12:

Our comrades, besides having the reasons for the investments and the growth of the economic situation in Kosovo, have other reasons for the visit in Kosovo and the authors have established a number of them where the reason for family ties was chosen with 90.6%, then with 33.1% reason for country respite, 3.8% for work, and 3.1% for different reasons they visit our country and theirs.

12. What do you think, which are reason's of visiting of Diaspora's in Kosovo and no other countries?

160 responses



Conclusion and Recommendation

Conclusion

Diaspora's contribute through remmitances in Kosovo according assessments has been very large for postwar years to the present day with their investments, even though the state of Kosovo should make the drafting of institutional strategies for the best use of the Diaspora and Kosovo connections for the realization of projects of national interest such as projects: health, education, energy, minerals, etc. Make greater engagement of Kosovar authorities in involving diaspora in decision-making on Kosovo development projects.

Deeper cooperation between diaspora and local associations of Kosovo to exchange their experiences and knowledge in different fields of business. All this would contribute to sending remittances from abroad to greater sustainability towards Kosovo's development, and to alleviate unemployment in Kosovo, which is currently very high where there is still employment potential through investments. In the future it is expected that the level of remittances will be further reduced, where one of the main reasons for the decline of remittances from the Diaspora is the reunification of families with their members, as well as the employment of family members in Kosovo.

Recommendations

Since the post-war, remittances from the diaspora have played a very important role in Kosovo's economic development. The main recommendations for the diaspora role are for the country to develop a development strategy and to orient itself towards absorbing investment from the diaspora. The realization of this goal can be achieved by working in several directions: improving the investment climate in the country, improving the remittance transfer channels because a considerable part is brought to Kosovo through informal roads, orienting and utilizing the potential of investors in tourism and other economic areas for the purpose of opening up new jobs.

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BANK SPECIFIC AND MACROECONOMIC DETERMINANTS: EMPIRICAL EVIDENCE FROM REPUBLIC OF NORTH MACEDONIA

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Abstract

This study examined the impact of bad loans on banks profitability, because banks are the most important participants in the financial system, but also the most significant and largest financial institutions around the world, measured through their share in the total financial sector assets and for this, the purpose of this paper is to study impact of bank-specific and macroeconomic determinants on bank profitability in Republic of North Macedonia.

A strong financial system is very important for a country to flourish. The economic progress of a nation and development of banking is invariably interrelated. The banking sector is important financial service sector because channelizing funds for productive purpose.

The objective of this study is to examine the impact of bank-specific and major macroeconomic factors on the profitability of banking sector in Republic of North Macedonia by using the data over the time period 1994-2016. This study used unbalanced time series data with OLS methods, which were collected from World Bank and National bank in Republic of North Macedonia. This paper employs the Ordinary Least Square method to investigate also the effect of loans, economic growth and other determinants showed with the level of the profitability in Republic of North Macedonia, because the purpose of this study is to find out the causes of loans in Republic of North Macedonia. However, some of these loans usually fall into non- performing loans and adversely affect the performance of bank profitability.

The main goal of this paper is the impact of internal and external factors which can be classified also into bank-specific and macroeconomic factors on bank profitability in Republic of North Macedonia as one of the countries that is in transition.

The paper sets out to determine the main factors and their level of impact on profitability of banks in the Republic of North Macedonia and showed that the loans have negative impact on the bank profitability in the Republic of North Macedonia, but also results showed the individual effects on profitability where in some variables coefficients are statistically significant. Moreover, results showed a positive but insignificant impact of the macroeconomic determinants such as growth.

Keywords: *financial system, banking profitability, non-performing loans, OLS, Republic of North Macedonia, Social Sciences*

Introduction

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Banks may also provide financial services, such as wealth management, currency exchange, and safe deposit boxes.

Banks play a vital role in economic growth, namely by diversifying the risk to their activity. Interest rate risk is one of the most important financial risks of each bank which the banks face. Each risk is in itself a direct or indirect negative impact on the profit, activity, or realization of the ultimate goal of the banks. The risk of a change in interest rates in the portfolios of banking activities is a risk of loss arising from unfavorable changes in interest rates, as seen by the bank.

The main goal of this paper is the impact of internal and external factors which can be classified also into bank-specific and macroeconomic factors on bank profitability in Republic of North Macedonia as one of the countries that is in transition. The main research question is: Is there a significant link between banking and macroeconomic factors, such as Non-performing loans and GDP growth on bank profitability in Republic of North Macedonia. What effect do macroeconomic factors have in the bank profitability in the banking sector in Republic of North Macedonia?

The methodology of this research is based on the unbalanced time series data and OLS - Ordinary Least Square method. The data used are annual from 1994 to 2016 and the research is structured in this way. The section 2 is talking about the literature review and the used methodology, also in this section will describes the performance indicators being studied in the banking system in Republic of North Macedonia. Section 3 corresponds to the description of the data obtained in the study and will show the main results identified through the linear regression model. In section 4 will be the conclusions and recommendations and in the end of this research are references.

Theoretical Literature Review and Methodology

The performance of banking sector is also activity applied to a part of performance of an action in a time period, often with connection to previous expenditure efficiency or management responsibility (Abugamea, 2018, p. 1-17). But banking sectors play a key role in the development of an economy. The development role undertaken by banking sector determines the step for development of economy. Hence the stability of banking sector is a key for the development of an economy.

Therefore, commercial banks are one of the banking sectors which are the main source of funding to business activities as well as other projects throughout the country. They play a key role in the economy by mobilizing deposits from surplus units to deficit units in the form of loan and advances (Bhattarai, 2015).

As literatures show, there have been an increased number of significant bank problems both at matured and emerging economies (Joseph, Edson, Manuere, Clifford, Michael, 2012). Banking sectors can perform worst as a result of inefficient management, low capital adequacy and poor assets quality. Non-performing assets is also the single largest cause of irritation of the banking sectors (Sontakke and Tiwari, 2013).

This research is an explanatory research design that identifies the cause and relationships effect between the NPLs and other banking and macroeconomic determinants. A lot of studies were conducted on the difficulty of non-performing loans for banking sectors.

Similar studies are made for loans and bank profitability, because the main effect of bad loans is the ability to deter the bank to grow financially. This is because bad loans drag banks into liquidity problems and make them unable to extend funds to other potentially viable businesses. (Karim, 2010) also maintained that the banks cannot take up some procreative investment opportunities because of locked up capital due to bad loans and makes banks experience shortfalls in revenue generation. (Karim, Chan and Hassan, 2010, p. 118-132).

To this end, the main objective of this study was to examine the bank specific and macroeconomic determinants of NPLs of banks in Republic of North Macedonia. This initiates the bank management and executives with applied knowledge on the management of identified variables and provides them with understanding of activities that will enhance their loan quality and play a vital role in filling gap in understanding the determinants of banking sector in Republic of North Macedonia.

Overview of banking system in Republic of North Macedonia in 2017-2019

According on the report of National Bank of the Republic of North Macedonia (2017-2019), the activities of the banks in 2017 had different tendencies in the first and in the second half of the year. In the first half of 2017 the activities of the banks were under the influence of the reduced economic activity and still were present risks from the domestic political events and the global environment. The total assets of the banks in this period featured

modest growth which was primarily due to the decline in the deposit potential of the banks in the first quarter of 2017 and due to the minimal growth in the second quarter of the year. The gradual stabilizing of the situation and the ascertainties of the economic entities in the second half of 2017 has relevant impact on the positive tendencies on the foreign currency market and on the upward tendency of the deposit base of the banks, mainly from the households.

In conditions of stable expectations of domestic economic agents, with healthy economic fundamentals and absence of imbalances in the economy, the overall activities of the banking system in 2018 grew rapidly. The growth of the bank's assets mostly stems from the rapid growth of deposits and reflects the rapid growth of credit activity by non-financial entities and liquid funds. The increase in lending is largely due to the household denar loans.

Credit risk realization, measured through the trend of non-performing loans, declined in 2018, as non-performing loans declined by 12% (unlike 2017, when these loans increased by 2%). Participation of non-performing loans in total for nonfinancial entities also improved and decreased to the level of 5.2% (6.3% in 31.12.2017) and this according to report of NBRNM, 2018. (http://www.nbrm.mk/banking_system_reports.nsp.x.)

On the other hand, credit risk realization, reflected by the growth of non-performing loans (1.3%), slowed down in the first quarter of 2019, compared to the last quarter of 2018 (6.8%). The bulk (almost 80%) of the quarterly growth of non-performing loans is attributable to the increase in these loans to nonfinancial companies, which was spread over several sectors (construction, trade, vocational, scientific and technical activities and certain industries). However, non-performing loans of the households also increased in the first four quarters of 2019 (by 1.4%), which is a consequence of the growth of non-performing consumer and non-performing loans for purchase and renovation of business and residential premises. Participation of non-performing loans in total to the non-financial entities remained at the same level (of 5.2%) as in 31.12.2018, between this unchanged ratio of households (2.3%) and minimum growth of 0.1 percentage points, to non-financial companies (8.1% in March 31, 2009). High coverage of non-performing loans with impairment was also maintained in the first quarter of 2019 (76.5%), which at satisfactory volume and quality of its own funds limits the negative effects on the solvency of the banks, due to the possible non-payment of these loans.

Data Specification

The research subject of this paper are NPLs and bank profitability in the banking systems of the Republic of North Macedonia, their dynamics, sectoral structure, and the basic determinants of growth, due to the fact that the bad loan portfolio is one of the most important factors of instability of banks and the banking system as a whole and as such, it produces negative effects on the overall economic activity of the country.

Most of the literatures explore the factors that determine non-performing loans, make use of the linear regression model, while implementing in parallel macroeconomic and bank-specific determinants. Accordingly, this chapter discussed the research procedure that is used to carry out this study. In case, it starts by discussing research design followed by the nature and instruments of data collection and sampling design. The subsequent section presents and discusses method of data process and analysis.

Primary data in this study are derived from secondary sources, mainly identified from annual reports and statistics published by the National Bank of the Republic of North Macedonia (2017), World Bank (2019), FRED Economic data | ST. Louis FRED (2019), different data and information reports. The methodology of research is based on the time series method by the Ordinary Least Square. Identified data are processed by the statistical program Eviews 9.0. Initially, the relevant tests have been developed for evaluation of variables and construction of the final model of linear equation. The study used secondary sources that span from 1994 to 2016. Annual time series data for each of the variables; return on equity (ROE), Non-Performing Loan (NPL), GDP growth (GDP) and Liquid liabilities to GDP (LIQ).

This research used descriptive analysis and multiple regression analysis methods to analyze data. To ensure that the sample matched with multiple methods of regression analysis, data was tested for normality, multi co-linearity and heteroskedasticity. No significant violations were found. A regression model is estimated to examine the relationship between NPL and ROE. The model is expressed as:

$$ROE_t = \beta_0 + \beta_1 NPL + \beta_2 LIQ + \beta_3 GDPg + u_t \dots\dots\dots (1)$$

Whereas: β_0 = Constant parameter; β_{1-3} = Coefficients of independent variables; u_t = Represents the unexplained residual and t = time. Where, ROE: return on equity (dependent variable), NPL: Non-Performing Loans, LIQ: Liquid liabilities to GDP and GDP growth: GDP growth. According to these data, hypotheses are:

- I. Hypothesis The macroeconomic variables will affect the performance of banks in Republic of North Macedonia.

- II. Hypothesis The macroeconomic variables will not affect the performance of banks in Republic of North Macedonia, respectively in the normal period.

Results

Times series data is used in this study from 1994-2016, all data are obtained from NBRNM (2018), World Bank, IMF (2018) and FRED Economic data | ST. Louis FED. Identified data were processed by the statistical program Eviews 9.0. Table 1 below also shows the descriptive statistics of all data used in the study.

Table 1. Descriptive statistics of variables impacting ROE

| | ROE | NPL | LIQ. LIABIL. TO GDP | GDP GROWTH |
|--------------|-----------|----------|------------------------|------------|
| Mean | 7.424286 | 17.66263 | 34.43706 | 2.390509 |
| Median | 7.860000 | 10.93000 | 33.20130 | 2.924381 |
| Maximum | 16.52000 | 41.30000 | 54.42080 | 6.473487 |
| Minimum | -5.750000 | 6.280000 | 11.11710 | -3.067246 |
| Std. Dev. | 4.704701 | 12.43570 | 16.11064 | 2.490889 |
| Observations | 23 | 23 | 23 | 23 |

Source: Author's calculations

This study was used to find the impact of independent variable on bank profitability, by using following variables NPL, Liquid liabilities to GDP and GDP growth, with 23 observations. As it can be seen from Table 1, the results show that NPL had an average of 17% and Std. Dev. 12.43570, the maximum and minimum values are 41.30000 and 6.280000, respectively. Liquid liabilities to GDP had an average of 34% and Std. Dev. 16.11064, the maximum and minimum values are 54.42080 and 11.11710 respectively, GDP growth had an average of 2% and Std. Dev. 2.490889, the maximum and minimum values were 6.473487 and -3.067246.

Correlation of variables impacting ROE

Relevant tests identified: the test of autocorrelation and multi co-linearity test. Multi co-linearity test serves to evaluate the linear relationship between the variables. The results are shown in Table 2, which suggests that multi co-linearity does not exist.

| Table 2. Correlation | Δ ROE | Δ NPL | Δ LIQ | GDP growth |
|-----------------------------|--------------|--------------|--------------|------------|
| Δ ROE | 1.000000 | -0.580376 | -0.357827 | 0.338675 |
| Δ NPL | -0.580376 | 1.000000 | -0.265152 | -0.028049 |
| Δ LIQ | -0.357827 | -0.265152 | 1.000000 | -0.130076 |
| GDP G | 0.338675 | -0.028049 | -0.130076 | 1.000000 |

Source: Author's calculations

This model was tested also for autocorrelations with DW =2.62. The results suggest that positive autocorrelation is not significant and to continue with data analysis.

Results of regression analysis and descriptive

On the basis of the results from the testing it is possible to make transformations of series and their modeling, with Unit Root test (Bucevska, 2016). The series of ROE, non-performing loans and liquid liabilities to GDP are non-stationary series for our model, so the final econometric model for bank profitability and non-performing loans is presented in this form:

$$\Delta ROE = 0.020487C - 0.602384\Delta NPL - 0.934559\Delta LIQ + 0.458974GDPgrowth \dots\dots\dots(2)$$

The estimation coefficient of the non-performing loan ratio was negative and statistically significant, which indicates that the higher the level of non-performing loans is the lower is the level of bank profitability (ROE). The estimated coefficient of Liquid liabilities to GDP was negative and statistically significant and the coefficient of GDP was positive and statistically insignificant.

The following will appear statistical tables of results of all variables (dependent and independent).

Table 3. The results of the model

| Method: OLS Independent Variables | Coefficient | Prob. |
|---|-------------|--------|
| C | 0.020487 | 0.9873 |
| Δ NPL | -0.602384 | 0.0005 |
| Δ LIQ | -0.934559 | 0.0059 |
| GDP growth | 0.458974 | 0.1210 |

| | |
|--------------------------|-------------------|
| R-squared | 68% |
| Adjusted R-squared | 61% |
| Prob (F-statistic) DW | 0.000903; 2.62 |

Source: Author's calculations

Normality test for the model and heteroskedasticity test

The model was tested for normality, when the residuals are normally distributed and the probability of Jarque Bera is 62%, which mean that the variables are normally distributed.

The model was also tested for Heteroskedasticity with Breusch-Pagan-Godfrey test and this is showed in Table 4.

Table 4. Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---------------------|----------|---------------------|--------|
| F-statistic | 0.289935 | Prob. F(3,14) | 0.8319 |
| Obs*R-squared | 1.052905 | Prob. Chi-Square(3) | 0.7885 |
| Scaled explained SS | 0.345035 | Prob. Chi-Square(3) | 0.9513 |

Source: Author's calculations

Table 4, shows that we do not reject the zero hypothesis which implies that the remains are homoscedastic

Conclusion and Recommendations

In this study we used unbalanced time series data from 1994 to 2016 and OLS method with macroeconomic and banking sector variables, because for analysis's taken banking sector in Republic of North Macedonia.

The results are compatible with the prepositions for all variables and with the literature we have read. The p- value for two independent variables is less than 0.05 which indicates a significant relationship between the dependent and independent variables. The macroeconomic variable is insignificant because the p- value is greater than 0.05. Also, in this study, we found that an increase in non-performing loans affects a decrease in bank profitability (ROE). These results support the theory, which argues that increased credit risk exposure, measured by non-performing loans, usually is associated with an increase in operating costs and leads to reduced profitability.

In many studies, in other countries we read that a lot of factors influencing different types of non-performing loans, but in this model the independent variable explains about 68% of the model in the period 1994-2016, which would say that the model provides 68% base for the forecast.

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NORTH MACEDONIA IN CONTEXT OF RUSSIA'S HYBRID WARFARE POLICY IN THE BALKANS

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Abstract

Russia is growing concern for consolidated democracies and of course the new fragile states of the Balkans. In this paper I examine the role of Russia in North Macedonia (NM) and the region with emphasis the reaction of the government of North Macedonia in recent years. The research mainly is based in qualitative methods with analysis of covert operations of Russia in North Macedonia. The research shows that North Macedonia hasn't policy to prevent any future influence or hybrid war information.

Key words: North Macedonia; Russia; hybrid warfare; disinformation; security

Introduction

Russia cannot accept North Macedonia (N.M.) to be part of Western Military Alliance NATO. Due to the regional rivalries, Russian officials objected the membership of tiny ex-former Yugoslav Republic, now North Macedonia. Two major fronts we may see in next coming years: Eastern Front and the Balkan front as playground for Russia. Ukraine and finally by all indicators including North Macedonia, becomes the flashpoint of rivalry. Political actors in North Macedonia are testing the balance provided by the US for more than two decades. North Macedonia due to the lack of resources has not responded to Russian activities in recent years. The government of the Prime Minister Zoran Zaev has been under systematic pressure by Russian hybrid tactics.

The Gate to the south: North Macedonia, Target of Russia

The trends of decline in democratic governance continue in the Balkans, and the political events in North Macedonia 2008-2018, were part of the information warfare. Diplomatic efforts to form a new government in North Macedonia after the elections of 2016, raised in that time, some concerns for European Union (EU) and the United States (US) that who will lead the small land lock country.

North Macedonia's integration process towards EU and NATO in that period has stalled, but, after the government was formed in critical situation in 2017, things have change for better for the future of the country and its citizens. Before Prime Minister Zoran Zaev to take power, the security situation in North Macedonia was at lowest point, because the policies of former prime minister Nikola Gruevski, which were against the West.

The people of North Macedonia had no hope that one day the new country will change the course. In 2017 in late March the new public poll in North Macedonia published by a private organization's indicated that society is divided regarding preferences for foreign powers. In that time Slavic Macedonian population, favored Russia but the ethnic Albanians were close to the US position. Also, the credibility of EU was at stake. Based in the poll, Slavic Macedonians population opposed the EU and the US to get involved in the Macedonian internal affairs. According to the political development, on February 2015, Russian Foreign Ministry announced that foreign services have tried to destabilize North Macedonia. Russian Foreign Ministry supported the former Prime Minister Nikola Gruevski position regarding interceptions, which 'the putsch is organized by the intelligence services of the neighboring countries and by several Western embassies in Skopje'.

Two years after the wiretapping scandal, former Russian Ambassador to Macedonia, Oleg N. Shcherbak met Gruevski again in 2017 to make some efforts for the formation of a new government after the parliamentary elections of December 2016.

Clearly, Moscow with tools of information warfare was attempting to put 'one foot' in North Macedonia. In addition, Russian Foreign Ministry had released dozens of statements on political events in North Macedonia. In the last three years since the wiretapping scandal that led to Gruevski resignation and the formation of new government, Russia has been interested in this part of Southeast Europe, and it engages with political parties in the anti-West campaign, against the policies of the new government of North Macedonia (Bechev, 2017).

In that time diplomats of foreign embassies have played a crucial role. The officials of the US Embassy have denied any attempt to overthrow the government or to isolate the former premier of North Macedonia Nikola Gruevski in early 2017. They also denied the claim that they are pressing political parties to form a majority with the new Social Democrats (SDSM), against the center-right Macedonian political party (VMRO-DMPNE). However, Russian Embassy in Skopje did not share the same opinions.

Kremlin challenges the West

With its propaganda, during the years 2008-2018, Russia at least demoralized the candidate members of the Western Balkan states towards NATO or EU. Moscow prefers the status of neutrality of countries that emerged from Yugoslav Federation. In other words, Kremlin challenges the West on some levels.

EU and the US have expressed their concerns on several occasions over the direction of democracy in the Balkans, but after the name issue was resolved with Greece, North Macedonia and the region in some degree is one step close to EU perspective and is getting away step by step from Russian influence (*Independent*, 2018). Indeed Bosnia, Kosovo, Montenegro and North Macedonia remain on the edge of Russia's 'sharp knife' which has the purpose of reversing the reforms and imposing the set of regulations Kremlin favors' in the Balkans.

Russian Propaganda

The US investments in the civil society sector since 2008 were not been sufficient to prevent Russian propaganda in North Macedonia. Local analysts have said that the US public diplomacy is challenged, because of Kremlin's involvement in the region and the EU's management policy for the Balkans.

The permanent reactions of the Russian Foreign Ministry were perceived as a support for the anti-US propaganda of the current radical political parties in Skopje. The turmoil in 2017 in North Macedonia was welcome for Kremlin. Russia uses domestic news outlets as propaganda to reach the nations in the region and it wins the hearts of people against the Western approach to some extent. Since 2009, the Russian influence in North Macedonia had been growing, with a capacity to change the decisions of the government and the attitudes of political parties (*Washington Post*, 2017).

But, The Democratic Union of Integration (DUI) of Ali Ahmeti was 'seen' as a stooge for the Americans to decrease the Russian impact in North Macedonia, but the Albanian opposition had raised some concerns over the ties of the party with Gruevski during the years 2008-2017. Therefore, the tendency of a spread of Russian propaganda remains a threat for the Western Balkans' fragile societies (*European Western Balkans*, 2018).

Russia's Strategy in the Balkans and in North Macedonia

Russia's Foreign Ministry, as part of growing activities in the Balkans, has issued several statements on political developments in North Macedonia.

In 2016 in Montenegro was a coup attempt by Russian Intelligence Services to overthrow the government and change the results of elections.

Compared to the EU, the Russian Federation has to a large extent dominated the sphere of information, spreading propaganda around the region in particular in North Macedonia e.g. via "Russia Today" and "Sputnik". But have the Russians shot at the right point? The epilogue of the growing crisis ended when the leader Zoran Zaev and current PM of North Macedonia really formed the government together with Albanian parties. After the developments of 27 April, former EU High Representative Frederica Mogherini have voiced concerns over developments in North Macedonia, stressing Russia's growing role in the Balkans.

Therefore, in the current geo- political landscape, we see two major geopolitical issues in which the West and Russia are becoming rivals in the Western Balkans.

First, Russia creates a climate that the West gets involved on domestic affairs and the second; the atmosphere paves the way for forces that support Russia. In this race, the Kremlin's involvement surprisingly showed that Russian actions could give the public opinion an opposing attitude.

Background of Kremlin's Economic Activity in North Macedonia

Russian economic activity in North Macedonia has limited capacities. The geographic location of North Macedonia compared to other Eastern and Central European countries makes the country less vulnerable and indirect Russian military pressure. But proposed business projects, current companies that are already operating in North Macedonia, the proposed system of natural gas delivery, can change possibly in the future the policies of government officials towards the decision-making process and put the country at risk of Russia's influence.

Based on the report of the Strategic Analysis of Russian Business Activity in North Macedonia, published by the US-based "RWR Advisory Group", in March 2015,

'Story Trans Gas' announced plans to build a 61km part of a 96.6km gas pipeline in North Macedonia linking Klecovce to Negotino, near the northern border with Serbia in central Macedonia (*Rwradvisory, 2015*).

Second section is the construction of the pipeline stretch with the southern border of North Macedonia. Russia's plan was that this pipeline will eventually be linked to the project

The most regional project is "Turkish Stream", which will be used to deliver Russian natural gas to Europe and possibly serve as a driving force against the Western Balkan states. Other prestigious oil companies such as 'Lukoil, which is spread all over the countryman a significant role in the country's fragile economy.

National media in 2011 reported that the Russian corporation 'Prodis', part of the pharmaceutical company 'Protek Group', started its investment in the Macedonian market. Also, Russian investors are interested in agricultural products. Since 2012 Russian investors from the Rostov region are interested in building shopping centers for agricultural products in North Macedonia for Macedonian fruit and vegetables. The two countries, in order to advance trade relations, signed in 1993 an agreement on trade and economic cooperation between the governments of Macedonia and Russia (*Balkan Insight, 2018*).

Most importantly, North Macedonia's export to Russia marks a record growth of 140%, while Russia's export to North Macedonia is almost 28.7%. In the third quarter of 2016, Russia's trade with North Macedonia amounted to \$ 25,930,819, up 2.70% (\$ 682,641) compared to the third quarter of 2015.

Meanwhile, apart from the international newscasts broadcast in Russian, in North Macedonia, the right-wing Macedonian-language portals continue to report and develop Moscow's propaganda e.g., Infomax.

Western Policy Objectives

With EU and US dedicated tools for civil society in North Macedonia, from independence until today, a resilient and willing society was not built to fight corruption and the irresponsible leaders. According to analysts, Russian information propaganda in North Macedonia has put the EU-backed civilian bloc and other factors behind.

The US and the EU must find a different approach as far as the growing crisis in regions with frozen conflicts (*Kovacevic, 2014*).

Apparently, the rift between Americans and Europeans will reflected the public policy execution and fulfillment of diplomatic objectives not only in North Macedonia but also in WB-6 countries. Moreover, the Balkans and North Macedonia remain hot spot that requires a proper and timely administration (*Time, 2018*)

However, no one had thought that the end of December of 2017 the info war between the American and Russian embassies in North Macedonia, would start with polluted air and end with the issue of supplying Russian gas to North Macedonia.

The Russian Embassy in Skopje launched a virtual 'fight' on Twitter's social network against the US Embassy in Macedonia's post that demanded a proposal for air pollution.

"No" Twitter war "We asked Macedonian citizens to answer a question about the short-term steps for air purification. Another Russian pipeline will not do so. The US supports Macedonia's desire to bring gas to the cities of Macedonia and a variety of gas supplies to Macedonia and Europe "- said in that time the US Ambassador to Macedonia Jess L. Baily, in another post on Twitter.

Hybrid Actions: The Virtual War

However, a long-term and thought-out plan was implemented by the public diplomacy of the Russian Embassy in North Macedonia. Moreover, the policy of US and Russia for North Macedonia became the new 'virtual war' between two major powers on the nature and importance of natural gas pipelines in the Balkans and the type of governance.

The 'Southern Stream', which was abolished by the Russian government in 2015, is currently reviving the 'Turkish Stream' of natural gas, which aims to supply some South and Central European countries with mixed gas from the Russian-Turkish pipeline.

At the time when former Prime Minister Nikola Gruevski was in power, the Russians were almost completely under the control of North Macedonia's political underground and were in the process of using then the government coalition and its policies for the Kremlin's goals and objectives. Russian policies were aiming for collapse of pro-Western governments and government guarantees that North Macedonia would continue with the same policies against the US and EU standards.

As we pointed early, Russian strategic investments are primarily in the energy infrastructure, the oil market and the news outlet organizations around the region.

North Macedonia is dependent on gas and trade from Serbia, China and from Turkey for the development of its infrastructure, but in regard to trade North Macedonia carries out the **60%** of its trade exchange with the EU member states.

That makes North Macedonia economically dependent on the EU but, according to the forecasts, Russia will take part in the investments of natural gas, and mining in the future. At the regional level, Turkey, Germany, Austria and Serbia are among the strategic partners of North Macedonia commercially and militarily. This is due to the geographical proximity and cost of transport.

In large scope Russia has increased the degree of early 19-century nationalism in the Western Balkans, and the latest developments indicate that the populism and ethnic nationalism is on the rise in mix composed regions (*Foreign Policy*, 2018).

However, Russia keeps his hands open and engages with Serbia and the region via the news outlets as “Russia Today” and it utilizes Belgrade as a geopolitical tool to stir the unrest in Northern Kosovo and in future in the Balkans. Furthermore, the Balkans and North Macedonia remain a flashpoint for regional actors and non-state actors. The memories of XIX century, still plays role in the Balkans and states are changing according to the repositioning of global powers (*Telegraph*, 2018).

Conclusions

The government of North Macedonia had no policy or strategic thinking on how to deal with such aggressive policy from Russia and other actors. The government in particular PM Zoran Zaev relayed on support from US and EU member states to prevent Russia to stir ethnic and political unrest in the country. The government in future should start thinking and implementing not just social policies but in process must take action on problems that require initiatives which will impact the future of citizen and ethnic groups. The information warfare should be considered as extraordinary by the North Macedonia and Western Balkan governments.

North Macedonia may face hybrid attacks as it faced during 2017 and 2018. North Macedonia's government and security agencies need to adapt with new human intelligence resources and techniques to detect attacks and hybrid initiatives from Russia and non-state actors. Expelling a Russian diplomat in spring of 2018 from North Macedonia does not mean that the state and other countries would not be under covert operations, policies by Russia and interested malign actors.

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