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Dr. Patrycja Chodnicka-Jaworska

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CONFERENCE PROCEEDINGS

Book of Abstracts

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Hiring discrimination in labor markets: An experimental study of mood regulation

Evangelos Mourelatos^a

^a *Department of Economics, Accounting and Finance in Oulu Business School, University of Oulu, Finland*

E-mail: yagmourelatos@gmail.com

Abstract

We explore whether there is a link between mood and hiring decisions. This research examines how positive mood affects the discrimination faced by homosexual job candidates compared to heterosexual ones. Our experimental design allows us to track the complete hiring process and monitor employers' behavior within and without our treatment context in both online and offline labor market settings. Constructing pairs of curriculum vitae, distinguished only by the sexual orientation or the gender of the applicants in each case, leads to the observation that women and gay men faced a significantly lower chance of getting hired regardless of the labor market context. We also find that female employers proposed higher levels of discrimination only in the case of female applicants. Our positive mood manipulation leads to a decrease of discrimination levels, with more robust effects in the online labor context. Thus, there is substantial experimental evidence to suggest that discrimination based on sexual orientation and gender also exists in online labor markets. Contributions to the literature on hiring discrimination, mood research, and the online economy are discussed.

Keywords: experiment, hiring discrimination, mood, online labor markets, gender, sexual orientation

Jel Codes: D91, D87, D53, D23, D01

Factors affecting women's labor participation rate: Evidence from Turkey

Fusun Kuçukbay^a, Ilknur Ulku Kocabas^b

^a Assoc. Prof. , Department of Economy and Finance, Manisa Celal Bayar University, Manisa, Turkey

E-mail: fusun.kucukbay@cbu.edu.tr

^b Master of Science Student, Department of Economy and Finance, Manisa Celal Bayar University, Manisa, Turkey

E-mail: ilknur_ulku@hotmail.com

Abstract

Today, women's employment has an important role in increasing sustainable development of the countries. Until today, women have been involved in production activities in different statuses and forms according to the conditions they are in. The changing social structure with the industrial revolution enabled women to participate in working life in the world and in Turkey. In our country, especially with the proclamation of the Republic, women have participated in almost every field of society by taking a greater role. However, there are many factors that affect female labor force participation negatively. Some of these factors are education level, age, marital status, divorce rate, fertility rate and economic conditions. In this study, the relationship between divorce rate, higher education enrollment rate factors and female force participation are analyzed for 1995-2020 period with Granger causality tests. As a conclusion, this study will contribute to the literature by analyzing the factors affecting women's participation in the labor force and offering solution to these obstacles.

Keywords: women, labor participation

Jel Codes: J16, C22

A bibliometric analysis on the relationship between corporate governance and financial fraud

Andrada-Ioana Sabău (Popa)^a, Lavinia-Ioana Safta^b, Monica Violeta Achim^c, Alexandra Ioana Daniela Rus^d

^a PhD candidate, Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Cluj, Romania

^b PhD candidate, Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Cluj, Romania
E-mail: lavinia_s15@yahoo.com

^c Prof. Univ. Dr., Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Cluj, Romania

^d PhD candidate, Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Cluj, Romania

Abstract

Corporate governance has proved during the time its importance in the company, in order for businesses to achieve performance. Data manipulation dates back since ancient times, it has always been present in the companies, following them to extinction when crossing the line. For the current study, we have proposed a bibliometric analysis regarding the keywords and the period of publications for the period 1996-2022. More specifically, for corporate governance we have chosen four elements: audit committee, board diversity, board independence and remuneration. For data manipulation we have used financial fraud and earnings management. To conduct the bibliometric analysis, we have first analyzed the literature and detailed the obtained results. From the literature review we observed the fact that both in the developed countries, but also in developing ones, board independence and audit are common variables. In both type of countries, the presence of female in board are associated with a decrease in fraud appearance. Following, to conduct the bibliometric analysis we have used the VOSviewer program in order to process the keywords and construct the bibliometric maps. The bibliometric results revealed the fact that the chose elements are strongly connected in the literature, except for fraud and remuneration. This opens new paths for new researches. The most publications are in the field of Business and Finance. Also, it was revealed the most studies were conducted by researchers from the United States of the America.

Keywords: corporate governance, financial fraud, bibliometric analysis

Jel Codes: G34, G32

The effect of urbanisation & industrialisation on environmental quality: The case of the MENA region

Iman Al-Ayouty ^a, Hoda Hassaballa ^b

^a Associate Professor, Department of Economics, Faculty of Business Administration and International Trade, Misr International University, Cairo, Egypt
E-mail: iman.al-ayouty@miuegypt.edu.eg

^b Associate Professor, Department of Economics, Faculty of Business Administration, Economics and Political Science, The British University in Egypt, Cairo, Egypt
E-mail: hoda.hassaballa@bue.edu.eg

Abstract

Growing concern over urbanisation-industrialisation-environmental quality nexus motivates the present study. The authors investigate the effect of GDP per capita, urbanisation, industrialisation, FDI inflows, trade openness, consumption of renewable energy and of fossil fuels on per capita carbon dioxide (CO₂) emissions (as a proxy for environmental quality). The fully modified ordinary least squares (FMOLS) is used to analyse these long run relationships in two separate models for a panel of 18 MENA region countries over the period 1995-2018. The empirical results show that the environmental quality of the MENA region is subject to two opposing forces. On the one hand, the coefficients of GDP per capita, urbanisation, industrialisation, and consumption of fossil fuels have significant positive effects on CO₂ emissions, thereby deteriorating environmental quality. On the other hand, the coefficients of trade openness, FDI inflows and the consumption of renewable energy have significant negative effects on CO₂ emissions resulting in an improvement in environmental quality. Furthermore, Granger causality test results point to a bidirectional relationship between CO₂ emissions and trade openness, CO₂ emissions and FDI inflows, while there is only a unidirectional relationship from CO₂ emissions to industrialisation, and to both the consumption of renewable energy and the consumption of fossil fuels. With respect to urbanisation, there is a bidirectional relationship between urbanisation and trade openness. There is also a bidirectional relationship between industrialisation and both the consumption of renewables and the consumption of fossil fuels. Policy implications to capitalize on the factors improving environmental quality, and to minimize the factors degrading the environment in the MENA region are also given.

Keywords: urbanisation, industrialisation, environmental quality, MENA, fully modified ordinary least squares.

Jel Codes: O14, Q5, R11

Risk-based approach in preventing mobile banking cyber-attacks

Mircea Constantin Șcheau^a, Larisa Găbudeanu^b, Iulia Brici^c, Liliana Apetri^d & Corina Narcisa Bodescu^e

^a Researcher, European Research Institute, Babeș-Bolyai University, Cluj-Napoca, Romania & Faculty of Automation, Computers and Electronics, University of Craiova, Craiova, Romania

E-mail: mircea.scheau@ubbcluj.ro, mircea.scheau@edu.ucv.ro

^b PhD candidate, Faculty of Law, Babeș-Bolyai University, Cluj-Napoca, Romania

E-mail: larisa.gabudeanu@ubbcluj.ro

^c PhD candidate, Doctoral School of Economics and Business Administration, Babeș-Bolyai University, Cluj-Napoca, Romania

E-mail: iulia.brici@ubbcluj.ro / Corresponding Author

^d European Cybersecurity Organization

E-mail: liliana.apetri@gmail.com

^e PhD candidate, Doctoral School of Economics and Business Administration, Babeș-Bolyai University, Cluj-Napoca, Romania E-mail: narcisa.bodescu@econ.ubbcluj.ro

Abstract

In the context of a continuous technologization of the world, people create a lot of shortcuts and facilities, but unfortunately they leave room for opportunities to commit cybercrime. The financial and banking industries are two of the sectors affected when it comes to cyber-attacks. Banking products and services are now at our fingertips more than ever. Many of them are compressed in platforms and mobile applications, leading to time saving for customers. Unfortunately, the disadvantage is the risk of compromising their personal information. Over the last decade, a significant number of new vulnerabilities are identified each day. These refer to firmware and software that is provided to customers or used as components to build other software. The purpose of a cyber-attack is generally a financial gain, but it can also include exfiltration of sensitive financial data or identity theft. One of the objectives of our study is to classify several types of cyber-aggressions based on the existing research, with emphasis on identifying the vulnerabilities that facilitate cybercrime. In the financial sector, proper management of vulnerabilities in order to reduce risks is essential. For this reason, the pillar objective was to propose a risk-based approach. Our methodology was based on collecting data and processing statistics on attack techniques and mitigation measures. The analysis identifies criteria for performing the risk assessment in terms of malware actions prevention for mobile banking platforms. The results of the study show that certain types of cyber-attack techniques and vulnerabilities can be addressed by the payment service provider, while others require notifying the customer about the malware presence. In terms of policy implications, the main beneficiaries of the study are banks, financial institutions and their customers as well. Future research on this topic can contribute by making a risk-based approach in terms risk level for each vulnerability.

Keywords: security by design, prevention policy vulnerabilities, risk management, innovation, online banking

Jel Codes: G21, G32, K14, K24, O33

The non-fungible Token (NFT) market

Cătălin Timiș^a

^a Ph.D. student, Babes-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Romania
E-mail: Catalin.timis@econ.ubbcluj.ro

Abstract

During the Covid-19 pandemic a new market was born, non-fungible token (NFT), more precisely digital assets. It is traded only in the online, having as cryptocurrency the cryptocurrency, being created in the blockchain. From 2017 to 2021, over 6.1 million transactions were recorded where over 4.7 million NFTs were traded. Cryptocurrency has also begun to dominate the art market, through NFT, in which the general public has access to their trading. Being stored exclusively on the blockchain, this digital asset is unique, cannot be changed and is signed original, encrypted and very difficult to break. In this research paper, I want to focus on the amount of NFT, the large number and increase of transactions and the total number of NFTs that have been traded. In the more than 100 cryptocurrencies, Ethereum and WAX were the most used currencies, I want to see what is the correlation between them, and the volume of money that was generated from the total transactions. I will analyze different digital art collections, their value at the time of sale and the volatility with which their price fluctuated. We will correlate with the cryptocurrencies that were most often traded to see the total value of this market and how it managed to grow exponentially during the COVID 19 pandemic.

Keywords: non-fungible token, systematic review, blockchain, cryptocurrency

Jel Codes: G12, G18, G41

The role of Interbank market discipline on bank risk: The case of Malawi

Esmie Koriheya Kanyumbu^a, Kavita Sirichand^b, Christopher J. Green^c

^a Loughborough University, United Kingdom

E-mail: ekanyumbu@lboro.ac.uk/korismie@yahoo.co.uk

^b Loughborough University, United Kingdom

^c Loughborough University, United Kingdom

Abstract

Interbank markets are important markets for banks within their intermediation role. One unique aspect of these markets is that loans are both collateralized and uncollateralized. Consequently, trading in interbank markets depends on trust that banks have for each other. Interbank markets are therefore associated with peer monitoring and market discipline. Such market discipline is reflected in the ability of individual banks to access funds in this market but also the rates at which they borrow from the market. Based on existing empirical literature, riskier banks are less likely to access interbank loans as a source of liquidity and are likely to pay more than safe banks when accessing funds in this market.

Although the need to have a reliable interbank market disciplining mechanisms has gained support, especially following the 2007-2008 Global Financial Crisis, literature on how banks respond to such market disciplining mechanism in terms of their risk-taking behaviour remains sparse. This study fills this gap by assessing the effectiveness of this market discipline on bank risk-taking behaviour. The study uses quarterly bank-level data for banks operating in Malawi from 2010:Q1 to 2018Q:4 to investigate the role of interbank market discipline on credit risk and solvency risk of banks and applied Hausman-Taylor panel approach for estimation. The results confirm that interbank market discipline plays a role in risk-taking behaviour of banks. However, the direction of the impact of interbank market discipline on bank risk is different for the two types of bank risks. While banks with higher exposures to the interbank market show low levels of credit risk, such banks show a higher probability of bank failure. These important yet mixed effects of interbank market discipline on bank risks are useful to regulators in setting regulatory priorities that complement, support or counteract the effects of interbank discipline.

Keywords: Interbank markets, interbank discipline, bank risk, liquidity

Jel Codes: G21, G28, E52, E58

The corruption trap in Africa

Sara El Asy ^a, Dina Yousri ^b

^a Assistant Lecturer, Department of Economics, The German University in Cairo, Egypt

E-mail: sara.el-asy@guc.edu.eg

^b Assistant Professor, Department of Economics, The German University in Cairo, Egypt

Abstract

The relationship between corruption and economic development is debatable. The preceding literature linked the inability of the developing countries to reach better development equilibrium to the hypothesis that “corruption sands the wheels of economic development”. This paper contributes to the corruption literature by redefining the corruption trap and its causes in Africa, since the previous studies on how to escape the high equilibrium corruption trap in Africa included few countries and only focused on income inequality as a cause of the trap. So, this paper aims at redefining the corruption trap in Africa using a sample of 41 countries. Then, it investigates the causes of the trap. The empirical findings provide evidence of the corruption persistence in Africa and show through Pairwise Dumitrescu Hurlin Panel Causality Tests that inequality levels, development levels, natural resources rents, per capita income growth rate as well as development assistance are the causes of the corruption trap. Thus, the difficulty of changing the high corruption equilibrium is associated with its persistence from one hand and its causes from the other hand, which must be incorporated to create more effective anti-corruption policies.

Keywords: corruption; economic development; sand the wheel hypothesis; Africa

Jel Codes: D73, O10, O11, O55

Analysis of investment trends: A behavioral finance research on academicians

Esra Ulukok ^a, Imdat Dogan ^b, Adnan Akin^c

^a *Research Assistant, Ph.D., Department of Business, Kirikkale University, Türkiye*

E-mail: esraulukok@kku.edu.tr

^b *Independent researcher, Ph.D., Istanbul, Türkiye*

^c *Professor, Department of Business, Kirikkale University, Türkiye*

Abstract

This research aims to discover the financial investment tendencies of individuals and the factors that affect their decision-making processes. The sample of the study consists of six full-time tenure professors working at a state university in Turkey, selected by purposive sampling method. In this research, which uses the phenomenological approach as a qualitative research method, the data were collected by semi-structured interview. According to the findings of the study, three themes emerged: (i) selection of investment instruments, (ii) decision making and (iii) risk tolerance. While the media and social environment are the sources of information most frequently used by the participants when making a financial decision, the tools they use most for their savings are stocks, gold and real estate. Factors affecting the selection of investment instruments are to be determined as religious beliefs, trust, and rate of return. The most influential factors in making investment decisions are national and international developments and investment performance. For the participants, risk was defined as harming and adventuring. It was concluded that the majority of the participants did enough research and acted cautiously when it came to taking risks.

Keywords: financial decision making, investments, investor psychology, behavioral finance

Jel Codes: G11, G23, G41

The impact of fraud and corruption on the level of absorption of EU funds (2014-2020)

Florin Alexandru Roman^a, Daniela Popescu^b, Monica Violeta Achim^c

^a PhD candidate, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania
E-mail: florin.roman@econ.ubbcluj.ro

^b PhD, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania

^c Professor PhD, Dr. Habil, Department of Finance, Faculty of Economics and Business Administration, Babes-Bolyai University, Cluj-Napoca, Romania

Abstract

Fraud and corruption in connection with European funds allocated to the Member States of the European Union have always been a source of concern for those directly involved in this process. In view of the huge sums of money made available for the next period (EUR 1,824.3 billion), these concerns are taking on new dimensions. This paper examines the extent to which the level of fraud reported by Member States in relation to European funds in the 2014-2020 period, as evidenced by the Commission's annual reports on the protection of the EU's financial interests and the fight against fraud (PIF reports), and the level of corruption as shown by the World Bank (Control of Corruption Index) is connected with the level of absorption rate of these funds during the same period. Our conclusions confirm that for the period 2014-2020, the level of absorption of European funds is negatively influenced by corruption. An element of novelty is the fact that an objective indicator has been included in this equation, consisting in the number of frauds reported by the states regarding these funds. We noticed, that the level of absorption rate is better explained by an objective indicator (in this case The European Funds Fraud Index) than a subjective fraud indicator (in this case the Control of Corruption). Therefore, when analyzing the cause of EU funds absorption rates, it would be advised to look for and construct indicators that rely on facts rather than perception.

Keywords: fraud, EU funds, corruption

Jel Codes: D73, K42

Estimating the size of the shadow economy in EU countries using the electricity consumption method

Maria - Mihaela Postea^a & Monica-Violeta Achim^b

^a *Ph.D. candidate, Faculty of Economic Sciences and Business Administration, Babeş-Bolyai University, Cluj-Napoca, Romania*

E-mail: mihaela.postea@econ.ubbcluj.ro

^b *Professor Dr., Babeş-Bolyai University, Department of Finance, Faculty of Economic Sciences and Business Administration, Cluj-Napoca, Romania*

E-mail: monica.achim@ubbcluj.ro

Abstract

The shadow economy is a common phenomenon, primarily in developing countries but also in developed ones, causing most often distortions in the economy. In this paper we provide a literature review of the methods used in estimating the shadow economy over the years and a detailed description of the electrical consumption method. In this paper we estimate the size of the shadow economy in 25 EU countries, by implementing a variation of the physical input approach, where instead of the electric power consumption we use as a dependent variable the total final energy consumption, which includes all forms of energy used in the economy. Estimates show that Western European countries have smaller informal sector, whereas in Eastern European countries the percentage of the shadow economy in the official GDP is higher. The results also show a flourishing shadow economy in the European Union, the unweighted average size of the shadow economy ranging from 23,7% of the official GDP in 2007.to 21,3 % of the official GDP in 2013.

Keywords: shadow economy, energy consumption, estimation methods

Jel Codes: E26, O17, D69, H53, C23

The importance of renewable energy resources and environmental energy literacy¹

Binhan Elif Yilmaz^a & Sinan Ataer^b

^a Prof., Istanbul University, Faculty of Economics, Istanbul, Türkiye

E-mail: binhan@istanbul.edu.tr

^b Assist. Prof., Istanbul Medeniyet University, Faculty of Political Science, Istanbul, Türkiye

E-mail: sinan.ataer@medeniyet.edu.tr

Abstract

Today, the economic and environmental costs of fossil energy sources are increasing. For this reason, it has been the main agenda to turn to more economical, healthy, reliable, continuous, and clean renewable energy sources. However, renewable energy sources (hydroelectric, solar, wind, geothermal, wave, biomass) have the first cost problem with the developing technology. If this problem is overcome, investments in renewable energy resources will increase. Thus, the foreign dependency of the economy can be reduced, economic growth can be achieved, and environmental problems can be prevented. These contributions are especially important for any country that has a high energy import dependency and aims for sustainable growth. For this reason, some governments provide various incentives and supports in different sizes with different applications to energy production.

Both global and national economic, social and political developments indicate that the interest in environmental awareness and environmental literacy will increase. These developments create the impression that government incentives regarding renewable energy, environmental awareness and environmental literacy will also increase.

In this study, a field study on "environmental and energy literacy" will be applied with 350 subjects in Istanbul, Turkey. With the field research, it is planned to obtain information about environmental and energy literacy (awareness) and to obtain findings that will shed light on the shaping of the incentive system and legislations.

Keywords: renewable energy, energy, environment, literacy

Jel Codes: Q13, Q43

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Efficiency analysis of science and technology parks in Türkiye

Onur Bilgin^a & Hacı Bayram Isik^b

^a *Research Assistant, Department of Economics, Kirikkale University, Türkiye*

E-mail: onurbilgin@outlook.com

^b *Prof., Department of Economics, Kirikkale University, Türkiye*

E-mail: hbayram@kku.edu.tr

Abstract

Science and Technology Parks (STPs) are centers where modern technologies are produced and commercialized by sharing information with the universities and industry. To accelerate the development of technologies, new STPs have been established in many provinces in Türkiye since 1985. However, the efficiency of these centers, whose number is increasing rapidly, is a matter of debate. In this study, the efficiency of STPs in Türkiye was estimated using data envelopment analysis (DEA). For this purpose, the input-oriented DEA model was used to obtain the efficiency scores of STPs, and efficient and inefficient STPs were estimated. As a result of the study, policy recommendations are presented to increase the efficiency of STPs.

Keywords: science and technology parks, data envelopment analysis

Jel Codes: O30, O32

The impact of social capital in socio-economic development: A cross-national study

Asmaa Mabrouk^a

^a *Université Hassan 1er Settat, Morocco*

E-mail: mabroukasmaa11@gmail.com

Abstract

For a long time, many theorists in sociology and political science, in the United States and then in Europe, have been stressing the importance of the concept of social capital. These writings have also appealed to the economic sciences, which see this concept as the missing link in their equations. This article is inspired by an ongoing debate on the role that social capital can play in socio-economic development. The purpose of this paper is therefore threefold: first, to review the current debate on the concept of social capital, to analyse the relationship between social capital, institutions and trust, and to outline the conceptual and methodological problems of measuring social capital trends using available empirical evidence. Second, to develop a social capital index combining civic engagement and institutional trust, measured using the World Values Survey, to compare the distribution and dimensions of social capital in 2014 across 44 countries around the world. And most recently, we use this index to examine the impact of social capital and its components on socio-economic development.

Keywords: social capital, socio-economic development, trust, associative participation, institutions.

Jel Codes: A13, A14, B15, F63

Fluctuation, structure and formation of the price of electricity for households and small consumers in the Republic of North Macedonia and the measures of the state for mitigation of the energy crisis and maintenance social peace

Serjoza Markov^a

^a *PhD, Partner Lawyer at Law Company Cukic & Markov, Skopje, Republic of North Macedonia*

E-mail: serjoza.markov@cukic-markov.com.mk

Abstract

First and foremost, the main inspiration for the specific problematic in this paper is formation of the price of electricity for households and small consumers in the Republic of North Macedonia (in the text as - "RSM") in accordance with the changes in the electricity sector in the country and the energy crisis. The arising question is whether the price of electricity for households realistically reflects the actual market situation in the country or the same with various state measures and ways was artificially maintained in order to preserve social peace. Necessary data is provided through analyze and elaboration of the legal framework, official decisions of the Regulatory Commission for energy and water services of RSM, the condition and the participants in the electricity sector in the country and structure, formation and fluctuation of the price of electricity in the analyzed period (2019-2022). Also, the results and conclusions of the research shall be achieved via comprehensive analysis and by finding the answer to the posed question through the: theoretical analysis, the inductive and deductive methods, whereas the techniques utilized shall be: official data, decisions and reports of the Regulatory Commission for energy and water services of RSM, questionnaires, interviews and observations as well. The main conclusion is that the price of electricity for households and small consumers in the analyzed period is maintained through state measures for protection such as: subsidizing with receivables in the energy market, reduction of VAT on the price of electricity, exemption of households from the obligation to pay for electricity from preferential producers, etc. Besides the state influence in the critical period, the formation of the final price for electricity was also under the influence of the changed Macedonian regulations, the process of harmonization with the European regulations and the current developments related to the energy market globally. In this paper, the goal is achieved through: elaboration of changes in the legislation in the Republic of North Macedonia and its implementation in the past few years, emphasizing on the effects of energy crises on the formation of the price of electricity for households and small consumers.

Keywords: energy, price, Regulatory Commission of Energy and water of Republic of North Macedonia

Jel Codes: Q41, Q49

Do young entrepreneurs fit into functionalist economic teleology?

Ksenija Vuković^a

^aProf., University of Zagreb, Croatia

E-mail: ksenija.vukovic@foi.hr

Abstract

Economic policy measures as well as discourse coming from political institutions define young people as a resource for economic development, as consumers, flexible employees and increasingly, as entrepreneurs. The concept of entrepreneurship refers not only to entrepreneurial ventures, but also to attitudes, orientation and mindset. The aim of this paper is to examine whether the activities of young entrepreneurs are determined by the goals of profit maximization and wealth creation or whether their goals are based on other values and orientations. In this paper we use qualitative approach. Primary data was collected by conducting semi-structured interviews with 10 young Croatian entrepreneurs. The results show that young entrepreneurs are motivated by different goals such as personal growth, independence, contribution to society. This indicates that their entrepreneurial activities go beyond the framework of functionalist economic teleology.

Keywords: young entrepreneurs, Croatia, qualitative approach, non-teleological orientation

Jel Codes: L26, M11

Human capital management facing its paradoxes: From resistance to resilience of SMES in the post-covid context

Jamal Ben Mansour^a, Abdelhadi Naji^b & Mouna Bahi^c

^a *University of Quebec, Canada*

^b *Prof., University of Quebec, Canada*

E-mail: abdelhadi.naji@uqtr.ca

^c *University of Quebec, Canada*

Abstract

The history of human capital management (HCM) has been characterized by a number of founding models that have proven themselves in large companies. However, several studies have revealed that HCM practices that have proven successful in large companies are not necessarily useful for small and medium-sized enterprises (SMEs). In fact, today it is widely accepted that HCM in SMEs has very different characteristics than those in large companies. More specifically, in an SME, due to a reduced workforce and limited resources, HRM practices are less formal, less structured, less hierarchical, more centralized, more direct and idiosyncratic. In addition, staff is a competitive advantage, but also a source of vulnerability. A paradoxical situation that challenges both practitioners and researchers to find a conceptual or practical solution, more adapted to the SMEs reality, particularly in the post-Covid context. Contemporary literature emphasizes more the mechanisms of adaptation of universal models (universalist approach) or simplification of the human resource function (configural approach) in SMEs. the question relating to the development of an HCM model specific to the SME remains very little explored. The objective of this research is to propose an attempt to clarify the concept of HCM in SMEs (difference in degree or nature compared to HCM in large companies), develop a taxonomy of HCM paradoxes related to the distinctive characteristics of the SME (e.g. size, age, growth cycle, level of maturity, technology, etc.) and to propose answers to these paradoxes to increase the resilience of SMEs in the post-Covid context. To do this, we carried out a cross-sectional qualitative approach, a multiple case study design and an exploratory sample of five Canadian SMEs. The first results reveal more than a dozen paradoxes whose effect oscillates on a continuum from emancipation to the deterioration of HCM within SMEs.

Keywords: paradoxes, human capital management, SME

Jel Codes: M5, M120

Uncovering family firms : Political connection and managerial short-termism

Amalia Kusuma Dewi ^a

^a *University of Bristol, United Kingdom*

E-mail: amaliakusumad@gmail.com

Abstract

Purpose – Managerial short-termism happens when a CEO prioritizes current short-term benefits instead of future wellbeing of the company. This can be done by choosing whether the company will invest in R&D or instead enjoy better current performance from increase of profit. This study aims to explore various relations between family firms and managerial short-termism, also to examine whether political connection influences these relations. Design/methodology/approach – This study uses 608 observations of non-financial firms listed on Indonesia Stock Exchange (IDX) year 2015 - 2016. Hypotheses were tested using Ordinary Least Square Regression. Findings – This study reveals that firms containing family ownership up to 19% are more likely engaged in managerial short-termism. With the increase of family ownership, family firms better preserve its future wellbeing. In other words, the more stake and risk the family put into family firms, the firms are less likely engaged in managerial short-termism. But when family firms are exposed to political connection, short-termism tends to happen. Research implication – This study has implications that no matter how much the family control or get involved, family firms are more likely engaged in managerial short-termism when exposed to political connection. This study is useful for management of family firms to carefully decide how much investment should be put in R&D and for investors to understand family firms' behavior. Originality/value – This study adds more perspective of managerial short-termism with various levels of ownership and involvement of family firms that highly influence to what extent the management cares about the company's future wellbeing. This study also gives scenario when family firms are exposed to political connection that encourages family firms to engage in managerial short-termism.

Keywords: family firms, managerial short-termism, political connection, R&D

Jel Codes: P16, D72, G3, H83, M48

Confirmation of T+35 fails-to-deliver cycles: Evidence from gamestop corp

Daniel Pastorek^a

^a Mendel University, Czech Republic

E-mail: xpastore@mendelu.cz

Abstract

We examine the possibility of cycles in the valuation of GME stocks, due to the unique exemptions in ETF creation/redemption activities. In order to satisfy liquidity in the market, a market maker and/or authorized participant is allowed to sell ETF shares that have not yet been created. With the use of wavelet coherence, we find evidence that ETFs Failures-To-Deliver formed consistent cycles in time of T+35 FTD clearing period, and results also confirm less consistent, but repeating cycles between T+3 and T+6 period. To the best of our knowledge, we are first in the literature to empirically examine the possibility of these cycles and their co-movement between FTD and stock prices.

Keywords: fails to deliver, game stop, exchange-traded funds, wavelet coherence

Jel Codes: G10, G14, G40

Nature of consumer prices, inflation targeting and demonetization: Evidences from India

Juhi Lohani^a & Amlendu Dubey^b

^a PhD Scholar, Department of Management Studies, IIT Delhi

E-mail: juhilohani@gmail.com

^b Associate Professor, Department of Management Studies, IIT Delhi

E-mail: amlendu.dubey@gmail.com

Abstract

This paper studies the individual price behaviour in India using monthly item wise CPI prices and explores the impact of two important macroeconomic policies of Inflation Targeting and Demonetization on the nature of prices. Findings from the current study elucidate that CPI prices in India are highly flexible and less sticky. We further used a time series framework to study the relationship between various macroeconomic variables and behaviour of prices which is measured using frequency, kurtosis and dispersion of price changes. Our significant finding is that monthly inflation affects the frequency of price increases and decreases significantly whereas output growth plays a lesser role in the frequency of price changes. The change in the behaviour of prices because of Inflation Targeting is largely explained by the changes in inflation.

Keywords: inflation targeting, demonetization, frequency of price changes, inflation, output growth.

Jel Codes: E30, E50, E61

Geopolitical risk and renewable energy asset prices: Implications for sustainable development

Anupam Dutta^a

^a *Dr., University of Vaasa, Finland*

E-mail: adutta@uwasa.fi

Abstract

This study intends to investigate the impact of geopolitical uncertainty, proxied by the geopolitical risk (GPR) index, on the volatility of renewable energy exchange traded funds (ETFs). Employing a two-state Markov regime switching model reveals that an upturn in the GPR index increases (reduces) the likelihood of being in the low (high) volatility regime. This finding could be attributed to the fact that when the geopolitical risk upswings, users of crude oil, which is highly sensitive to such risk, tend to consider clean energy as a substitute for traditional energy source. This causes a growth in the equity prices of new energy firms, further leading to a drop in the levels of volatility. Additionally, the results of GARCH models also confirm that higher GPR implies lower risk for these green assets. The outcomes have implications to policymakers and investors participating in alternative energy markets.

Keywords: geopolitical risk; clean energy ETFs; regime switching probabilities; Volatility.

Jel Codes: G12, Q01

Bank cost efficiency and the underground economy: Theory and evidence

Cristian Barra^a, Anna Papaccio^b, Nazzareno Ruggiero^c

^a Assoc. Prof., University of Salerno, Italy

^b University of Salerno, Italy

^c Postdoctoral Fellowship, Department of Economics and Statistics (DISES), University of Salerno, Italy

E-mail: nruggiero@unisa.it

Abstract

We build a model of firms' choice between regular and irregular labor factors which links the cost efficiency of banks to the size of the underground economy. Entrepreneurs' capital factor is an investment product, and its cost can be reduced by pledging collateral that is strictly dependent on firms' regular activities. We consider two kinds of credit institutions supplying loans to the firms, commercial and cooperative banks. The theoretical results show that cost-efficiency encourages firms to hire more regular workers. We then test our theoretical predictions using regional data for Italy over the 2004-2017 and assess how the efficiency of cooperative, commercial and popular banks, shapes the underground economy, both at aggregate and at the sectoral level. In line with our theoretical prediction, increased cost efficiency reduces the size of the underground economy, especially in building and agriculture, and the estimated coefficients for the different types of banks are quite similar in size. Our evidence is robust to banks' size, once we control for the likely simultaneity between cost efficiency and the underground economy and once we include the quality of institutions. While the type of bank drives the relationship at the macro-area level, increased profit efficiency is shown to reduce the size of the underground economy only in the case of popular banks.

Keywords: bank cost efficiency, underground economy, banking diversity

Jel Codes: D61, G21, E26

Language diversity, gender inequality and aggregate productivity in Canada

Kanat Abdulla^a

^a Dr., Nazarbayev University, Kazakhstan

E-mail: kanat.abdulla@nu.edu.kz

Abstract

Identifying sources of barriers to occupational mobility is central to evaluating the efficiency of the labor market. In this paper, I present an augmented Roy model in which workers self-select into occupations, subject to labor market barriers specific to their sociolinguistic group. This study documents differences in labor market outcomes across gender and linguistic groups in Canada. These differences are argued to be attributed to barriers to labor mobility, the reduction of which would result in higher aggregate productivity in the country. In the augmented Roy model, the frictions result in an inefficient allocation of labor across occupations. The study quantifies the change in aggregate productivity that would result from reducing the frictions. The elimination of the frictions increases aggregate output on average by 6.2% and 4.4% in 1991 and 2011, respectively. This conclusion highlights the importance of reducing language barriers and gender inequality in the labor market. We provide policy recommendations for mitigating the disparities in socioeconomic outcomes between the gender and linguistic groups.

Keywords: language diversity, gender equality, friction, barrier to labor mobility, aggregate productivity.

Jel Codes: J15, J16, J24, D61, E24

Environment regulation, external finance, and firms' investment: evidence from China's new Environmental Protection Law

Shiyu Yuan^a

^a *Hunan University, China*

E-mail: 1292900758@qq.com

Abstract

China's new Environment Protection Law (EPL) enforced in January 2015 was called "the most strict regulation on pollution" in the past 60 years in China. This study addresses the environmental effects of the new EPL by evaluating the effects of the new EPL on firms' emissions and firms' green innovation. We employ the difference-in-differences method and exploit the new EPL implemented in 2015 to compare the green innovation of environmentally well-behaved and misbehaving firms. We find that the new law's enforcement limits firms' external finance and thus their investment, especially for those with excessive emission or other misconducts. We also analyze subgroups of SOE firms and Non-SOE firms. These results imply that the government has to consider firms' external finance when designing a policy to encourage them to increase green innovation and strictly enforce it.

Keywords: environmental protection law, external finance, firms' investment, green innovation

Jel Codes: Q58

R&D intensity and income inequalities in developing countries: Granger causality evidence from 40 countries

Oka D. Kouadio^a

^a *Université Grenoble Alpes, France*

E-mail: oka.kouadio@univ-grenoble-alpes.fr

Abstract

The end of the 20th century was characterized by both a significant technical progress in the field of information and communication technologies and an increase in wage inequalities between income groups in many Anglo-Saxon countries. This trend has suggested a negative association between income inequalities and technological change. Although this potential correlation has been widely debated in the economic literature, the empirical results have proved to be mixed. More importantly, most of studies have focused primarily on industrialized countries, leaving developing countries behind presumably due to data unavailability. This paper contributes to this literature by examining the causal relationship between R&D intensity and income inequalities using panel data from 40 developing countries. Results from Granger causality analysis show a unidirectional causality between R&D intensity and income inequalities. The relationship ranges from income inequalities to R&D intensity. We conclude by discussing policy implications.

Keywords: income inequalities, R&D intensity, technological change, developing countries

Jel Codes: J15, J16, J24, D61, E24

Relative Income, Perception Bias and Happiness

Chen Wang^a

^a *Beijing Normal University, China*

E-mail: 201831410008@mail.bnu.edu.cn

Abstract

This paper examines the effects of an individual's education level on conspicuous consumption, including the share of conspicuous consumption out of household income and education expenditure, based on the China Family Panel Studies (CFPS) micro-individual database. The results show that the higher the education level, the smaller the relative household conspicuous consumption (clothing/ tobacco & alcohol consumption out of education expenditure/ household income). Groups with education levels of primary school and below account for the highest relative conspicuous consumption, they need to show off their household wealth and status through conspicuous consumption, which ultimately hampers their wealth increases as well as prevents their generations from accumulating human capital and escaping poverty. While those with a college degree or above account for the most minor conspicuous consumption. Individuals with master's and doctoral degrees who are normally dominant in the labour market will have higher incomes and social status. They no longer need to show their household wealth and social status through increasing conspicuous consumption. Conversely, they invest more in consumption that increases their human capital accumulation, which eventually facilitates upward mobility and accession of wealth in the future.

Keywords: education, conspicuous consumption, wealth accumulation

Jel Codes: I24, I31, N35

Developing a new model of exchange market pressure : Evidence from three emerging Asian economies

Elisa Deffenu^a & Eric J. Pentecost^b

^a PhD student, School of Business and Economics, Loughborough University – Loughborough, United Kingdom

E-mail: e.deffenu@lboro.ac.uk

^b Prof., Head of the Department of Economics, School of Business and Economics, Loughborough University – Loughborough, United Kingdom

E-mail: E.J.Pentecost@lboro.ac.uk

Abstract

The concept of exchange market pressure (EMP) - which is a measure of ex ante external imbalance in the foreign exchange market – is used to examine adjustment external disequilibrium in three emerging Asian economies, namely China, India and Vietnam, over the last two decades. A new model of EMP is developed, which differs from previous measures in that a balance of payments model is used to derive a measure of exchange market pressure, explicitly allowing for imperfect capital mobility, which is important for our sample of countries, rather than the traditional stock adjustment, money market model. This is potentially consistent with the short-run, disequilibrium nature of pressure – as well as with the more persistent disequilibrium in foreign exchange markets due to institutional or market restrictions (such as capital controls). The new measure postulates that the relative, nominal money stocks are not relevant for explaining exchange market pressure, but instead that domestic and foreign incomes, real depreciation and the change in the short-term interest rate differential will affect pressure in the foreign exchange market. The empirical findings also suggest that exchange market pressure is highly dependent on country specific factors, such as exchange rate regime, trade openness and financial integration.

Keywords: Exchange Market Pressure, Foreign Exchange, Exchange Rate, Foreign Exchange Reserves

Jel Codes: E44, F31, F41, G1