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EUROPEAN UNIVERSITY OF TIRANA / TIRANA

Rr. “Xhanfize Keko”, Nd 60, Tirana, Albania / www.uet.edu.al / info@uet.edu.al



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EDITORIAL

Smart and Distance Working... Pandemic and beyond! _____

_____ ***Prof.Asoc.Dr. Elvin Meka***¹ _____

EDITOR-IN-CHIEF

In the McKinsey's report: "The The future of work after COVID-19", back in 2021, it was stressed that "*before COVID-19, the largest disruptions to work involved new technologies and growing trade links. COVID-19 has, for the first time, elevated the importance of the physical dimension of work*". For sure, the Covid-19 pandemic has not only disrupted labor markets globally in a complete different way, during 2020, but it has changed the working place forever, not only is certain work arenas, but everywhere.

The COVID-19 pandemic has definitely led to a step change in the new role and dominance of remote working, across many businesses and employers. Along with revolutionary changes and adaptations, the pandemic has also accelerated, to an unprecedented pace, the digital race and transformation, where numerous businesses throughout the world just turned to digital technology to continue their operations, with staff working from home remotely and using various tools (videoconferencing, cloud services and virtual private networks).

Following the Covid-19 pandemic and the abrupt switch towards working-from-home reality, professionals and office employees, in particular, have been faced with sudden challenges in their work, spanning from lack of technical equipment and skills, and adaptability with the new normal, along with health issues. Such reality revealed a number of jobs, professions and operations to be easily formatted within it, as well as many tasks found to be only partially suitable, or unable to be performed from home. The simple truth is that not all jobs can be switched into a remote regime. Indeed, as the global experience shows, only a minority of jobs can be done from home. Despite this, an existential question hangs over everyone's head: Is this increase in tele and remote working only temporary or will it last in

¹ Dean of Faculty of Economics, Business and Development, European University of Tirana, UET.

the future? The answer, in the long term, will basically depend on the final balance between the pros and cons of remote working for both workers and businesses.

Smart and remote working presents the most complex challenge for business organizations, their HR departments and their business strategies in the future. The post-pandemic world, along with globalization and the Fourth Industrial Revolution represent the most complicated jigsaw the business world, labor markets and employees are bound to solve, and the most viable solution will unavoidably ask for extensive research and studies, which will further explore and unfurl new issues and challenges, as well as produce innovative ideas and solutions for increasing the work productivity and ameliorate leadership challenges, business environment, organization of work, the practices of HR management, and above all, the social balance. Businesses and workers need to keep working, leading, cooperating and innovating, as Albert Einstein once said: *"Life is like riding a bicycle, to keep your balance, you must keep moving!"*

Public policy at times of pandemic _____

Policies on teleworking as a tool to achieve territorial redistribution of human resources and narrow down unequal distribution of wealth and development

Dr. Anjeza Xhaferaj¹

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
anjeza.xhaferaj@uet.edu.al

Prof.Assoc.Dr. Kreshnik Bello²

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
kreshnik.bello@uet.edu.al

¹ Dr. Anjeza Xhaferaj is a lecturer at the European University of Tirana. She holds a Ph.D. in Political Theory from the European University of Tirana (2016) and an MA in European Politics from University of Sussex (2011). She has completed the leadership courses of “Leadership and Character in Uncertain Times” from Harvard Kennedy School and “Navigating Change” from Center for Creative Leadership, Brussels, Belgium. Current teaching at EUT, includes Leadership in Organizations, Advanced Research Methods, Theories of Political Behavior and Project Management. She is the author of the book “Party System in Albania: Structure and Organization of Political Parties 1991-2013” and author of various articles on public policy, interest groups, political parties, media and totalitarianism. Ms. Xhaferaj writes for “Liberale” and “Mapo” daily newspapers. She has also made media appearances in debate shows, such as: “Opinion”, “Top Show”, “PolitikOn” etc. As part of the LEAD Albania Fellowship Programme during 2019-2020, Ms. Xhaferaj has worked as Advisor/Lead Fellow at Prime Minister’s Office.

² Prof.Assoc.Dr. Kreshnik Bello, has a work experience of over twenty years in teaching, supported by a solid education in home country and abroad. He retains a good scientific foundation and a firm expertise in the fields of Management, Marketing, and International Business, created over years, through hard work. He has a good experience in lecturing, practiced through a continuing professional development and challenging personal requirements. Associate Professor Bello, continuously engages in scientific research, and developmental work, demonstrated (in home country and abroad) via, participation and presentation in scientific conferences, publication in scientific journals, participation in professional and academic trainings, participation in scientific projects, etc. He owns an experience of about fifteen years in several leading positions in university, combined with experience in consultancy, in different public and private sector organizations..

Abstract

The paper is an attempt to analyse the benefits that remote work could bring in the development of the country. It is organized in three parts. In the first part it engages with the concept of public policy, how it is shaped and should be done to make visible problems that need to be addressed. The second part analysis the benefits of teleworking and potential models for city organization and population distribution to support country development. The last part analyses the case of Albania to discover that remote work, demography, and country development are concepts not yet analysed in connection for exploring the benefits they could bring. The paper concludes that government should invest in developing human resources in the field of digitalisation, so that the number of employees who could telework and companies that could use that expertise is increased. In this way, companies and staff do not necessarily need to locate in the capital or big cities but could locate in medium size cities and periphery. This would contribute to the development of currently neglected areas and decrease living expenses in big cities, making thus more affordable the life for the low-income workers. In doing so, not only the living conditions will improve but the gap between centre and periphery will narrow down and lead to a better distribution of economic benefits across country.

I. Introduction

Teleworking work became widespread during the pandemic. The Eurofound survey showed that 34 per cent of employees surveyed teleworked full time and almost half part-time (ILO, 09 March 2021). The International Labour Organization Homework Convention attempts to offer a framework for understanding and applying work done not at the work site. Since the focus of this paper is teleworking it is important to distinguish between remote work, telework, work at home and home-based work (ILO, 5 June 2020). Tele-working is work fully or partly carried out at an alternative location other than the default place of work and a work that has as an essential part the use of electronic devices such as computer, tablet, or telephone (mobile or landline) to perform the work (pp.6).

The application of teleworking during the pandemic revealed the advantages that it offers for companies and employees. If side effects of teleworking are adequately addressed, teleworking has the potential to get embraced by all, companies, public and private institutions, and employees. It has the potential to offer solutions to high density populated areas by re-allocated human resources more equally throughout the country. In doing so, it could revitalize economies of medium sized cities and remote areas and contribute to better living and working conditions for people.

Albania should explore this opportunity, but to do so it should first evaluate what is the percentage of workers that could benefit from teleworking and relocate in cities and areas other than the capital. Government has not yet addressed this issue. By applying the concept of the mobilisation of bias in public policy and the third dimension of power, we contend that unless concerns for human resources distribution across country, in terms of numbers and expertise are not analysed, it will not be possible to address the opportunities of teleworking.

The paper seeks to understand how remote working could address social inequality in Albania, across class and are? The paper sees remote working as an opportunity to relocate resources from centre to periphery for a better distribution of wealth and resources. Remote working, if duly and properly applied could be the solution to narrowing down the level of inequality in country.

The paper is organized in three parts. In the first part it engages with the concept of public policy, how it is shaped and should be done to make visible problems that need to be addressed. The second part analysis the benefits of teleworking and potential models for city organization and population distribution to support country development. The last part analyses the case of Albania to discover that remote work, demography, and country development are concepts not yet analysed in connection for exploring the benefits they could bring. The paper concludes that government should invest in developing human resources in the field of digitalisation, so that the number of employees who could telework and companies that could use that expertise is increased. In this way, companies and staff do not necessarily need to locate in the capital or big cities but could locate in medium size cities and periphery. This would contribute to the development of currently neglected areas and decrease living expenses in big cities, making thus more affordable the life for the low-income workers. In doing so, not only the living conditions will improve but the gap between centre and periphery will narrow down and lead to a better distribution of economic benefits across country.

II. Public Policy and the Policy Process

The study of public policy has long attracted scholars due to the importance of policy making in and for the public sphere. According to Dewey, 'Public policy focuses on the public and its problems. It is concerned with how issues and problems come to be defined and constructed and how they are placed on the political and policy agenda' (in Parsons, 1995, XV). Cochran et.al. (1999) comments that "public policy always refers to the actions of government and the intentions that determine those actions" or that "[it]is the outcome

of the struggle in government over who gets what". Dye (1992) considers as public policy actions and non-actions of government "whatever government choose to do or not to do". Cochran and Malone (1995) emphasise that public policy is done to achieve societal goals and Peters (1999) that it is "the sum of governmental activities, whether acting directly or through agents, as it has an influence on the life of citizens" (in Birkland, 2011, pp 8). In a nutshell, we may conclude that public policy is needed and designed in response to problems and on behalf of the public. It is made by government and implemented either by public or public institutions and agencies. Another important aspect is that even when government chooses not to take actions towards a certain problem, it is still public policy. Non-actions, similarly like actions do have impact on the public.

Laswell defined politics as "who gets what, when and how". In his seminal work "Who Governs", Dahl (1966) adopts a pluralistic approach to public policy, where public policy was the outcome of a free competition between ideas and interests and that power was widely distributed in society. Dahl contended that "in an open pluralistic system, where movement into the political stratum is easy, the stratum embodies many of the most widely shared values and goals in the society [end] any dissatisfied group...finds a spokesman in the political stratum' (pp.91-93). According to him power is widely distributed in society and no particular group has more power than others. However, the approach of Dahl has been criticized because it cannot explain all government actions but first and foremost because it cannot explain government non-actions.

Mobilization of bias in policy making is of paramount importance to discuss here. It was first introduced by Schattschneider in his seminal book "The Semi-Sovereign People" and it describes as a process which put emphasis on a limited number of problems in society by hiding others which might be equally or even more important. Mobilisation of bias has brought a new dimension in analysing the distribution of power and conflicts between different groups in a society. As Hogwood and Gunn (1984, pp.71) mobilisation of bias plays a very important role in the agenda setting process. Schattschneider comments "All forms of political organization have a bias in favour of the exploitation of some kinds of conflict and the suppression of others because organization is the mobilization of bias. Some issues are organized into politics while others are organized out' (1975, 71).

However, even though the concept tells a lot about the covert conflict within society, it fails to tackle the latent conflict, which cannot be observed because people are not even aware that it exists. That's why the concept was taken further by Bachrach and Baratz, who developed the concept of 'non-decision'. According to them power may confine the scope of decision making to relatively 'safe'

issues (1962, pp.948) and thus enabling 'non-decision making' (1962, pp.948). The nondecision-making is a process which aims at suppressing conflicts and preventing them from entering the political process (Ham and Hill, 1993, 67). Examples of the different forms of nondecision-making could be: 1) The use of force to prevent demands from entering the political process; 2) cooptation used to deter the emergence of issues; 3) rules and procedures could be used to deflect unwelcoming challenges (e.g. delaying them by referring to committees for "detailed" study or even labelling as unpatriotic or immoral); 4) reshaping of rules and procedures so that they could block demands which challenge the *staus quo* (Ham and Hill, 1993, 69).

Another approach to 'non-decision making' is the "third dimension of power" of Lukes. He argues that 'decisions are choices consciously and intentionally made by individuals between alternatives, whereas the bias of the system can be mobilized, recreated and reinforced in ways that are neither consciously chosen nor the intended result of particular individuals' choices' (2005[1974], 25). Lukes comments that the bias of the system is sustained mainly by the values, ideology, culture, structure and institutions of a given group. Consequently, the rest of the population is not even aware that its interests are shaped by others, that its interests are structured according to the values and beliefs of the society (Lukes, 2005[1974], 26). Therefore, the conflict is not observable. Luke sees as a 'crucial point that the most effective and insidious use of power is to prevent such conflict from arising in the first place' (2005 [1974], 27). Such power shapes peoples' perceptions in such a way that they agree with the actual situation, order of things and their position in life.

The elaboration of the covert and latent conflict which as consequence is not manifested in the government actions, was of paramount importance when analysing remote work during pandemic. Which is the public policy that government pursued when addressing work from home? In order to trace back this policy we will refer to the definition of Anne Schneider and Helen Ingram on public policy: "Policies are revealed through texts, practices, symbols, discourses that define and deliver values including goods, services as well as regulations, income, status, and other positively or negatively valued attributes" (Birkland, 2011). Therefore, it is important to inspect laws, practices and public speeches for remote working in Albania during the pandemic and more than anything else how the problem was defined. As discussed above public policy is necessary to offer solutions to existing problems and hopefully preventing new ones emerge. Therefore, it is important to investigate which problems were identified during the pandemic and whether remote working was tackled or not during the policy-making process.

III. Policy making during the pandemic – Remote Working, Demography and Territory

III.1 COVID-19, remote working and the emerging problems and solutions

Remote working, working from home and flexible working arrangements are not a novelty. They have been applied for the last 40 years (Chiru, 2017). With the increased access to personal computers emerged the concept of ‘telecommuting’ (Olson, 1983). With the increase in home computers, internet connectivity, smartphones and the wide array of internet-based platforms it became possible the team work through documents sharing and video-conferencing (Chiru, 2017). However, it has never been applied at such immense amount, so extensively as it happened during pandemic as a result of social distancing efforts and stay at home orders due to COVID-19 problems. Nonetheless, the crises paved the way to make remote working a permanent feature of the working landscape (Lavelle, 2020).

According to an OECD policy paper on remote work at G7 countries remote work has reshaped the work-space relationship. It has made visible the benefits of the remote working as well as its disadvantages. The study shows that digitalisation and working from home might improve the attractiveness of low-density populated areas and increasing adoption of remote working can reduce the appeal of cities (OECD, 2021). It is important to emphasise that remote working and teleworking will be used interchangeably because, when referring to remote work, experts have referred to work done via phones, computers or tablets.

COVID-19 has radically changed the approach towards working space. The strong relationship between the worker and the working space and the concentration of the economic actors in cities, has turned these last ones into the collecting point of the labour forces. However, COVID-19 by imposing social and physical distancing rules influenced the relationship of worker-workspace: with the help of digitalization, it made possible the distancing of the worker from the traditional physical working space. Workers continued their activity without disruption from their home. Since remote working is highly linked with the use of technology, those who could “afford” distance working were the well-educated and with incomes (Mongey, S. et.al., 2021). Because most of the well-educated people live in large cities due to the larger share of well-paid work, there was a better opportunity to apply distance-working models in cities (Althoff, L. et.al, 2022). While opportunities for teleworking were more pronounced in large cities, the pattern gave way to new ways of thinking about where to work and live: a new scenario for re-dimensioning work-space relationships has emerged. This scenario is highly related to issues of population density in large cities and de-population

of rural, remote areas and small cities. Since remote work breaks the relationship worker-space, companies might relocate outside high densely populated areas, without negatively impacting the quality of work. (Althoff, L. et.al, 2020).

Evaluation of remote working has identified economic, social, and environmental benefits. Among the economic benefits we might highlight enlargement of skilled workers pool for firms: firms can attract skilled and talented workers who live in places far from the physical space the firm is located and cannot commute (Degbey and Einola, 2020). Without any doubt this has contributed towards the improvement of the quality of work. Moreover, teleworking has reduced the costs on office space, utilities, or services. While beneficial to companies and firms, teleworking has proved beneficial to employees as well, because it has reduced time and expenses to office and back home (Hayes, Sh.W. et.al. 2021, pp.3; Davis, M.A. et.al. 2022, pp.1) it has created better opportunities for women and people with disabilities; it has opened the possibility for multiple jobs as well as the possibility to relocate to periphery or smaller towns to reduce housing and living costs (OECD, 2021). At macro-level, it is thought that – even though it is soon to see the results – that teleworking help in re-distributing wealth to the benefit of periphery. In terms of the social aspect, remote working is thought that has contributed to a better social life of the workers. By having the opportunity to spend more time at home and with family, workers can have a better work-life balance. Finally, less polluted cities because of decreased gas emission are another positive impact that remote working might have on society at large (OECD, 2021).

While benefits are great indeed, challenges are present for firms, workers, and society as well. Remote working poses challenges to firms in terms of team managements, and increased expenses for application of digital technologies which at the beginning might outweigh the reduced costs for office rents and utilities. The size of the company is important here. Small companies might have more difficulties in adopting digital technologies to help in remote working. Thus, they might be more prone to preserve work-space relations than the bigger companies (OECD, 2021). As per workers, teleworking is more available to those with high expertise and well paid, than to those with less expertise and lower incomes (Mongey, S. et.al., 2021). Moreover, career progressing is more difficult in this setting. Employees and employers need to adapt to the new scenario and develop new ways for career progression, since the old ones, where and employee is spotted among his/her colleagues who work in the same space, do not apply in this case. Company culture is highly affected in teleworking; thus, companies should explore new ways to help keep or re-invent its organizational culture (Althoff, L. et.al., 2020, 2022). Finally, working from home might not always be the best option for employees. Barriers such as isolation, difficulties in managing time when performing work and home tasks might influence performance and psychological health of employees (Hayes, Sh.L, 2021).

Several surveys conducted in G7 countries have shown that due to lockdown during COVID-19, people have re-shaped their expectations for their living and working space and location. Placing more importance on having a garden at home, on having a more indoor space for homeworking, on moving in areas with less density. They would move in city peripheries, or even in remote areas with bigger spaces if remote work would be available to them (OECD, 2021).

It is clear now that COVID-19 offered ‘an opportunity’ to rethink the space people would like to live and work in the future. Four scenarios are possible:

One of course, is to continue as it is, perhaps with application of hybrid forms of work (OECD, Four Scenarios).

The second one is what is called the “doughnut effect” (Ramani & Bloom, 2021). According to this scenario there will be shifts in urban structures where people “will commute to work on less days per week [and] more people will flock to areas further from city centres, which increases the need for spread of public transportation networks”. If that is going to happen, state and local government must intervene to ease the transition for making possible a more balanced real estate prices across country which will result in a more affordable city centre and outskirts and rural regions face new demand for services and land

The third scenario has to do with the rise of intermediate cities in terms of attractiveness for workers and firms: in this scenario high skilled workers, able to telework will move in intermediate cities where co-working spaces will get increased and prices for houses and office’ premises will either stagnate or decrease becoming thus more affordable (Ramani & Bloom, 2021).

The fourth and last scenario is that of the “City Paradox” where a permanent movement of high-skilled workers outside city centres will be observed. The authors derive this model, because the cities of the 21st century exhibit the paradox of ‘despite being the densest and most expensive places to live, a disproportionate fraction of their inhabitants work jobs that could be done from anywhere’. The paradox is that the denser the city the more work can be done remotely. The typology of the job that could be done remotely are those that provide skilled services such as information, finance and insurance, professional services and management of companies. Even though the jobs could be performed remotely, employees didn’t benefit from this opportunity until the pandemic hit. However, once tried the remote work landed itself successfully and is likely to continue. In the “City Paradox” scenario nomad workers will spread across the territory of the country and there will be a greater use of hotels and touristic areas as workplaces. Furthermore, small cities and rural regions face greater demand for services and land. Co-working spaces in non-metropolitan areas are in demand. Employees will make longer commutes even though less frequent (Althoff et.al., 2020; Althoff et.al., 2022).

Whatever strategies prevail, and regardless of the end of pandemic, the greater acceptance of teleworking will result in a greater consumption of resources at home and new commuting patterns. Therefore, governments should establish policies to accommodate and ease the changing patterns of living, working and travelling.

III. 2 Albania – Policies during COVID-19 and workforce

Government of Albania reacted rapidly to contain the spread of the virus. It took numerous measures in terms of social distancing and financial support for people and business as well as measures in the health sector. Actions related to social distancing included measures in judicial area (Normative Act, 25.03.2020), closures of public and private education institutions and subsequently procedures to follow their opening (Order No.135, Order No.135/1, Order No.91, Decision No. 208, Order no.190, Order no.216, Order 289, Guidelines no.18), measures that organized work schedule in the public administration (Decision No.237).

Albania has ratified the International Labour Organization Convention on Home Work on 6 June 2002 (entry into force on 24 July 2002), with law no.8909. The Home Work Convention (1996, entry into force on 22 April 2000), recognizes that home work is any work done at home or in other premises of worker's choice, other than workplace of employer and work done for remuneration which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs (Article) 1. The Convention stipulates that each member state that has ratified the Convention should adopt, implement and periodically review a national policy on home work aimed at improving the situation of homeworkers (article 3). Article 4 provides guidelines for equality of treatment between those doing home work and those working on site, in terms of payment, protection against discrimination, remuneration, social security, training, and maternity leave.

However, even though teleworking as a concept has existed and even applied to a certain extent -it has indeed increased five-fold in the last decade (ILO, 09 March 2021), it was COVID-19 which made visible whether companies were ready to adopt remote working and whether employees were equipped with the necessary skills to perform remotely. Recognizing the importance of teleworking, organizations such as ILO, OECD and the like has offered practical guidelines how to adapt to the new situation, how to make home-based telework as healthy, safe and effective as possible, how to measure remote work (ILO, 09 June 2021) and how important it is to focus on the human dimension while applying it (ILO, 09 March 2021).

While the literature on remote work is wide indeed, in Albania little is known about it. However, the focus of this paper does not address the remote work *per*

se, but rather the implications, benefits, and advantages it brings in the physical distribution of the workforce and consequently of the population.

According to INSTAT, out of the 166,386 enterprises working in Albania, 54,276 (32.6%) were located in Tirana (Table No.1).

TABLE 1: Geographical Distribution of Enterprises in 2020

Regions	Active enterprises	Registered during year	Active Local Units
Tiranë	54,276	6,933	56,743
Fier	23,420	1,952	24,581
Korçë	14,531	1,248	15,374
Elbasan	13,906	1,189	14,963
Durrës	12,684	1,410	13,521
Vlorë	11,656	1,293	12,364
Shkodër	10,959	981	11,674
Berat	9,616	852	10,190
Lezhë	5,314	536	5,758
Gjirokastrë	4,841	349	5,212
Dibër	3,023	323	3,325
Kukës	2,160	253	2,511

(Source: INSTAT)

Concentration of business goes hand in hand with the population of each county. According to INSTAT in 2022, Tirana hosts 32.9 of the total population, followed by Durrës with 10.4%, Fier 10%, Elbasan 9.3% and Korça 7.1%. The counties with the smallest number of population are Gjirokastra with 2.0%, Kukës with 2.6% and Dibër with 3.9%. The internal migration from periphery to the capital has been consistent over the years. It has created a vicious cycle where initially people migrate to capital or nearby cities to benefit from the facilities and job market it provides and then business are established in capital or nearby areas where labour force could be accessed.

The largest share belongs to the categories of farmers 49,053 enterprises (29.5%) and trade 43,668 enterprises (26.2%). The category “other services” follows suit with 30,906 enterprises (18.6%) (Table 2). It should be noted that the highest percentage of the enterprises (149,772 or 90%) have 1-4 employees. Therefore, the window of those companies which might offer teleworking is narrow indeed. It is conditioned by the number of employees and the kind of services it provides. The likelihood is that companies which have more than 4 employees and do teleworking are the ones who could offer remote work. Teleworking could be applied to jobs in those occupations that can be performed remotely using ICTs, such as those

found in most managerial, professional, technical, sales, and clerical occupations (ILO, April 2021, pp.3). Jobs such as supermarket workers or those who work in construction or farms could not benefit from the benefits of teleworking.

TABLE 2: Active enterprises by economic activity and size

Economic Activity	Total	Group by the number of employed			
		1-4	5-9	10-49	50+
Total	166,386	149,772	7,583	7,052	1,979
Producers of goods	65,042	60,403	1,704	2,177	758
Farmers	49,053	49,053	-	-	-
Agriculture, forestry and fishing	1,358	1,186	86	74	12
Industry	9,571	6,714	1,042	1,282	533
Construction	5,060	3,450	576	821	213
Producers of services	101,344	89,369	5,879	4,875	1,221
Trade	43,668	39,367	2,330	1,748	223
Transport and storage	5,708	5,177	248	235	48
Accommodation and food service activities	17,713	15,572	1,357	735	49
Information and communication	3,349	2,858	216	220	55
Other Services	30,906	26,395	1,728	1,937	846

(Source: INSTAT)

Consequently, if we analyse the nature of the enterprises in Albania, the number of enterprises that could use teleworking is indeed small. Only categories such as “information and communication”, “trade”, “transport and storage” are the ones who could perform telework and benefit from its advantages. The data offered by INSTAT has not taken into account the academic institutions, which indeed have teleworked by allowing that teaching classes could take place online permitting thus students to study from their place of residence.

In terms of the job sector according to EU Albanian Progress Report 2021, in 2020, job creation and job preserving remained a major cross-sectoral priorities of the government. The report indicates that “between December 2019 and December 2020, the number of registered jobseekers increased by 34.5% from 68,589 to 92,236 and it continued this also in 2021, when there were 94,529 registered unemployed jobseekers... The profile of registered jobseekers tends to be the one of lower educated people, having at most primary education (55.4%), with a lower proportion of people having upper secondary education (36%) and a very low coverage of unemployed having university education (9%)”.

The available data are not sufficient to understand what the numbers of workers are who teleworked and which were the businesses – in terms of size and category – that used teleworking and where they were distributed. However, they clearly show that unemployment is high among low-educated workers. Therefore, even though the number of enterprises who could employ low-educated workers is high (the highest) the unemployment number of people who fall in this category is high indeed. Consequently, government should design policies that address this problem by investing more on IT education and boosting the job sector that could offer teleworking.

IV. Conclusions

In order to propose solutions for the future, it is important to know what is the percentage of the people who have teleworked fully or partially, who think that their current job could be carried out or not by teleworking (Dingel, J.I. 2020), the percentage of those who believe in a hybrid model of teleworking and face-to-face, whether companies have policies at place to organize remote work, whether managers are ready to lead teams remotely, whether fixed working hours will persist even when working remotely or smart working is a better option and whether people increase or not efficiency when teleworking.

Nonetheless a public policy for addressing internal migration, unequal distribution of qualified expertise, disparities in wealth distribution should be taken. By applying the concept of mobilisation of bias we should uncover the latent conflict within Albanian society, in order to offer solutions for addressing these problems. Teleworking looks an important approach to rediscover periphery, relocate resources and contribute to sound development of country. Investment in digitalization, good internet connection, capacity building should become a government priority.

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Consequences of Covid 19 – Behavioral approaches on the financial well-being, theoretical concepts

Irini Goga, Phd(c)¹

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
irini.goga@uet.edu.al

Mikel Qafa, Msc,²

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
mikel.qafa@uet.edu.al

¹ Irini Goga, PhD(c) has been graduated at Bachelor studies in Agriculture Economy, Faculty of Economics and Agriculture, Agriculture University of Tirana. She is graduated at Agriculture and Administration SME. After one year work experience at Agriculture and Rural Development Ministry, she pursued a second Master for Agriculture development in relation with environment, at CIHEAM, Zaragoza, Spain. After her studies, she has been part of Societe Generale Bank, and OTP Bank for almost 9 years. She held the position of training coordinator, at Human Resources department. Her academic experience started at 2014 till 2016 as external lecturer on the subject "Farm Management" at Agriculture University of Tirana. She joined to European University of Tirana as external lecturer to continue her passion for academic field again in 2021. Starting from 2022, she is part of European University of Tirana, as Assistant Lecturer on Management and Marketing Department, Economics, Business and Development Department. For a further step on academic field, she is concluding her PhD studies on "Consumer preferences for poultry meat, in Albania", at Agriculture University of Tirana.

² Mikel Qafa, MScs has earned a Master's degree in Philosophy, Politics and Economics in Germany and a B.A. degree in Computer Science and Political Science in the U.S.A.; Mikel is a graduate of Internacional Baccalaureate diploma at United World Colleges in Mostar, Bosnia and Herzegovina; His involvement is not only in academia but also in entrepreneurship in Dusseldorf and New York. Authored publications in international journals as well as in the World Congress of Political Science on sustainable economic development and political regimes. Currently working at the European University of Tirana by the Faculty of Economics.

Abstract

With many businesses unable to operate normally due to widespread government-imposed lockdowns, people confront a reshape of their financial behavior. In this article we review literature to analyze the theoretical foundations of financial well-being. The ongoing current worldwide recession worries about inadequate savings, consumerism and debt accumulation are all contributing to the increase in financial stress. We follow a qualitative-descriptive method based on a broad literature review and chronological analysis. This study will contribute to favor of establishing a theory of financial well-being to define, measure, and analyze it comprehensively. The creativity of this work lies in describing and contrasting several theoretical foundations together instead of addressing them separately. Our results are of interest to those involved in research about financial well-being, subjective well-being, and the economics of happiness.

Key words: financial well-being, Covid 19 - subject of well-being, economics of happiness, prospect theory, financial knowledges.

1. Introduction

A global coronavirus disease 2019 (COVID-19) has posed one of the greatest challenges to humankind within 75 years since World War Two (UNDP, 2020). Consequently, this fact has impacted the financial wellbeing of people. With many businesses unable to operate normally due to widespread government-imposed lockdowns, the concept how people spent their money was changed. The ongoing current worldwide recession worries about inadequate savings, consumerism and debt accumulation are all contributing to the increase in financial stress. The current economic downturn caused the financial pressures of households to increase (Kim & Garman, 2004; Weller & Logan, 2009). According to Molitor (2010), people were forced to adapt new behaviours regarding their financial administration habits. Financial health refers to how well financial systems presence in people's daily lives help them be resilient to unexpected changes in economic conditions and create opportunities to achieve their goals (Ladha et al., 2017). People generally see finance as anything that can be associated with the economic situation of the family. Thus, managing finances among individuals may result in satisfaction or dissatisfaction towards their financial situation, which is called financial well-being. Previous research regarding financial well-being has largely focused on factors such as financial stress, financial knowledge and financial behaviour. (Mokhtar, N.* and Husniyah, A. R.,2017)

2. Methodology

The purpose of this work is to analyse the theoretical foundations of financial well-being. The ongoing current worldwide recession worries about inadequate savings, consumerism and debt accumulation are all contributing to the increase in financial stress.

The literature review of our study: “Behavioral approaches on the financial well-being, theoretical concepts”, in its most comprehensive form includes a synthesis of qualitative findings stemming from qualitative research studies. (Onwuegbuzie, Collins, et al., 2010).

This work methodology can be defined as the branch of logic that deals with the principles of the formation of knowledge” (American Heritage Dictionary, 1993, p. 858) or as “a body of practices, procedures, and rules in a discipline or an inquiry”; also, as “a set of working methods” or “the study or theoretical analysis of such working methods” (p. 858).

The latest economic downturn caused the financial pressures of households to increase (Kim & Garman, 2004; Weller & Logan, 2009). It intends to propitiate reflection on its causes and effects, consequently contributing to the body of knowledge about general well-being, consumer behaviour, and the economics of happiness.

To meet this goal, we identify the theories that have given rise to its conceptualization and measurement. Subsequently, we question whether a theory of financial well-being is necessary and, if so, what its dimensionality should be. Simultaneously, we review the motivations that have led to its study. We conclude by justifying its importance both at the individual and collective levels, in the private and public spheres.

Financial well-being refers to how happy and satisfied individuals feel with their finances (Chatterjee et al., 2019; Van Praag et al., 2003). One of the first empirical works to analyze the relationship between happiness and income was developed by Easterlin (1974). He observed that, within different countries, people with higher income reported significantly higher levels of happiness than the population with lower income. However, this relationship was uncertain when comparing people of the same country at different moments.

In the United States of America, Easterlin (1974) noted that an increase in income over several years is not necessarily linked to a systematic increase in subjective well-being. This contradictory fact is known as the Easterlin paradox: the happiness reported by the population of different countries varies with income; however, an increase in income over time does not imply a proportional increase in happiness (Easterlin, 1974).

These findings were later corroborated by other authors (Antolini and Simonetti, 2019; Grimes and Reinhardt, 2019; Kaiser and Vendrik, 2019; Rojas, 2019), who clarified that income is related to subjective well-being and time plays a relevant role in this relationship. Additionally, other authors expanded these observations to give them a multifactorial dimension. For example, Oswald (1997: 1827) concluded that “in a developed nation, economic progress buys only a small amount of extra happiness,” or Diener et al. (2003: 213) who noted that “people might evaluate their material lives largely by judging how they compare with those around them”, based on their multidimensional nature which requires different measurement approaches.

In 2008, the French government commissioned economists Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi (2009) to identify gross domestic product constraints as an indicator of financial performance and social progress. In their report, Stiglitz et al. (2009) emphasized the opportunity to switch from an approach to measuring economic production to one about assessing people’s well-being.

To evaluate subjective well-being, Stiglitz et al. (2009) stated the following recommendations: emphasizing the perspective of home and family; considering income and consumption in conjunction with wealth; improving indicators to measure health, education, human activities, and the environment since the quality of life depends on the objective conditions and capacities of the population; using these indicators to integrate indexes, and employing objectives and subjective indicators of well-being.

These recommendations were formally considered in the measurement of well-being, starting in 2011, when the Organization for Economic Cooperation and Development (OECD, 2011) established the *Better Life Index* to measure and compare international social progress comprehensively.

Financial well-being is one of the components of this multidimensional indicator. It seeks to assess present and future domestic consumption possibilities, material well-being, and satisfaction with living conditions at home (OECD, 2011). Various authors had recognized it as an essential component of happiness or subjective well-being (Stiglitz et al., 2009; Van Praag et al., 2003). Besides, it has been associated with the achievement of some of the Sustainable Development Goals of the United Nations, which include (SDG1) No poverty; (SDG3) Good health and well-being; (SDG8) Decent work and economic growth; (SDG10) Reduced Inequalities; and (SDG16) Peace, justice and strong institutions (Fu, 2020; Le Blanc, 2015).

3. Consumption approach, relevance analysis and savings predisposition

Financial well-being is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life.

Based on consumer theory, financial well-being is referring to how people decide to spend money based on their preferences and budget. It can be framed within the analysis of utility and motivation for savings, enunciated by Modigliani and Brumberg (1954). They feel driven to save because of four primary reasons: contributing to the formation of a legacy for their descendants; achieving goals when their current and prospective incomes do not match their desired consumption levels; as a precaution, to get prepared to face an emergency; and for fear of uncertainty, which motivates them to constitute a reserve, usually of durable goods, so they can own, sell, or use it if necessary.

These reasons explain the conceptualization and measurement of financial well-being, applied to people under a focus on preferences, budget constraints, and time. One of the first comprehensive definitions of financial well-being was the proposal by the Office for Consumer Financial Protection Bureau (CFPB, 2017b: 6):

The scale for measuring structured financial well-being in two dimensions, time and freedom of choice, follows this definition. Both profile four essential components of financial well-being: exercising daily and monthly control of personal finances (short-term, limited freedom); having the ability to cope with unexpected financial impacts (long-term, limited freedom); working to achieve financial goals or fulfill dreams (long-term, broad freedom); and having the financial freedom to make decisions that contribute to the enjoyment of everyday life (short-term, broad freedom).

TABLE 1. Measuring financial well-being based on time and freedom of choice

	Present	Future
Security	Daily and monthly control of personal finances <i>Example: My finances control my life</i>	Ability to deal with unexpected financial impacts <i>Example: I'm concerned that the money I have or save won't last</i>
	Description: Cover expenses, pay bills on time, and not worry about whether there will be enough money for it.	Description: Have a backup system, family, or friends, if support is required; own personal savings; have insurance of various types; know that the lifestyle will not be affected, for example, if the car needs a repair or if the job is temporarily lost.

Freedom of choice	Financial freedom to make decisions that make it easier to enjoy life <i>Example: I am just getting by financially</i>	Achieving financial goals <i>Example: I am securing my financial future</i>
	Description: Have the financial capacity to indulge, for example, go out to dinner or go on vacation, or be generous with friends, family or community, and meet basic needs.	Description: Have a formal or informal financial plan, actively work towards goals such as saving to buy a car or home, paying off educational debts, or saving for retirement.

Source: Consumer Financial Protection Bureau (2017a, pp. 7, 23-24).

The temporal dimension refers to the assumption that a person can reach financial well-being at present without compromising his or her future. The freedom of choice dimension ranges from maintaining strict spending control to ensure covering current or future needs and the freedom to consume worry-free and achieve financial goals.

a. the model of limited rationality: - from economic knowledge to financial well-being:

Over the past four decades, different public policies, especially in more developed economies, have given citizens greater responsibility for the procurement of some social protection services that were previously the exclusive competence of the State (Kempson et al., 2017). Two examples of how people have had to increase their participation in individual and family decision-making, forecasting, and financial planning due to these changes (Hoffmann and Plotkina, 2020) are the hiring of specialized health insurance and retirement savings management are; Nam and Loibl, 2021). Governments' concern to ensure shared social security services was initially focused on having a better-prepared population to meet these responsibilities. The importance of financial education increased due to market development and demographic, economic, and public policy changes (OECD, 2005). The Consumer Financial Protection Bureau (2015) recognized that the purpose of financial literacy must be financial well-being.

The study of financial literacy and its relationship to financial well-being emerged in the late 1990s and early 2000s in response to the need for better understanding the mechanisms that drive people to pursue an economically sound behavior (Kempson et al., 2017). Most of the studies of these years addressed financial literacy as a synonym with financial knowledge, and this as the result of financial education (Ambuehl et al., 2017; Compe et al., 2018; Consumer Financial Protection Bureau, 2015; Fernandes et al., 2014; Ingale and Paluri, 2020).

It is assumed that more financially educated consumers contribute more to market operation efficiency. By assessing the risk-performance ratio, they become promoters of competitiveness, and by demanding products appropriate to their needs, they propitiate innovation in financial services; additionally, they are more likely to save and invest than less financially educated people (OECD, 2005). The relationship between financial education and consumer welfare follows a fairly rational logical line, which the OECD (2005) summarized as follows:

Financial education can contribute to consumer well-being by helping them become better informed about financial products and services. Becoming financially better informed involves, first, acquiring information (i.e., determining where to find the information and getting hold of it) and, second, processing this information (i.e., understanding the information and using it to make better informed financial decisions, including those about investment and retirement savings). Rational consumers will acquire and process information as long as the marginal costs of doing so are less than the perceived marginal benefits of this information. Thus, reducing these costs will encourage consumers who have not already done so to seek information about investments and encourage those who already have some financial understanding of investment to acquire more. (p. 36)

This reasoning is based on Simon's theory of limited rationality (1955). It assumes that the homo economicus follows a rational behavior based on a model containing the following elements: a set of alternatives or courses of action; a subset of those alternatives that are considered; an estimate of possible future states as a result of choosing an alternative; a utility function that assigns values to the possible results of one's choice; information about which results will occur if an alternative is chosen; and information about the probability of obtaining a specific result after selecting an alternative.

This set of elements requires that rational human beings meet certain difficult-to-reach specifications, for example, that before making any decision, they accurately evaluate each of the alternatives, predict all their possible consequences, order them consistently with their forecasts, and assign specific probabilities to those uncertain events and their results (Simon, 1955). About these difficulties, poorly addressed in practice, Simon (1955) notes that the rational behavior model is limited by human capacities and the availability of information.

The limited rationality approach and the subjective well-being precepts mentioned in the previous section suggest that the study of financial well-being through financial knowledge is possible if several conditions are met. These include that human beings seek to maximize happiness, that their happiness can be increased if their financial well-being improves, and that their financial well-being improves if they are financially educated. Also, it is required that information is fully accessible at a reasonable price and that people possess the knowledge, skills and desire to use that information in financial decision-making.

Some empirical studies consigned the relationship between financial knowledge and financial well-being. For example, Mende and van Doorn (2015) discussed how specialized counseling could catalyze consumer financial literacy, improve their credit ratings, and reduce their financial stress. Furthermore, Hampson et al. (2018) noted that by motivating the clients of service companies to engage in healthy financial behaviors, it is possible to increase their satisfaction and improve their financial well-being. Moreover, Chu et al. (2017) studied the effect of financial literacy on investment performance at the domestic level.

However, a person with a high level of financial knowledge may choose to rest the weight of their economic decisions and behaviors on their attitudes and preferences, not just cognitive skills (OECD, 2005). When people fail to maintain a consistent economic behavior, it is usually assumed that they lack information, the knowledge to understand it, or the skills to leverage it (Roa García, 2013).

Some academics warned of the fragility of the rational behavior model when explaining the relationship between financial literacy and financial well-being. Some of them attribute this weakness to the asymmetry in the information generated by shifting the weight of financial decisions to the consumer to discharge the state from its social protection obligations (Willis, 2009). Another explanation refers to the risks posed by the individual's overconfidence and the limits on his or her cognitive abilities (Roa García, 2013). There was, then, a need to broaden the definition of financial literacy to include awareness, knowledge, skills, and behaviors that facilitate sound financial decision-making and eventually contribute to financial well-being (Atkinson and Messy, 2012).

b. Relation of financial attitude with financial well-being: prospect thesis

Early studies on financial well-being emphasized a psycho-emotional perspective linked to financial satisfaction. Joo and Grable (2004) highlighted the role of financial attitudes, especially risk tolerance, as a determining factor in individual financial satisfaction. A couple of years later, Prawitz et al. (2006), after interviewing financial education experts from the United States of America, built one of the first instruments to measure financial satisfaction, financial stressors, feelings of well-being, financial behaviors, and the impact of decisions.

Prospect theory is one of the theoretical contributions that have been used to analyze the relationship between personality traits, financial attitude, and financial well-being. It aims to describe individual decisions in risk scenarios and contrast rational model predictions with actual consumer choices (Kahneman and Tversky, 1979). According to this theory, "individuals are not always rational in the face of uncertainty" (Fisher and Montalto, 2010: 93).

Prospect theory explains some of the contradictions to the model of limited rationality through three effects (Kahneman and Tversky, 1979). First, people tend

to ponder greater weight secure choices over those that are only likely (certainty effect). On the contrary, when all options are adverse, people prefer to take a risk rather than choosing the safe path (reflection effect). Finally, when the context in which options are presented changes, it can influence the decision maker's preferences (framework effect).

Prospect theory states that people tend to keep a mental record of their results in separate accounts and that the money in these accounts is not fungible, i.e., it is not easily replaceable or interchangeable. With this principle, a pay increase is not a substitute for affection nor a health improvement. This theory also states that families with fewer economic resources tend to develop very short-term budgets, while those with more resources tend to budget for much longer terms (Fisher and Montalto, 2010; Thaler, 1999). "Consumption in one period is not based on lifetime income, but is evaluated based on a reference point, or the level of income a household is accustomed to" (Fisher and Montalto, 2010: 93).

Behavioral economists were the first to recognize a potentially significant gap between financial knowledge and behavior, as well as the multifactorial nature of its causes (Kempson et al., 2013). Among the main psychological traits affecting financial decision-making, we find the perspective for temporal orientation, the aversion to loss, overconfidence, herding, social pressure, the tendency to confirm preconceived data, and inertial attitudes (Kempson et al., 2017). For example, patience in the short and long term and risk aversion are directly related to financial well-being, regardless of financial knowledge (Nyström and Romberg, 2017). A person with negative attitudes towards the long term is less likely to save; similarly, someone who prefers to spend now rather than prepare for the future is less likely to have an emergency financial fund or make far-reaching temporary plans (Atkinson and Messy, 2012).

Prospect theory has helped explain some of the essential features of financial well-being, especially its forward-looking orientation and the role of context in consumer preferences. Moreover, Brüggén et al. (2017) emphasized the difference between financial satisfaction and financial well-being to help better understand their characteristics. While the former refers to being satisfied with the current financial situation, the second refers to a person's ability to achieve a desired financial situation both now and in the future.

c. Institutional doctrine: The effect of context on financial well-being

Over the past decade, the multifactorial nature of financial well-being have been identified by researchers in academic and public institutions. Their attention focused on financial capacities, i.e., the set of knowledge, skills, attitudes, and motivations that drive consumers to act economically rationally (Kempson et al., 2013) and the context of decisions.

According to Fu (2020), these capabilities seek to explain the interdependencies between financial literacy, access to formal financial products (financial inclusion) and the structural characteristics of the environment in which consumers are immersed. Traditionally, financial inclusion has been associated with banking, electronic money management, and the use of formal financial services; a positive relationship has been assumed between it and financial well-being (Gubbins, 2020). The diversity of factors involved in these interdependencies led policy financial education and inclusion policy designers to adopt an institutional approach that aims to regulate behavior and not so much to promote behavioral change (Fu, 2020; Kempson et al., 2017).

This institutionalist approach assumes “that policies to improve financial well-being should focus on financial market structures and supporting institutions, rather than narrowly target individuals’ financial literacy or financial inclusion” (Fu, 2020: 1). In the case of financial capacities, the term institutions refer to public policies, programs, and initiatives that aim to configure the products offered by the financial sector, which will impact consumers’ lives (Fu, 2020).

Governments have implemented mechanisms that force organizations to apply coercive isomorphic changes to their structure and processes (DiMaggio and Powell, 1983). These organizations are typically the ones that make up the financial sector, and it is through them that the state implements social change. According to the principles of institutional theory, “organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities” (Meyer and Rowan, 1977: 352). Financial institutions that adopt financial inclusion policies, by strengthening their legitimacy, will increase their chances of survival.

The economic, social, and environmental policies promoted by supranational institutions also inspire isomorphic processes. The World Bank acknowledges that financial inclusions are vital in reducing poverty and improving prosperity (World Bank, 2018). This progress at a national level affects the Sustainable Development Goals (Fu, 2020; Le Blanc, 2015; World Bank, 2018).

Over the past decade, financial well-being has gained importance as an ulterior end, beyond financial literacy, financial inclusion, and financial capacity building. The ultimate objective of financial inclusion should not remain to optimize the use of financial products or public access to formal financial markets but to maximize the financial well-being of the population, subject to consumer protection mechanisms (Gubbins, 2020). Financial inclusion then becomes a means to contribute to people’s financial well-being. Increasing the degree of financial inclusion is a necessary but not a sufficient condition to achieve financial health (Grohmann et al., 2018; Ladha et al., 2017).

4. Conclusions

A diversity of concepts and measurements focus primarily on financial satisfaction and their contribution to overall well-being (Brüggen et al., 2017). Recently, criteria have converged to establish a more extensive definition and more accurate measurements (Brüggen et al., 2017; Fu, 2020; Kempson et al., 2017). Financial well-being analysis is fundamental to advance in the study of the well-being, consumer behavior, and the economy of happiness.

Four decades ago, the subjective self-reported financial perceptions efforts were the main indicator to define and evaluate financial well-being.

In this article, different theoretical models applied to the study of financial well-being have been described. These theoretical frameworks divergences give rise to future research topics, three of which are discussed below.

A branch of this research derived at building financial well-being indicators. Research models have gone from subjective approaches applied to specific groups to general models designed for developed economies. Testing their validity in other contexts and building new schemes for emerging economies are two of the tasks needed to consolidate progress in measuring financial well-being.

The second line of research stems from applying these metrics to the evaluation of public policies aimed at improving overall well-being and, especially financial well-being of the population. By analyzing the theoretical foundations applied to the conceptualization, measurement, and analysis of financial well-being, this work helps guide this assessment. Some countries that have implemented financial inclusion and financial education policies require establishing a baseline to evaluate their results.

At the same time, this evaluation should serve as the background to estimate the contribution of these and other public policies to achieving the Sustainable Development Goals.

The third line of research resulting from this work concerns the conceptualization, measurement, and impact of financial well-being in the business climate. One of the trends in corporate social responsibility is to procure employees' financial well-being, not only to increase productivity but also to provide an organizational environment attractive to talent (Frank-Miller et al., 2019). Work in this area is incipient and is considered very useful.

In general, financial well-being contributes to raising people's quality of life, improving interpersonal relationships, emotional well-being, and happiness. In the organizational field, financial well-being strengthens the trust, image, and reputation of institutions and companies; and in the social sphere, it promotes economic growth and sustainable development (Brüggen et al., 2017). When experiencing widespread financial well-being, consumption is encouraged, demand

for government assistance decrease and a comprehensive state of social welfare is fostered (Sacks et al., 2012).

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Use of financial technology in Albania _____

_____ ***Dr. Ismet Voka***¹ _____

DEPARTMENT OF ECONOMICS & FINANCE,
EUROPEAN UNIVERSITY OF TIRANA
ismet.voka@uet.edu.al

_____ ***Prof. Ass. Dr. Filipos Ruxho***² _____

FACULTY OF BUSINESS AND MANAGEMENT,
UNIVERSUM COLLEGE, KOSOVO
filip.ruxho@universum-ks.org

Abstract

The main purpose of this study is to conduct an analysis on the use of financial technology in Albania. Fintech is a term dedicated to financial technology in the digital age. The diversity of this technological solution brings with it the promise of faster, cheaper, more secure and transparent financial transactions through the internet. Fintech business

¹ Dr. Ismet Voka has over 10 years of experience in teaching, oriented by high performance and academic levels that focus on the acquisition of knowledge by students. He completed his doctoral studies in the field of economics and sustainable development at the European University of Tirana after completing his studies at the Faculty of Economics, Agricultural University of Tirana. Author of several publications in the review of scientific products at home and abroad for the economic company related to foreign direct investment, economic, integration of the Western Balkan countries into the European Union, imports and exports, technology and innovation in the company of Albanian enterprises, etc. Participants in several conferences at home and abroad. From October 2018 and full-time pedagogy, at the Department of Economy and Finance.

² Prof.Assoc.Dr. Filipos Ruxho is engaged at Universum College, Kosovo in the position of Vice President for Innovation and External Relations as well as in the position of Academic Director of the Department of Business and Management. He has several years of experience in lectures. He completed his doctoral studies in economics and sustainable development after completing his MBA studies in Greece at the ALBA Graduate Business School of the American College of Greece and his Bachelor of Business Administration studies at the Faculty of Economics at the University of West Attica in Athens. The interest in scientific research is mainly focused on the fields of business digital transformation, innovation management, economics and sustainable development with a special focus on SMEs of the manufacturing industry in terms of their importance in the overall development of a country's economy.

model is the specific application of Fintech in economics and financial fields. This enables users to perform financial transactions remotely, which improves the efficiency of banking transactions and saves customers time. The constant shifts towards e-commerce, digital payments, instant payments, cash substitutes have increased significantly nowadays. The document describes the policy implications regarding the promotion of relevant institutional policies in relation to increasing the use of Fintech in the country.

Keywords: *Fintech, digital payment, banking, financial system*

1. Introduction

Fintech is the abbreviated version of the word Financial Technology, which is used to describe businesses that provide financial services using modern software and technology. Some Fintech developments have improved traditional services, for example online banking applications, while others have revolutionized various services or created new products, such as Bitcoin. Companies that use newly developed digital and online technologies in the financial services industries, the ways in which these financial services are provided and how they affect consumers are very complex. In fact, in a relatively short period of time, the emergence of a new generation of Fintech companies has greatly influenced the way they do business, how consumers interact and how they think about the future of finance. There are a variety of factors that influence when we look at the development of the financial system in the country, ranging from technological advancements that have changed the way we do almost everything in our daily lives. By providing financial services with technology, consumer behaviour has changed, making them demand more personalized, faster and cheaper financial services.

The rapid development of the financial system is moving towards business models that use “cash” as little as possible, making consumers adopt the habit of digital transactions. Financial companies around the world have changed the way people think about money, which is something that is coming to our country at a rapid pace. With more and more financial companies using advanced technologies in their systems like artificial intelligence (AI), financial services and products are provided faster and more convenient for consumers. It is important to note that the development of smart phones, the online world became much more accessible to the general public with the most visible mobile data and Wi-Fi allowing everyone to connect from all over the world. Smartphones are one of the most used devices to access the internet and use financial services.

1.1. Objectives of the paper and research question

The main purpose of this study is to conduct an analysis on the spread and applications of financial technology in Albania. To fulfil the purpose of this study, we have formulated research question as follows:

Research Question: How widespread is the use of financial technology in Albania?

The objectives of this research paper are:

- Fintech impact on financial inclusion,
- Comparative analysis of Fintech in Albania and in the countries of the region,
- Fintech macroeconomic impact,
- Impact of Covid-19 on Fintech usage.

1.2. Methodology

The working methodology is built in order to realize the purpose of the work and provide answers to research questions. The research is based on the collection and analysis of secondary data. Data sources are: Bank of Albania, World Bank and International Monetary Fund. Also, in function of the work we have relied on contemporary literature, scientific works made by other authors. Once the data is collected, it is processed, analyzed and interpreted. At the end of the paper, the conclusions are summarized and the relevant recommendations are given

2. Literature review

Ever since information technology began to flourish in the world, the financial market has begun to adopt its services in its ranks. In the 1950s, the first credit card was created, laying the groundwork for a cashless payment system. Diner's Club was the first to introduce them in the 1950s and American Express followed suit in 1958 thus creating a new era of financial services. Fintech in its "adolescence" (1967-2008) coincided with the period when the world began to move from analog to digital technology. Traditional financial institutions were one of the first to adopt such devices, and surprisingly for the average reader it's nothing special today - a simple handheld calculator and the first ATM installed by Barclays Bank in 1967. (Douglas W. Arner, 2017).

In the 1970s the first digital stock exchange, NASDAQ, was created, which laid the foundations for the culture of functioning of modern financial markets, which are still used today. In 1973 SWIFT was created which is the most common

communication protocol between financial institutions. It facilitates a very large amount of international transactions. The 1980s introduced the first major bank computers and the introduction of the first online banking system. It gained popularity in the 1990s due to the development of the internet as we know it now as well as e-commerce business models.

By the early 2000s banks have fully digitalized their services and the era of global financial markets is officially beginning. This is the timeline when we have seen most of the development in the IT industry and the financial sector. With the global financial crisis in 2008, which made the overall economic crisis more understandable globally, the overall banking industry lost its good reputation. With many financial professionals losing their job status, people began to look for more reliable ways to look for money, which would be different from traditional banking systems. Because of this, we saw the emergence of new financial services and currency systems which in this case was cryptocurrency. With the release of Bitcoin in 2009, the world saw that it was possible to have a currency system without relying on it in major banks.

The DeFi market has grown exponentially in recent years. Today this value has reached \$ 50.12 billion in total locked value (TVL). (Burak, 2021). Although DeFi is working with leading Fintech industry players to embrace technology to facilitate smart contracts, it can grow beyond the core applications. Fintech companies can use block chains to decentralize financial services such as asset management, financial data exchange, security and P2P credit. (Burak, 2021). Toby Lewis, CEO of Novum Insights, a technology company, sees this trend intensifying: "We will see a lot more use of cryptocurrencies and block chain space in the future. There are new projects related to some of the protocols, such as like Ethereum, Solana and Polkadot. And I think it's super exciting that things like Lightning are coming online.

According to statistics, 77% of traditional financial institutions plan to focus more on Fintech innovations to improve customer retention. Fintech companies will continue to provide banks with advanced platforms to reach and retain customers, while banks, in turn, will provide the infrastructure that enables the growth of Fintech firms. Innovations in the Fintech Industry will help improve Fintech companies' cooperation with banks. It will also improve the way transactions between financial institutions and their clients are conducted. (Dolgorukov, 2021)

The positive macroeconomic impact of financial inclusion is well documented, both theoretically and empirically. Sahay and other authors (Ratna Sahay, 2015) show that financial access and financial deepening support lower income growth and inequality, with limited negative externalities in financial stability as long as the regulatory environment is sound. Studies also show the benefits of increasing financial inclusion. However, the financial involvement of less productive agents can also negatively impact growth (Dabla-Norris, 2018).

Other authors suggest that digital financial inclusion may play an important role in mitigating the economic impact of the COVID-19 crisis and in curing it, provided that the preconditions for accelerating digital services exist. Several studies have found that digital financial inclusion can help mitigate economic shocks and smooth consumption (Jack W. S., 2014). Experience with the COVID-19 crisis underscores the importance of promoting digital services to those most in need. Fiscal policy should include investments in digital infrastructure such as access to electricity, mobile and internet coverage, digital ID among others (Čihák, 2020).

2.1. Fintech risks in financial inclusion

Regulators across the globe have begun to assess Fintech-related risks and formulate policies, and these need to be accelerated during and after the COVID-19 crisis. Internationally, the Financial Stability Board (FSB) has concluded that Fintech and Big Tech do not yet pose systemic risks (Financial Stability Board (FSB), 2017). At the same time, it is worth remembering that the push for financial inclusion without proper regulation contributed to the global financial crisis of 2008. The development of digital lending is already raising concerns about predatory lending practices in some countries, which may be even more prevalent in the ongoing COVID-19 crisis (Faux, 2020). In Indonesia, the Financial Services Authority has recently identified and closed more than 1,000 illegal peer-to-peer lenders that provided prohibited financial services or operated without a proper license. Therefore, a sound policy approach at the global and local levels is crucial (Čihák, 2020).

As Fintech develops and becomes more sophisticated, unequal access to the necessary physical infrastructure or insufficient human capital may create a new source of financial exclusion, especially among women, the poor and the elderly, both in EMDE and in economies. advanced (G20, 2019). The COVID-19 shock has caused a strong shift towards digital financial services, a trend that could exacerbate the financial exclusion of those groups left behind. Moreover, “easy” digital credit creates risks for people with limited financial knowledge (Kaffenberger, 2018). The use of large data and algorithms by Fintech firms to profile customers can allow them to reach customers who, until then, were excluded from the traditional financial sector due to lack or limited credit history (Bazarbash, 2019).

But there are concerns that it could also instill prejudices present in historical records, and this in turn could perpetuate the unfair treatment - and exclusion - of certain categories of consumers. While concern is ubiquitous, the issue has been studied primarily in the case of digital lending in the United States, where different treatment and fair lending violations based on customer characteristics have been identified as a risk (Jagtiani, 2017).

2.2. Fintech companies and their future

Traditional financial services institutions should consider Fintech as a partner to further develop the financial industry, embrace the innovations brought by technology and transform the industry from abroad, and succeed in areas where other traditional financial institutions have failed. Fintech companies are now leading the industry and creating a wide range of new financial products and services, with the goal of making money management easier and more effective. Access to funds has become much more transparent and less centralized around the world, and the traditional way of lending money from a bank through loans and mortgages is being combined with new financing models such as crowd-funding and peer-to-peer lending. These new, non-traditional methods of money laundering have allowed investors to thrive while giving access to loans to those who may not qualify for a traditional loan in the money needed through other sources. Therefore, it is imperative that financial education be one of the main topics to be addressed by financial institutions as well as regulatory bodies in the country, for all levels of society including students, families and retirees, as Fintech aims to ensure inclusion financial.

Fintech is changing our lives and habits by making trading, banking and money exchange easier without the need for physical human interaction. However, the financial sector has some challenges to overcome, especially in terms of regulation and data protection to gain consumer trust. With all the technological advancements in use business leaders are advised to look for opportunities and adopt Fintech applications in their business models to win tomorrow's customers.

3. Empirical Analysis

The main purpose of this study is to conduct an analysis on the spread and applications of financial technology in Albania compared to countries in the region. Also in this paper we aim to analyse the impact of Fintech on financial inclusion and the impact of Covid-19 on the use of financial technology.





3.1. Use of Fintech in Albania. Comparative analysis with countries in the region

The new law "On payment services" has entered into force in Albania. The law reflects the Second European Payment Directive (PSD 2), which in the European Union brought about significant changes in payment markets. The most innovative concept brought by the PSD 2 directive is that of open banking. The importance

of this law is not yet very tangible, mainly due to the lack of a developed sector of financial institutions.

In terms of online bill payments, online purchases and account access through e-banking, Albania ranks last in the region.

FIGURE 1: Online payments in the region

 Albania	 Kosovo	 Serbia	 Bosnia & Herzegovina
Internet usage (of pop.) 80%	Internet usage (of pop.) 97%	Internet usage (of pop.) 79%	Internet usage (of pop.) 74%
Did online shopping (age 15+) 15–19%	Did online shopping (age 15+) 19–22%	Did online shopping (age 15+) 33–35%	Did online shopping (age 15+) 20–24%
Paid bills via internet (age 15+) 11–13%	Paid bills via internet (age 15+) 16–19%	Paid bills via internet (age 15+) 25–27%	Paid bills via internet (age 15+) 16–19%
Accessed a bank account online (age 15+) 12–15%	Accessed a bank account online (age 15+) 14–17%	Accessed a bank account online (age 15+) 25–27%	Accessed a bank account online (age 15+) 15–18%

Source: World Bank, 2020

A 2018 World Bank study is among the documents that shed light on the payment instruments used by Albanian consumers. (The World Bank, 2018). The survey showed that Albanian consumers send and receive daily payments in the vast majority of physical money (cash), with 96% of payments initiated and 90% of payments received. The surveyed businesses report that 99.2% of the entire volume of payments were received in cash, versus 66% of the initiated payments. Only 15% of surveyed businesses accept electronic payments through an electronic terminal (POS). The consumer survey shows that cash payments are mainly in the purchase of foodstuffs and necessities. Albanians make most of the payments for utility bills / various periodic services; of these, 90% are carried out in cash. Also, 95% of individual-to-individual transfers are made in cash. Making payments is an activity that carries costs in money and time much greater than we can imagine. A study by the Bank of Albania and the World Bank on the costs and savings of small value payments has shown that in total, these payments have a cost of about 2.5% of Gross Domestic Product. (The World Bank, 2018).

Albania's relative backwardness in the use of electronic payment instruments is also confirmed by several comparative studies. A joint study between the World Bank and the University of Cambridge, published in 2020, showed that only 28.8% of Albanians have made or received a card payment in the last 12 months. This figure is significantly lower compared to all other countries in the region. For other countries, this indicator starts from about 39% for Kosovo, up to over 66% for Serbia. In the Eurozone, on average 92.5% of households have used digital payments at least once in the last 12 months before the survey. The study also shows that 7.7% of Albanians have used a bank card for payment, while in other countries, this percentage varies

from 16.5% for Kosovo, to 39.4% for Serbia. Even in the possession of credit card, a payment instrument conceived mainly for non-cash payments, Albania is last in the ranking of the Western Balkan countries. Only 8% of Albanians hold a credit card, compared to 9.7% of Bosnians, 10.4% of Kosovars, 16.7% of Montenegrins, 17.4% of Macedonians and 17.6% of Serbs. In the Eurozone, almost 45% of individuals hold a credit card (The World Bank, 2018).

The above data show why Albania remains a difficult terrain for Fintech businesses; but, on the other hand they also testify to great potentials for the growth of the business of payments and financial services related to technology.

3.2. E-banking, in Covid-19 and post Covid-19

Electronic banking service is already offered by 11 of the 12 commercial banks in Albania. With the increasing importance of technology in society, banks are putting more focus on promoting these services as an alternative channel for customer relations. The promotion of electronic banking increased even more after the outbreak of the pandemic, driven by the regulatory measures of the Bank of Albania, which during the closing of the economy suspended the commissions for interbank payments via the Internet. The number of distance bank payments increased. According to the Bank of Albania, the number of transactions through remote banking channels, such as internet banking or mobile banking, for 2020 increased by 14% compared to a year ago. For example, at Raiffeisen Bank during this time, registrations on the digital platform increased by 36%, transactions through it increased by 20%, online transactions increased by 64%. (Capo, 2021). The positive impact of the pandemic is also confirmed in the performance of card payments. According to the Bank of Albania, the number of card payments in Albania reached more than 5.8 million during 2020, the highest level ever recorded.

4. Conclusions and recommendations

Financial technology development is a sustainable development tool that can improve the efficiency of the financial industry. The analysis has shown that the introduction of new technologies in Fintech contributes to the automation and robotization of private asset management processes.

By developing Fintech, companies / banks can improve their business, reduce transaction costs, improve efficiency and create more attractive business models for customers. Banks in Albania have very innovative online banking applications, however in terms of online bill payments, online purchases and account access through e-banking we are the latest in the region. Therefore, it is necessary for banks to increase direct work with customers in the context of financial education,

so that the entire financial and economic environment where we operate is oriented towards digital platforms.

The promotion of electronic banking increased even more after Covid-19, driven also by the regulatory measures of the Bank of Albania, which during the closing of the economy suspended the commissions for interbank payments via the Internet.

The Bank of Albania in the framework of the National Payment Strategy as “instant payments” would greatly help in creating a more automated financial field less dependent on physical cash and closer to the digital world. On the other hand, this encourages banks to invest in new technologies, which are not small investments, but which all depend on the support with the increase of users and widespread use of these services.

Research on the role of Fintech as a driver and transformer of financial markets is a promising path for the future and deserves further attention. Fintech is the future and that information technology makes the impossible possible.

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Implementation of new technologies as part of the fiscalization process in Albanian enterprises

Problems and Challenges

Enida Koni, MSc.¹

DEPARTMENT OF ECONOMICS & FINANCE,
EUROPEAN UNIVERSITY OF TIRANA
ekoni5@uet.edu.al

Joana Shima, MSc.²

DEPARTMENT OF ECONOMICS & FINANCE,
EUROPEAN UNIVERSITY OF TIRANA
joana.shima@uet.edu.al

Abstract:

Albania like no other country in the region and the EU has experimented many times in a very short time regarding legal changes related to fiscalization systems. In our country,

¹ Enida Koni, MSc., is a student at the European University of Tirana, graduated in the Bachelor program in Finance and continues to study in the Master of Science Program in Finance, Faculty of Economics, Business and Development. She has participated in various trainings abroad, where the last one was in Antalya with the theme: Critical Thinking. She is winner of a two-week Erasmus in Spain: Bootcamp-Girona for the following period. The work experience started early in the second year of her bachelor studies in one of telecommunication companies in the country, and there she has been part of marketing department for more than two years.

² Joana Shima, MSc., is graduated in "Finance and Banking" at the European University of Tirana, in 2015. During October 2014 – March 2015, she worked as economist in a private company. Since 2015, she joined the European University of Tirana's staff as assistant lecturer, at Finance & Economics Department, Faculty of Economics, Business and Development. Mrs. Shima has published articles in different scientific journals. Also, she has participated in different international conferences.

some fiscalization processes have been done, but so far what is claimed has not been achieved, causing the state budget revenues not to increase, due to informality. This paper brings a review of the problems that the fiscalization of our country's economy is facing and the impact that it is claimed that it will have on the Albanian economy. The purpose of this paper consists in understanding, identifying and analyzing the problems and obstacles that Albanian businesses have encountered in the fiscalization of their entity. In recent years, the fight against aggressive tax planning has become one of the top priorities internationally. International rules are examples of key measures aimed at imposing new standards of tax transparency. Setting up transparency, with companies operating in some countries must be transparent to tax collectors. It is now necessary to prove that the tax paid corresponds to the rate applied in the country in which the company operates. As a result, these new standards pose major challenges for companies' finance departments, which then have to communicate much more accurate and consolidated tax data to the administration in much larger volumes.

Too often, however, the technical means available are insufficient to provide such an amount of information at such a detailed level. Indeed, in-company data processing is neither automated nor centralized, forcing accountants and tax specialists to manually record a significant number of tax rules.

Keywords: *Fiscalization, SME, Revenues, Expenditures, Informality, etc.*

1. Introduction

Currently, the Albanian tax system is in a process of deep reform and modernization through the fiscalization process. Fiscalization is the real-time reporting of tax information, it is a comprehensive reform of the tax system, especially in the area of issuing invoices that affects taxpayers' income and expense tracking. Fiscalization is a set of measures that taxpayers must implement to issue invoices for the supply of goods and services. The fiscalization process aims to reduce tax evasion in transactions with and without cash, by monitoring and controlling the turnover of all transactions as well as the movements of goods and services.

The transition from using the invoice manually to the electronic one defines a new relationship between the tax administration and the taxpayer, which has advantages and disadvantages for both parties. Advantages for tax administration / other institutions: real-time control of taxpayer sales and purchases; verification by items, goods and services performed by the taxpayer and use of data from other institutions regarding various statistics.

Advantages for the taxpayer: ease and time saving in the use of electronic invoices and real-time extraction of data through the electronic invoicing system.

Disadvantages of the taxpayer: initial and annual costs to be covered; these costs range from 100-300 euros for small businesses with a turnover of up to 10 million ALL and over 1500 euros for all other taxpayers and preparation of a fixed and permanent staff for the implementation of the electronic invoice. In this context, the government should assess the possibility of covering the cost, even partial, as was done in the case of providing fiscal cash registers through the compensation of various tax liabilities. It should also be noted that the fiscalization system that is being implemented is unique and comprehensive, including both large and small business and Albania is the only country in the region and Europe that is implementing such a system. Various EU countries, such as Italy, Spain and Croatia, have implemented the fiscal system for only one business category, the large one. On the other hand, the use of the fiscal system so far has presented problems and difficulties in use by taxpayers. As a result, the progress of the implementation of the fiscalization system can be slow and difficult and with the involvement of small business the challenges can be more numerous.

2. Literature review

Recently, there have been various studies on several fiscalization issues. In 2015, Peter Casey and Patricio Castro studied taxpayer compliance and administrative efficiency. The authors observed fiscalization as a self-contained process with controls deployed by government agencies and created a study to examine the effects of such a strategy for fiscal devices such as electronic cash register (ECR), electronic fiscal device (EFD), electronic fiscal printer (EFP). Fiscalization as a self-sustainable process represents a strategy based on the individual technical regulations of each country. As a consequence, the impact and risk management must be measured to obtain an accurate fiscal tool. However, the studies do not take into account the effectiveness and risks of the employed technologies. There are no arguments in favour of selecting particular hardware instruments. As well as, the issues of interaction between countries are not considered properly. On the other hand, the authors proposed the idea that the efficiency of the fiscalization process can be improved by placing fiscal devices in an automation system, where information collection is automated. Additional efficiency can be achieved while observing fiscalization as a “part comprehensive compliance improvement process”. The authors also indicated that new digital security skills would be required to cover the fiscalization process in the near future. Another type of research about improved fiscal devices was made by Milan Prokin and Dragana Prokin (2016) published two articles. The first research contains information about the specific implementation of the fiscalization process, that is - fiscal devices upgraded with communication

modules collecting fiscal data and sending it to authorities. The authors compare improved fiscal devices with the transaction (journal) memory on the motherboard and improved fiscal devices on additional circuit boards, analysing the security and costs of both devices in an aspect of immunity to both sales suppression and tax zappers. In the second research same devices are compared with the improved fiscal device, which communication module contains additional services, like fiscal software for authentication and key exchange, control software server with Point of Sales (POS) communication module, web interfaces for integrity tracking and tracing of sales for specific product groups. Research is done for fiscal devices of the Republic of Serbia and not discusses other fiscalization solutions of other EU countries. Later, Milan Prokin, Dragana Prokin, Alexander Neshkovich, and Natasha Neshkovich (2018) conducted an additional study of the cybersecurity of improved fiscal devices with and without General Packet Radio Service (GPRS) terminals. The authors gave an insight into the security of cyberattacks, which are performed to steal personal data. According to the authors of the study, misuse of Internet of Things (IoT) and the mobile network communication protocols can cause malicious information to be sent, causing problems for service providers. The authors briefly described methods for manipulating data and proposed to protect the data itself using an information-oriented approach. Adnane Founoun and Aawatif Hayar (2018), in their study evaluating the concept of a smart city through local regulation, proposed the idea of introducing smart city rules for smart economy. This type of regulation has the potential to transform the process of fiscalization from stand-alone to integrated service for a smart economy. These conceptual changes are taken into account developing the concept of a single fiscal infrastructure. Gonzalo R. Ceballos, Victor M. Larios (2016) from the Smart Cities Innovation Center, in their research, offered a model for promoting civilian government in a smart city. The process of fiscalization in a smart city, according to the authors' point of view can be driven by market participants. The change of the strategy of the fiscalization process could contribute to sustainable development, while fiscalization would become an integral part of the services provided in a smart city.

Each country needs money to carry out its activities and tasks and the country budget is a tool which enables the collection and distribution of money collected at the expense of different states. The recent financial and economic crisis has brought various pressures to the governments of many countries. On the one hand came the decline in state incomes and on the other hand social benefits for the unemployed, early pensions and similar trends increased their spending. The result was a reduction in surpluses, or what is most common for most countries nowadays, a deepening of their budget deficits. For example, based on his experience over a long period of time Steger (Steger, 2013) emphasizes the importance of acting

in time to create a strong development budget. Emphasis should be placed on financial discipline in good times and supporting programs that are sustainable even in bad times, with an open and honest relationship with citizens, because “figs in your pocket” are likely to arouse opposition to fiscal discipline and consolidation (Steger, 2013). In addition to these trends, many countries have had some additional problems such as the existence of gray or shadow economy. To avoid some of the tax burden the gray economy includes unregistered employees, informal rental of premises, illegal activities, agricultural and construction products for own consumption or lower income reporting especially in the retail industries (sales without invoices) and a large proportion of cash transactions, such as craft trade, personal services, or hospitality services. Previous research has shown that at the end of the 20th century about 8-9% of Croatian GDP was created in this officially unregistered sector (Lovrinčević, Mikulić, & B, 2002). Although similar procedures were recently introduced in other neighboring countries (Bosnia and Herzegovina, Serbia, and Albania), the first country to introduce fiscalization was Italy in the 1980s, and the obligation to fiscalize exists in several other transitional or developed countries, such as Poland, Czech Republic, Slovakia or Sweden (M. Cobovic, 2013). But countries in transition significantly have more problems in tax collection. For example, the annual tax returns of Croatian businesses such as small retail stores, restaurants and bars, hairdressers, mechanics or carpenters show that the turnover of these units was very low compared to the observed business activities and wealth of their owners. Another part of this story is the lawyers, who report much lower revenues when compared to their assets (V. Nezirović, 2013). This is why the Croatian government needed stricter control over revenue collection of money to be more effective in tax collection and curbing the shadow economy (Klasinc, 2013). The law has described the fiscalization process as a set of measures that monitor the issuance of invoices for cash transactions (PU). The main purpose of the process is to suppress tax evasion and thus achieve a better balance in financing public spending. The tax administration monitors the issuance of each cash invoice online. In order to achieve this, each of the taxpayers is required to provide a cash register with the appropriate software and a digital signature certificate. Clients are also part of the monitoring process, because they have the opportunity to check the integrity of the invoice through an online application on the website of the tax administration (PU, “Invoice check” Ministry of finance, Tax administration, 2013., 2013) (Ivandas). A few days before the start of the first phase of fiscalization, a large number of taxpayers were skeptical and believed that AT servers could not handle the amount of entry bills for control. They also feared that poor Internet connections would lead to longer billing times which would make customers uncomfortable. When it all started, even in the early days some cafe owners had found a way to at least partially hide some of their profits

from the AT eye. When customers do not receive their bills and leave them on the table when they leave the cafe, the waiters save the bill for later guests who order the same drink. Their justification for these scams is that in this way they save a small profit, because otherwise they would go bankrupt and their employees would have to be fired. This is possible due to the fact that only about one tenth of customers receive n (PU, "Invoice check" Ministry of finance, Tax administration, 2013., 2013) is a bill and about every hundred controls the time of its issuance.

According to a United Nations report between 2014 - 2018 the percentage of countries providing digital services increased to 71%, depending on the type of service. This percentage is expected to increase further thanks to a global trend for e-government initiatives. E-government involves the use of technology and the Internet to increase the productivity of the administration and the conduct of transactions electronically, which eliminates the need to physically visit government facilities. The results of these initiatives consist of significant reductions in service costs and time spent by citizens to obtain a service, as well as in improving the quality of service. The German National Council for Regulatory Control in one of its publications has stated that by eliminating paperwork from transactions for the most common services, citizens could save 84 million hours of free time per year, companies could reduce time spent interacting with government offices by 54%, and public authorities would be able to save around € 3.9 billion. Such figures highlight the great effect that the digitization of such processes can have on companies, governments and citizens. But how can this be achieved? Different countries have undertaken different projects and initiatives, depending on the unique challenges they face.

Fiscalization includes three phases until its full implementation:

"B2G": The first phase involves the electronic compilation of tax invoices for entities that have a sales relationship with state institutions. Implementation of this phase started on 01.01.2021. Issuance of tax invoices with public entities, by all registered taxpayers, is realized through the fiscalization system.

"B2B": The second phase involves the electronic compilation of tax invoices between private entities that have a sales relationship and payment / collection is done without cash (bank only). Implementation of this phase starts on 01.07. 2021. All registered taxpayers who will issue a tax invoice to another private entity will be realized through the fiscalization system.

"B2C": The third phase involves the electronic compilation of tax invoices for entities that have a sales relationship with private entities and final customers. Implementation of this phase starts on 01.09. 2021. All registered taxpayers who will issue a tax invoice to a private entity and private entity with the final consumer, will be realized through the fiscalization system. At this stage payment and collection is done only in cash.

3. Progress and problems of fiscalization in Albania

A new law No.87/2019, “On electronic invoice and the turnover monitoring system” (known as the law on fiscalization) was approved by the Albanian parliament on 18 December 2019, and published in the official gazette on 20 January 2020. As outlined below, the measures in the law become effective on different dates. The law provides for a combination of technology and regulations enabling the Albanian tax authorities to monitor taxpayers’ turnover in real time and, according to the tax authorities’ website, “fiscalization” is a reform project intended to reduce the size of the “grey” economy. The law on fiscalization is an entirely new law that does not replace any existing similar legislation. The law on fiscalization is partially aligned with EU directives 2014/55 on electronic invoicing in public procurement and 2006/112, the VAT directive. The Minister of Finance and Economy is expected to issue instructions providing the relevant regulations, rules, and procedures for implementation of the law. In 2008, the flat or proportional tax was introduced for the first time, which in a way reduced the fiscal burden. In the first year of implementation we had an increase in fiscal revenues by over 16% and an increase in new business registration by over 12%, of course this increase did not come only as a result of the flat tax. But let’s say that it also contributed to the reduction of evasion, however this positive trend was reduced in the following years. In 2010, fiscal cash registers were introduced to the market, which made a very important contribution to the fight against informality as they served primarily to raise awareness of commercial activities, but they could never solve the problem of “printing” the tax coupon. Fiscal cash registers, beyond the current debates on costs or efficiency, were and are a very important tool for measuring business turnover, fiscal cash registers were simple to do and tax control was simpler. However, they did not solve the cross-check of information, this again remained difficult even though there were about 100 thousand cash registers in the market out of almost 160 thousand active businesses. In 2021 the government implemented electronic bills and fiscalization is currently done in real time. Albanian businesses, now thanks to existing fiscal equipment (spending less energy and little money for their upgrade) and new software (which also led to market liberalization) which issue fiscal invoices, can issue tax invoices that are registered directly on the server central of the General Directorate of Taxes. However, although in this case we can say that tax control or cross-checking of information has been facilitated, the problems of evasion should not be claimed to have been totally solved and again fiscalization has revealed a number of other problems, some of which are presented below. The problem no longer lies with the final system, if the equipment used for fiscalization is certified and standardized, but with the central system of servers held on behalf of the General Directorate of Taxes by NAIS. Poor monitoring or malfunction of the central system leads to delays and failure of fiscalization. So a good technical

management of the central system is needed so that businesses do not encounter problems with issuing invoices. New software, or updated fiscal cash registers, today provide the possibility of automatic registration of invoices and their online transmission. The accountant no longer has reason to manually record invoices. The ledger is generated automatically and this should be reflected in a reduction in the accountant's costs. However, this relief should be accompanied by an awareness campaign for taxpayers or final buyers, so how to make it possible to cut tax bills and reduce tax evasion ?! Businesses today complain about the fiscalization process as they encounter many technical hurdles which are not related to the software architecture. Their grievances relate to complementary elements in the process and equally important to its success. The three most important of them are: Weakness of the internet in the peripheral areas, congested servers of NAIS, the computer equipment of the subject. So in this case if we want fiscalization a solution must be found for these problems as well, otherwise the fiscalization process will be difficult to succeed. The problem of receipt of the invoice needs to be clarified, whether it has been done or not. If the invoice is not checked within a month, even though it is not accepted by the receiving person, it can be recorded as an issued invoice (for the issuer), this will create a lot of conflicts. It is necessary to choose the harmonization of customs codes with those of producers and sales, because one is the customs code and the other is the sales code, so the correct inventory will not be generated if we have different registration codes. However, saying this, we must be convinced that if we want to fight tax evasion really, fiscalization alone is not enough, we need to raise the awareness of entities, wait for coupons, we need to punish tax evaders and above all we need a fierce fight against corruption in the tax administration. Instruments can also be found to stimulate consumers to request a fiscal invoice, due to the fact that VAT remains the tax with the highest evasion. To solve this in Taiwan, each tax coupon is accompanied by a number, this number allows you to participate in a lottery that is organized every 2 months, where you can win up to 25,000 euros. The General Directorate of Taxation reported that by the end of January 2022 the electronic certificate, which is uploaded on the SelfCare portal has been withdrawn by 77% of taxpayers.

Meanwhile, up to that time, 57% of the total businesses issued fiscalized invoices. At the end of December 2021, the government approved the amendments to the Normative Act for the abolition of penalties only for small business until June 30, 2022. The period without fines will apply until the end of June 2022 for enterprises that provide water supply to consumers finals, as well as the regulated electricity market; banks or financial institutions for notification of e-Invoice payments issued by taxpayers. Phase I of fiscalization started implementation on January 1, 2021 for cashless transactions between enterprises and public entities. Phase II, which started on July 1st, included in the new billing process, cashless transaction between businesses. In the final stage, which is considered the most delicate, 90,000 small

businesses were involved in cash sales. By the end of the year, half of the process was completed. At the beginning of the year, the taxpayers informed that the taxpayers with VAT will continue to submit the VAT return of the books of sale and purchase for the period until June 2022, through the electronic declaration account in e-filing. Fiscal equipment in Albania include: Cash register / fiscal printer, Fiscal memory, Customer display (optional), GPRS device.

Fiscalization of invoices has a positive effect on the entire economy of the Republic of Albania, but especially on businesses, where I would mention:

- Automated electronic invoice exchange saves time and is more secure.
- It enables the reduction of informality, as well as the increase of the efficiency of the Tax Administration, since for the first time the Tax Administration will have in its systems all the invoices that are issued to the subjects, and all the elements of the invoice.
- The goal of avoiding tax evasion and a more transparent economy would minimize the negative effects on the economy of our country.
- Reducing informality will lead to an increase in the efficiency of tax revenue collection.
- Fiscalization will bring a fictitious increase in deductible VAT, because mandatory reporting of all invoices issued through the central system that ensures the confirmation of all transactions by the seller and the customer.
- An efficiency in tax revenue collection, especially in terms of VAT item.
- Fiscalization helps reduce taxes, where in an informal economy, those who pay bear the brunt of those who do not. The formalization of our country's economy will enable the expansion of the circle of taxpayers, thus building real chances for tax cuts.
- Modernization of business, pushing the entire Albanian economy to use less paper (and bureaucracy) by minimizing paper costs, towards a modern economy, increasing its efficiency.

The Ministry of Finance is expected to implement fiscalization in our country to increase revenues by 2-3 percentage points of GDP (from 26-27% of GDP, which is currently today). Regarding the first phase, the Fiscalization reform has had a positive performance with figures that have increased significantly month after month.

Purpose and Objectives

The importance of this study lies in explaining the problems that the fiscalization of our country's economy is facing and in the impact that it is claimed that it will have on the Albanian economy. The purpose of this paper consists in understanding, identifying and analyzing the problems and obstacles that Albanian businesses have encountered in the

fiscalization of their entity. In addition to the general purpose, the main objective of the study is to understand the level of use of different fiscalization platforms.

Research Question: “How has the fiscalization process affected SMEs in Albania?”

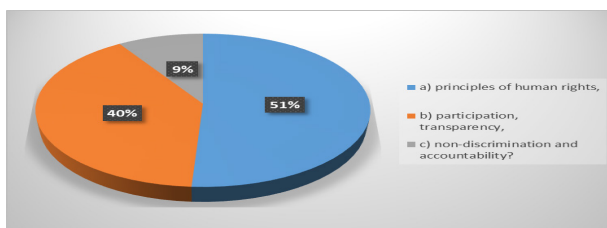
Hypothesis: SMEs in our country were found unprepared for the development of fiscalization.

Methodology: The quantitative research method is the method used to conduct this study. This method was chosen because it allows us to collect data from a wider sample within a short time (Bailey, 1982). This study aims to identify the challenges and obstacles that different entities are facing during this fiscalization period. This study includes 500 private entities, which were randomly selected in the city of Tirana. The questionnaire was completed through the online Forms program, through which we came to conclusions. In the city of Tirana, according to INSTAT, at the end of 2020 are active about 54 276 enterprises. We have taken as a study sample approximately 1% of the population, about 500 businesses. The study sample of 1% of the population is not very representative, compared to the 5% it was supposed to be, but for the level of the study it may be somewhat significant. To become part of the study, entities (private businesses) must meet certain criteria such as: To live in Tirana and to be businesses with an early or current BCC registration history. The tool used for data collection is the questionnaire. The closed questionnaire was used to keep the subjects focused on the issue to be studied and also helps to avoid the emotional colorings of the subjects.

4. Empirical analysis

Achieving a high performance in the design, implementation and monitoring of tax measures requires the presence of several state mechanisms and to establish a credible relationship between taxpayers and the tax administration is a challenge for the tax administration in our country.

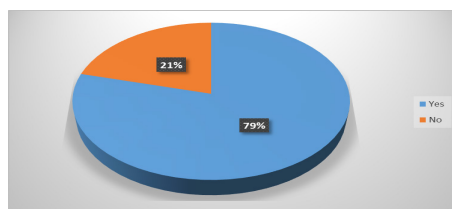
Question 1: What state mechanisms exist to ensure that the design, implementation and monitoring of tax measures are in line with:



Source: Author, 2021.

To this question about 51% of the participants have chosen to answer for point a) the principles and rights of one according to them play a key role in the smooth running of the monitoring process, about 40% answered that they attach importance to participation and transparency, ie business cooperation with the tax authorities and the transparency of the whole process is important, and only a minority about 9% are of the opinion and support the process of non-discrimination and accountability.

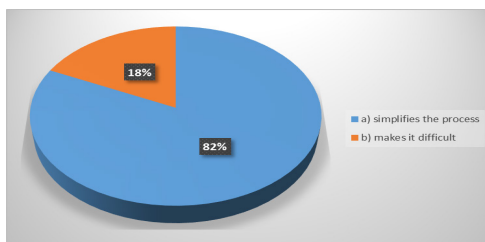
Question 2: Have you assessed whether the tax system allows the state to mobilize sufficient resources to ensure that business expectations are met including sustainable financing of social protection systems to facilitate small business?



Source: Author, 2021.

The tax system in the Republic of Albania consists of a package of laws, instructions, regulations, tax agreements with other countries, which reflect the types of taxes and fees applied in Albania, their levels, procedures for establishing, amending and removing taxes, procedures for assessment and collection of tax liabilities, as well as forms and methods of tax control. Question Have you assessed whether the tax system allows the state to mobilize sufficient resources to ensure that business expectations are met including sustainable financing of social protection systems to facilitate small business? We notice 79.2% have responded positively, they think that the tax system can play a decisive role by using resources to facilitate and support small business and only a minority of 20% think the opposite.

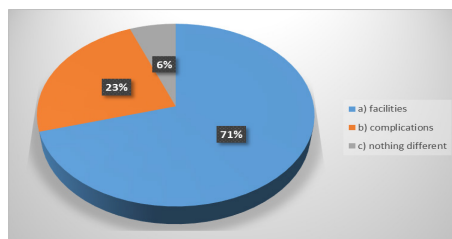
Question 3: Use of electronic data to strengthen fiscal discipline:



Source: Author, 2021.

Electronic data for business in economic digitalization is an innovation and an important step in the development and business nowadays and the question: Using electronic data to strengthen fiscal discipline: We note that 82.2% of participants answered that data electronics have enabled facilities for this process and only 17.8% think that this method puts them in difficulty.

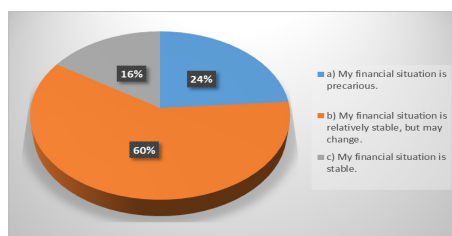
Question 4: The impact of online platforms on the evolution of the tax status of economic actors in various forms of employment has led to:



Source: Author, 2021.

This is a very important point and looking at the graph we notice that 72% of our participants responded in favor of the impact of online platforms, which have played a role in the evolution of the tax status of economic actors, where in various forms of employment this has brought facilities; we see that only a small number about 24% answered that this brings only complications. We can say that the effects of online platforms are being felt and touched by most while also giving their importance.

Question 5: What is your level of financial stability with the implementation of fiscalization?



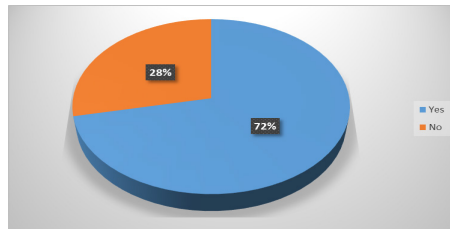
Source: Author, 2021.

A stable and efficient financial system is important to maintain and ensure the country deepens financial intermediation, macroeconomic stability and good transmission of monetary policy actions. Also, through a stable and efficient financial

system, the transformation of savings into investments is realized, the distribution of financial resources in the economy is improved and contributes to the development and deepening of financial markets, where, among other things, participants act to mitigate their risks and maximize profit. Question: What is your level of financial stability with the implementation of fiscalization? From the answers received we note that:

- 60.4% answered that their financial situation is stable, but they show uncertainty with the implementation of fiscalization and this situation may change.
- 23.% are distrustful and in difficulty because of their financial situation is insecure.
- and only 15.8% say that their situation is stable. This% is very low.

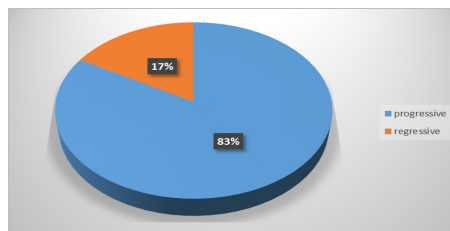
Question 6: Are the elements of fiscal policy pro-poor?



Source: Author, 2021.

Fiscal policy is related to government actions in changing the composition of public revenues and expenditures, in order to manage aggregate demand to maintain sustainable economic growth with relatively high employment, no inflation generation, no increase in public debt and satisfactory balance of payments. Depending on the economic developments, fiscal policy can be expansionary, tight and being well informed on these issues, as well as calculating each step, participants about 71.7% answered YES, so the elements of fiscal policy are support for the poor (less powerful businesses) and only 28.3% think they are not being helped!

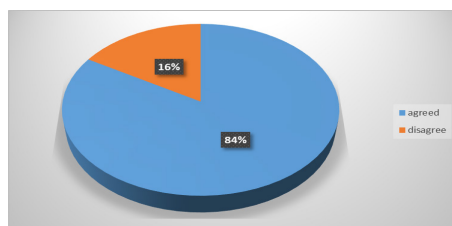
Question 7: Are the elements of fiscal policy:



Source: Author, 2021.

The choice of fiscal policy is one of the most controversial issues of the role of government in the social economic life of a country, not only by economists, but by a wider range of people. We note that 82.7% answered this question that the elements of fiscal policy are progressive and only 17.3% are of the opinion that they are regressive. We see that this issue is viewed with confidence and optimism.

Question 8: Regarding the digitalization of business services you are:



Source: Author, 2021.

Digitalization is the most talked about topic in the business world right now, especially after the coronavirus pandemic. The implementation of 'Cloud' technology has revolutionized the way businesses are operating. New levels of flexibility and access to remote work and services are already being achieved. An increasing number of businesses are adopting automation of their infrastructure.

Storing systems on large servers protects information, prevents their loss, and allows for a more efficient solution. Not only that, but an automated data backup is provided. Question: Are you related to the digitalization of business services? We notice that 83.7% of them are in favor of these services and appreciate this important step, while 16.3% of them are not separated from the traditional and are against this emancipation and express their opposition. From the data we see that the digitalization of services is being embraced by everyone already.

Conclusions

The fiscalization process has a positive impact on the Albanian economy, and SMEs in our country were found unprepared for the development of fiscalization. Undoubtedly, the difficulties are numerous for both taxpayers and the tax administration. Any new law or new system or difficulty in implementation, but, the subsequent technical and business facilities that this process brings are numerous because:

- saves time manually preparing tax invoices and sending them to buyers,
- it is possible in real time to verify the status of the buyer and the receipt of the invoice by the buyer,

- facilitates the preparation of VAT sales books,
- it is possible to integrate sales with the accounting system, especially for companies that have significant inventories,
- information is crossed and reconciled between sellers and buyers,
- abuses are more easily prevented and identified,
- formality increases and unfair competition decreases,
- increases the possibility of control and specification of fictitious inventories,
- increase the opportunities of tax authorities to control the implementation of the law,
- expand the tax base, increase revenues and improve the distribution of the tax burden,
- reducing informality helps fight corruption and improve public services, etc.

Successful implementation of fiscalization in our country requires a close cooperation I mean between the tax administration and taxpayers, in order to adapt the appropriate technical solutions to each problem and alleviate the administrative burden for taxpayers and the tax administration. The fact that this fiscalization process has been successful in other countries, should stimulate us to have such a result, of course considering the business features, the size of the economy, the level of development, etc.

Recommendations

Identification of all technical problems and their solution by making the necessary changes to the IT fiscalization platform.

The possibility should be considered to allow the parallel use of both systems, ie issuing tax invoices and compiling VAT books with current practice as well as the optional use of the fiscalization platform, stimulating and supporting the continuous growth of taxpayers. that we will only use the fiscalization platform.

In addition to the online service platform, in the General Directorate of Taxes there should be an office dedicated specifically to fiscalization in our country, with tax specialists and in the field of IT, to serve taxpayers to solve concrete problems.

Taxpayer service offices in the regions, but also tax inspectors from regional directorates should specialize to also serve businesses in the field in the early stages of fiscalization.

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Analysis on the tourist offer of the Vlora Region, from the viewpoint of tourism stakeholders¹

Prof. Dr. Ermira Qosja²

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
ermira.qosja@uet.edu.al

Dr. Brunilda Liçaj³

DEPARTMENT OF TOURISM,

¹ This research is part of the project “Design of tourist offer based on the perspective of sustainable development (Case study: Durrës and Vlora Regions)”, supported by the Agency for Scientific Research and Innovation.

² Prof. Dr. Ermira Qosja is a Doctor in Management, Polytechnic University of Tirana; doctoral studies at Politecnico di Bari, Italy; specialized in SME management at the University of Washington, Seattle, USA, as well as other universities, in France and Portugal. She became involved in the senior management of several businesses in Albania, General Director of Shekulli publications, Spektër, Radio +2, Sporti Shqiptar; Director of PR&HR and development projects in “Deka” and “OLIM” companies; Director of the first Community College under the “Harry Fultz” Institute, etc. Author of several publications related to entrepreneurship, entrepreneurship education, leadership in higher education, etc., at home and abroad. She has initiated several projects for UET connection with business, organizing competitions on business plans & ideas, interacted with Chambers of Commerce, creating an entrepreneurial culture within the university, as well as becoming part of European projects on entrepreneurship. During April 2018- March 2019, she has been Head of Management and Marketing Department, UET; April 2019 - November 2020, UET Vice Rector for Institutional Development and Students.

³ Dr. Brunilda Liçaj is a lecturer in Tourism Department, Faculty of Business at A. Moisiu University of Durrës, Albania. After graduating at Faculty of Economy of University of Tirana, Albania she holds a bachelor in Management Administration in Verona University (Italy 2008) and a master degree in “Marketing and Management of Operation” in M. Barleti University (Tirana, Albania, 2011). She has completed a PhD Thesis “Management of cruiser tourism in urban heritage centres: Case Durrës” in the field of Marketing and Maritime Tourism. She has been Member of Advisory Committee to Private Sector of Tourism, Albanian Ministry of Economy and Tourism in Tirana, Albania and Hotel Evaluator in Quality Excellence and Responsible Tourism. Dr. Liçaj has worked quite substantially in a wide range of national and international projects aiming economic development and or private sector development. She is author of several articles published in national and international journals, as well as several presentations at international and national conferences and forums. Her research areas include marketing, tourism destination, maritime tourism, start up and entrepreneurship.

ALEKSANDER MOISIU UNIVERSITY OF DURRES
brunilda.licaj@yahoo.it

Ani Mbrica, PhD⁴

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
ani.mbrica@uet.edu.al

Dr. Aurela Braholli⁵

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
aurela.braholli@uet.edu.al

Abstract

The tourism industry is one of the vital sectors of the Albanian economy, an important contributor to the country's GDP, investments and employment. During the last 10 years, through the investments, marketing and services provided, this sector has tried to offer tourism products which have significantly increased the number of visitors, both Albanians and foreigners, but still reflects many issues hindering its competitiveness in the region and the increase in profits. Given the problems that accompany this sector in relation to seasonality and the small number of days of stay of tourists, as well as

⁴ Ani Mbrica PhD is a lecturer at European University of Tirana. After graduating at Agricultural University of Tirana, Albania she holds a master degree in "Environment and Health" in Tuscia University (Italy, 2006). She completed her PhD studies in "Economy and Territory" in Tuscia University (Italy, 2013). During her stay in Italy, she got the opportunity for an intership at European Commission - Directorate General for Agriculture and Rural Development (October 2010 – February 2011). Her research areas include organizational behaviour, entrepreneurial behavior, tourism, and rural development. Previously she held the position of junior expert at German International Cooperation (GIZ) and has also experience in teaching at public and private higher education.

⁵ Dr. Aurela Braholli is graduated in "Economics", at the Faculty of Economics, University of Tirana. She has completed a Master Degree in "Marketing", at the Faculty of Economics of the University of Tirana. She has also completed the third cycle of Doctoral studies at the Faculty of Economics and Agribusiness, Agribusiness Department, of Agricultural University of Tirana. In 2005-2006 she has worked as Community Coordinator in the Municipal Unit no.3, Tirana. In 2006-2007 she worked as a budget specialist in the Finance and Economic Planning Sector at the General Directorate of the Legalization Agency, Tirana. From 2007 to 2019 she worked as an Audit Inspector at the Regional Directorate of Social Insurance, Tirana. From 2008 to 2018 she was an external lecturer in several private and public universities. She is the author of numerous publications at home and abroad and has participated in numerous international conferences at home and abroad. Since 2019 she is a full-time lecturer at the Department of Management and Marketing of the European University of Tirana, teaching on the subjects, like: Fundamentals of Marketing, Integrated Marketing Communication, Consumer Behavior, Hospitality and Tourism Management etc.

concerning the objectives of the National Strategy for Sustainable Tourism Development 2019–2023⁶, this paper aims to analyse the tourist offer of the Vlora Region from the point of view of tourism stakeholders. The qualitative method is used to analyse the tourist offer of the Vlora Region, based on a questionnaire in the form of a semi-structured interview with private operators, public operators, donors and NGOs related to the sector, and training and educational institutions. The findings of the paper highlight not only the weaknesses and strengths of the offer, but also the opportunities and threats that need to be considered. In particular, they emphasize the need for cooperation and accountability in line with roles played in the sector.

Keywords: *tourism, tourist offer, stakeholder, Region of Vlora*

1. Introduction

The tourism industry occupies a key place in the Albanian economy and is an important resource for the development of the country. Tourism can make an important contribution to three dimensions of sustainable development: create jobs, generate trade opportunities in order to identify the needs and support tourism activities, and create important capacities which promote the benefits of environmental conservation and cultural diversity.

According to the Travel and Tourism Economic Impact Report 2018: Albania of the World Travel and Tourism Council (WTTC)⁷, during 2017 the tourism sector recorded a direct contribution of US\$ 1.12 billion, accounting for about 8.5% of the country's Gross Domestic Product (GDP). Together with the multiplied indirect effects, the total contribution was almost three times higher, at about US\$ 3.47 billion, accounting for about 26.2% of the GDP, therefore positioning this sector as one of the most important in the development of the national economy.

In 2017, employment in the tourism sector accounted for about 7.7% of the total labour force in Albania, while, according to the same report of the WTTC, investments in this sector accounted for about 7.5 % of all investments in the country.

The accommodation and food services sector includes restaurants and other food facilities, as well as hotels, guesthouses, hostels, etc. This sector in 2020, according to the data from the Institute of Statistics, numbered about 17 773 units,

⁶ For a more comprehensive understanding of the National Strategy for Sustainable Tourism Development 2019–2023, refer to <https://turizmi.gov.al/wp-content/uploads/2019/06/Strategjia-Komb%C3%ABtare-e-Turizmit-2019-2023.pdf>.

⁷ For more on the *Travel and Tourism Economic Impact Report 2018* of the World Travel and Tourism Council (WTTC), refer to <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/albania2018.pdf>.

representing about 17.5% of the entire service sector and 10.5% of all economic activities in Albania.⁸ Accommodation and tourism services have been gradually improving their standards.

Compared to other countries in the region and in the Western Balkans, the development of tourism in Albania is still far from reaching the potential represented by the natural, historical and cultural resources of the country. Infrastructure, accommodation capacities, quality of services, tourist offer and tourism products are all factors which affect the sustainable development of tourism in Albania, even endangering its sustainability in the long run.

One of the biggest problems of the tourism sector, especially for operators running their activities along the coast, is its seasonality and the small number of days the tourists stay. This research is part of the project “Design of tourist offer based on the perspective of sustainable development (Case study: Durres and Vlora Region)” supported by the Agency for Scientific Research and Innovation, and is in line with the objectives of the National Strategy for Sustainable Tourism Development 2019-2023 (Ministry of Tourism and Environment, 2018). The paper is based on primary and secondary research, where a special place is occupied by the consideration of laws related to the sector, such as law no. 7764, dated 2.11.1993, “On foreign investments”⁹, law no. 93/2015 “On tourism”¹⁰, law no. 27/2018 “On cultural heritage and museums”¹¹, etc.

The goal of this research is to analyse the tourist offer of the Vlora Region from the point of view of tourism stakeholders. The research question is: Is there a tourist offer for the Vlora Region? The auxiliary question is: What are the reasons for tourists/vacationers staying only for a small number of days?

In this research, the qualitative methodology is used. It is based on a questionnaire in the form of a semi-structured interview, which retains the same bulk of questions for all subjects but has one or two different ones depending on the operator interviewed: private, public, donor or non-profit organization (NGO), and education-training institution in the sector. A total of 31 interviews were conducted.

The findings of the paper, in addition to highlighting the problems of the sector, emphasize the importance of cooperation among operators, taking over of their responsibilities by the local government in formulating the tourist offer and inventory of key tourist resources of the local government unit, improving service quality and focusing on human resources.

⁸ For more elaborate data on this area, refer to <http://www.instat.gov.al/al/temat/industria-tregtia-dhe-sh%C3%ABrbimet/regjistri-statistikor-i-nd%C3%ABrmarrije/#tab2>.

⁹ For a more comprehensive reading of this law, refer to <https://www.parlament.al/Files/ProjektLigje/20181026093814per%20investimet%20e%20huaja%20i%20perditesuar.pdf>.

¹⁰ For a more comprehensive reading of this law, refer to https://turizmi.gov.al/wp-content/uploads/2018/02/Ligj_93-2015.pdf.

¹¹ For a more comprehensive reading of this law, refer to https://kultura.gov.al/wp-content/uploads/2018/07/Ligji.nr27-_dt.17-05-2018.pdf.

2. Literature review

The United Nations World Tourism Organization (UNWTO) defines tourism as “the activities of individuals while travelling and staying in a country outside their usual place of residence, over a period of less than one year, for leisure, business or other purposes.”¹²

Since 2005, the UNWTO has launched a project to create a common glossary of terms for tourism and, on this basis, the following definition was formulated: “Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involve tourism expenditure” (Wescot & Anderson, 2021).

Individuals become tourists when they voluntarily leave their normal environment where they reside to visit another environment. These individuals will typically engage in a variety of activities, regardless of how close or distant this environment (destination) is (Hall, 2008; Holloway & Taylor, 2006; Jafari, 2002).

In 1963, at the United Nations Conference on International Travel and Tourism, it was agreed to use the term “visitor” to describe individuals visiting another country. This definition included two groups of visitors and tourists were classified as temporary visitors staying at least 24 hours in a destination. As long as they are travelling for recreation, health, sports, vacation, study or religious purposes, their visit could be categorized as leisure. Excursionists can also be considered temporary visitors even if they stay at a destination for less than 24 hours. However, these definitions do not take into account the domestic tourists.

However, broadly put, tourism involves the movement of people for all purposes, including daily visits or excursions (Cooper et al, 2008; Holloway & Taylor, 2006).

The main function of the tourism industry is to serve travellers. Its success depends on the positive interaction of all sectors involved. Sustainability is crucial for the development of economic activities, particularly for those that are largely dependent on the natural environment, such as tourism (Saarinen, 2014). Essentially, tourism involves four main sectors: (i) transport, (ii) accommodation, (iii) ancillary services, and (iv) sales and distribution (Genc, 2020).

Tourism represents also a market for tourism services and the economy of any market, including that of tourism, is determined by supply and demand. In general, the tourist offer is presented as a tourism object. This means that the tourist offer includes everything that can be used to satisfy the tourist demand: climate, landscape, hotels, restaurants, entertainment facilities, etc. Therefore, the tourist

¹² Cited in Greg Richards, *Cultural Tourism in Europe* (Wallingford: CAB international, 1996), p. 22.

offer covers many different elements and the optimization of its management is also needed.

The tourist offer is a combination of services and products that are presented for consideration by a client who wants to make a tourist trip.¹³ The object of the tourist offer is the consumer or the tourist. Therefore, when planning and developing a service package, it is necessary to identify the real needs of the client and target the offer for those needs. The content of the tourist offer also depends on the entities that produce and receive it. The tourist offer cannot be considered before it is consumed and to do so one has to move to different places.

The components of the tourist offer are as follows (Camilleri, 2018): attractions (Iaromenko, July 2021): they are the places the tourists perceive as the satisfaction of their leisure-oriented needs; transportation: they are the modes of commuting; intermediaries: they are the mediators; destination: it is the place the tourists visit; activities: they include activities the tourists are interested to engage in.

3. Methodology

Regarding its geographical features, the Vlorë Region offers an abundance of the extraordinary natural wealth of Albania. The south coast, or the Albanian Riviera, has become in recent years a tourist attraction of Albania, frequented by Albanian and foreign visitors.

Based on the Travel and Vacation: Tourism Survey 2019 (Institute of Statistics, 2021), the most preferred destinations for personal or business travel in 2019 in Albania are the regions of Tirana (28.5%), Korça (12.3%), Vlorë (11.6%) and Durrës (10.3%). During 2020, meanwhile, the most preferred regions are Tirana (29%), Vlorë (17.7%), Durrës (15.4%) and Korça (9.8%) (Institute of Statistics, 2022). Based on the Travel and Vacation: Tourism Survey 2019 (Institute of Statistics, 2021), short trips to Albania occupy about 68.8% of all trips and the average duration of stay is 1 to 3 nights, while longer duration of stays, those of over 4 nights, are outside Albania for 71.1% of the cases. Based on the Tourism in Figures 2020 (Institute of Statistics, 2022), Albania during 2020 was liked more by the Kosovo Albanians, the 62% of all visitors came during the third quarter of the year and a foreign visitor has stayed in accommodation facilities for an average of 2.4 days.

These data are only a small part of the overall data processed by the Institute of Statistics from 2014 onwards (Institute of Statistics, n.d.) on quarterly basis and, since 2018, are further enriched by including other indicators, such as the duration

¹³ For a more elaborate reading on the matter, refer to *Qué es la oferta turística?* Centro Europeo de Postgrado Magazine. Retrieved from <https://www.ceupe.com/blog/que-es-la-oferta-turistica.html>.

of stay. The review of statistics on tourism testifies to the importance of the sector in the Vlora Region, but also clearly shows the seasonality of the sector and the short duration of stay of the tourists.

The National Strategy for Sustainable Tourism Development 2019-2023 (Ministry of Tourism and Environment, 2018) has the following objectives: (i) improvement of tourism services, (ii) development of tourism products, (iii) reorientation of promotion towards potentials, (iv) support for destination management. In regards to the Vlora Region, the tourism sector reflects seasonality, since it works mainly in the periods of the summer season on the coast during the third quarter of the year, as well as the short duration of stay of visitors (Institute of Statistics, 2022).

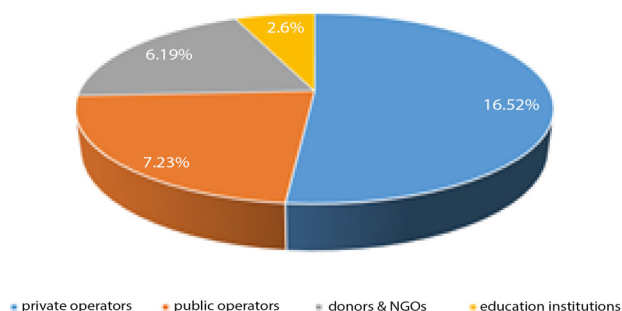
The goal of this research is to analyse the tourist offer of the Vlora Region from the point of view of tourism stakeholders.

According to the law no. 93/2015 “On tourism”,¹⁴ the tourist offer for each region is to be compiled by the Regional Council, while their promotion is the task of the National Tourism Agency and the Ministry of Tourism and Environment.

The research question is: Is there a tourist offer for the Vlora Region? The auxiliary question is: What are the reasons for tourists/vacationers staying only for a small number of days?

The methodology employed in this research is the qualitative methodology and the instrument used is a questionnaire in the form of a semi-structured interview, which retains the same bulk of questions for all subjects but has one or two different ones depending on the operator interviewed: private, public, donor or NGOs, and education-training institution in the sector. The distribution was based on a contact database provided by the authors of this paper. The sample consists of 31 entities (in Vlora and Saranda): (i) private operators, (ii) public operators, (iii) donors and associations, (iv) educational and training institutions.

FIG. 1 Composition of the sample of respondents



¹⁴ For a more comprehensive reading of this law, refer to https://turizmi.gov.al/wp-content/uploads/2018/02/Ligj_93-2015.pdf.

The semi-structured interview which was conducted with stakeholders of the tourism sector contains the following questions: What is your opinion about the tourist offer of the Vlora Region?, What is your opinion about the reasons making tourists to stay on limited days?, Is there a difference between the Albanian and foreign tourists?, Do you keep regular statistics of visitors (tourists)?, If so, what percentage of them return?, How many of them are foreigners and how many are Albanians?, Are there any tourism information centres in your region or in all the regions of the country?, Do you think that you have sufficient human capacities to cover the tourist offer?, In your opinion, are there any local and central policies supporting the enrichment of the tourist offer and the creation of tourist destinations?, What are the most acute problems of tour operators that affect the tourist offer?, Do you have any cooperation with other stakeholders in the tourism industry?, If so, how does this cooperation affect the tourist offer?, How do you assess your cooperation with the education sector?

4. Findings of the paper

The information collected through interviews was processed based on the definition of the tourist offer, the components it is made up of and based on the law no. 93/2015 “On tourism”.¹⁵

Evaluation of the tourist offer of the Vlora Region

We made the assessment for the tourist offer of the Vlora Region based on the SWOT analysis¹⁶. Thus, the weak and strong points of the tourist offer of the Vlora Region were identified, as well as the threats and opportunities related to the external environment (Table 1).

¹⁵ For a more comprehensive reading of this law, refer to https://turizmi.gov.al/wp-content/uploads/2018/02/Ligj_93-2015.pdf.

¹⁶ The main reason for choosing the SWOT analysis is related to the purpose of the project, part of which is this paper. At the end of the project we will have to propose the tourist offer and prepare the tourist guide.

TAB. 1 Evaluation of the tourist offer of the Vlora Region

Weak points	Strong points
<ul style="list-style-type: none"> • current tourist offer is limited, focusing only on the natural resource offered by the sea • short tourist season • lacks a tourist product that offers exploration of mountains, sea, culture, archaeology, gastronomy, etc., and which extends throughout the year • lack of promotion of local products (gastronomy and zero kilometre products) • low quality of service: quality-price relation • tourist accommodation structures with small to medium capacities • the construction standard is unclear even after the categorization of these structures was made public, from the point of view of both construction and services • mismanagement (or lack of management) of tourist flows, also as a result of the "over crowd" effect at the peak moments of the season (mostly in Saranda, Ksamil and Dhermi) 	<ul style="list-style-type: none"> • foreign tourists positively appreciate the friendly behaviour of people, natural beauties, tradition, food and price level in general • increase of accommodation capacities in the main urban areas (Vlora, Himara, Saranda, Ksamil, Dhermi, etc.) • improved standards related to sea & sun tourism services (beaches, Ho-ReCa services, extra activities during the summer period)
Threats	Opportunities
<ul style="list-style-type: none"> • low level of law enforcement • tourism of the other region countries (Greece, Croatia, Montenegro) • infrastructure problems, mostly related to urban planning, road traffic, parking (mainly in Saranda and Ksamil) • environmental management and especially urban waste management 	<ul style="list-style-type: none"> • the brand or fame of the Albanian Riviera • designing the tourist offer in cooperation with the Regional Council • compilation of an inventory of the main tourist resources of the local government unit by the Regional Council • coordination of local government work with the tourism sector related to cleaning, allocation of private beaches, improvement and development of infrastructure • coordinated efforts of central government, local government and tourism operators in relation to information and advertising campaigns • various projects for the establishment of organizations for destination management

Reasons for the short stay of Albanian and foreign tourists

Respondents state that the reasons for tourists staying only a few days in the Vlora Region are: economic level of Albanian families, little diversity among travel providers, lack of coordination of stakeholders, lack of the chain of experience for

the tourists which leads to increased days of stay, lack of additional tourist activities, lack of guides or information for tourist areas, inconsistency of the service provided by the business in relation to the standard required by foreign tourists, Albanian visitors find inconsistencies between the offer and the price levels, short seasonality brings a lot of pressure on services and public infrastructure, as well high level of pollution of the environment, sea, beaches, roads.

The Vlora Region, in the opinion of the interviewees, should extend the tourist season and not be based only on the sun & sea tourism. The short distance of this region with Tirana and the other Albanian-speaking countries should lead operators towards tourist packages in order to have year-round tourism, which includes culinary tours, wine and olive oil tours, various festivities related to culture, tradition, religion, etc.

Day tourists (who do not consume a night of sleep) are a phenomenon almost exclusively in Saranda and constitute an opportunity for promotion (in 2019, over 200 000 daily cruise tourists arrived from Corfu, from over 110 nationalities).

Statistics for the sector in the Vlora Region

The local government units process a number of statistics that are based mainly on the data kept at the border crossing points of tourists and, as required by law, also based on the register of guests that must be maintained by each hotel, guesthouse, etc. It is, of course, difficult to present and possess accurate statistics due to informality and non-declaration of residence activity on one hand, but on the other hand also because of not declaring the exact purpose of entering in Albania at the border crossing points.

Tourist information offices in the region

Tourist information continues to be a partially resolved issue, although the possibilities of accessing information are numerous. Foreign tourists coming through agencies have their programmes designed, while other tourists are mainly led by the local citizens. The difficulty is often exacerbated by the lack of the local and national road signs.

Vlora Region has two visitor centres: Llogara, Rradhime and Saranda has one: Syri i Kalter. But, it should be noted that they are visitor centres and not exactly information offices. In order to build a complete service network of tourist information offices, they must be positioned in favourable places to be accessible by tourists, have their services and information continuously updated, have a distinct voice in the local budget for promotion at entry points at land, sea and airports, as well as information must also be in English, the employees should be able to

communicated in English, and to set up spots to enable navigation and orientation based on the tourist offer.

Human capacities covering the tourist offer

Human resources are one of the biggest problems of the tourism sector in the country and this is acknowledged by all four stakeholders. The supply of workforce in the tourism sector remains significantly lower than the business demands for these resources, while the continuous education and training of employees in the tourism industry is not sufficient. There is a lack of vocational courses and training and, moreover, the connection of business operators with education is still weak.

The serious problem in human resources comes mainly due to the seasonality of tourism in the region (and in the whole sector), which on the one hand makes it very difficult to find staff, and on the other hand the quality of human resources in this sector is debatable. While large accommodation structures are hiring international staff in some of their units, for small and medium businesses this is impossible. The sector is clearly lacking in management staff, as well as experts in the field. Regarding human resources, it is an undisputed fact that those employees who have the training needed in the sector migrate in the summer season to neighbouring countries where the chances of greater earnings are bigger.

Local and central policies in support of enriching the tourist offer and creation of tourist destinations

From a legal point of view, the operators state that the laws that support the creation and enrichment of the tourist offer and the creation of tourist destinations exist, but their implementation leaves much to be desired, perhaps due to lack of vision, mismanagement or non-involvement of all stakeholders in the sector. bureaucracy and clientelism.

Municipalities are often apathetic, moving only if they receive orders from central institutions, while the interaction between municipalities and business operators is weak from a supportive and developmental point of view. Businesses in the sector are seen more as entities to collect taxes from or fines mainly during the summer season than as important contributors to the local and national economy. The Regional Council, which has the task of creating the regional tourist offer, seems to reflect, in addition to the lack of structures and expertise, also a lack of responsibility in fulfilling an obligation arising from the law.

It is worth noting that operators in the sector, as well as donors and associations, note that the National Tourism Agency, the Ministry of Tourism and Environment, ministers and institutions promote destinations without any

information or preparation on the conditions on the ground and, moreover, in international tourism fairs political clientelism promotes sellers (operators) and not tourism products or destinations.

Operators emphasize that local and central policies should focus more on the development and improvement of infrastructure in tourist areas, local government should be more involved in marketing and cultural-artistic activities to support the sector during the season, destination management organizations should be established, a change of mentality is required in the cooperation among the operators and between them and the local government, private strategic investments should be encouraged and well-known international brands in hotel and tourism should be attracted, new methodologies for evaluation, standardization, certification and classification of services should be developed. In the function of tourism and tour operators, tourism products should be consolidated and developed, as well as the reorientation of promotion towards tourism potentials.

Problems of tour operators that affect the tourist offer

The tourist offer of the Vlora Region is influenced by a number of factors that depend on private operators in the sector to be more attractive. Respondents state the culture and quality of service, the difficulty in finding staff, the lack of qualified human resources either at the management level or in operational roles, the lack of cooperation of operators with each other, exaggerated prices and the quality-price ratio, entrepreneurial mentality, discrepancy between what is advertised and what is offered, lack of links to the financing channels of national support schemes (Agency for Agricultural and Rural Development or EU Instrument for Pre-accession Assistance for Rural Development) or other channels (mainly for businesses in rural areas), investment quality, limited accommodation capacity and poor service and management infrastructure.

The tourist offer of the Vlora Region is influenced by a number of environmental factors in which this offer is created and operates, such as: land ownership, informality, chaotic urban development, lack of sustainable tourism development strategies at the local or regional level, lack of branding of destinations, lack of private-public cooperation also due to clientelism, corruption, transparency in information, but also lack of vision or professional tourism staff near the municipalities of the region, lack of intercity infrastructure, lack of infrastructure (ports, piers, docking stations, maintenance sites), environmental pollution and waste management, lack of maintenance of public spaces, lack of measures taken before the tourist season by the municipality, persistent problems with energy and lack of water 24 hours per day, delays in issuing permits for private beaches, the creation of “monopolies” in terms of travel agencies based in Tirana, lack of direct lines from different places to Vlora or Saranda.

5. Conclusions and recommendations

The purpose set out in this paper, which was to analyze the tourist offer of the Vlora Region from the perspective of tourism stakeholders, was made possible through the use of a qualitative methodology, based on a questionnaire in the form of a semi-structured interview, on a variety of literature sources and concepts related to tourism offer, tourism product and destination in tourism. A total of 31 persons were interviewed, of which 16 are private operators, seven are public operators, six are donors and associations, as well as two educational institutions in tourism.

The tourism sector in the Vlora Region, but also in all of Albania, is new in terms of experience. Its chaotic development reflects the evolving entrepreneurial mentality, the lack of vision of governments to design and implement strategies aimed at creating a sustainable sector, and the apathy of local institutions.

The local government, more specifically the Regional Council, which by law must prepare the inventory of the main tourist resources of the local government unit and formulate the tourist offer of the Vlora Region, does not have the necessary vision and expertise to do so. The municipalities of the cities continue to show incompetence in the management of public works in function of the tourist season and in the management of problems related to environmental pollution, waste management, lack of maintenance of public spaces, 24 hour water supply, green spaces.

Overlapping activities between the central and local government bodies, little focus on the tourist offer and the cooperation between the operators and the promotion of the tourist product. Lack of a proper calendar of artistic and cultural activities, lack of tourist information offices.

A mindset that raises barriers instead of communication channels and cooperation between stakeholders, and that is evident by the lack of coordination of local government work with business operators, the lack of support for the sector and the lack of recognition of opportunities created today by donors and various organizations.

Mentality and short-term approach of business operators in relation to quality, quality-price ratio and the establishment and implementation of quality standards. Difficulties of business operators in finding and retaining qualified human resources, lack of motivation of individuals to work in the sector due to seasonality, lack of a law that protects seasonal employees and better employment opportunities in neighbouring countries.

Recommendations

Proper implementation of the law no. 7764, dated 2.11.1993, “On foreign investments”, law no. 93/2015 “On tourism” and law no. 27/2018 “On cultural heritage and museums” makes it possible for the central and local government bodies to play their role in formulating, supporting and promoting the tourist offer of each region.

The Regional Council should record and create the inventory of the main tourist resources of the local government unit and formulate the tourist offer of the Vlora Region. The National Tourism Agency and the Ministry of Tourism and Environment should take the responsibility of promoting the offer in cooperation with the operators. Municipalities should conceive and budget differently the tourist information offices and increase the budget support to this sector in the Vlora Region.

Stakeholders need to change their mindset in relation to the culture of collaboration between them, as well as take on their responsibilities in collaboration. It remains important to coordinate local government work with business operators regarding cleaning, awarding of private beaches, improving and developing the infrastructure.

Encouraging private strategic investments, attracting well-known international brands in hotel and tourism, branding of destinations, standardization of accommodation structures remain an area where we still need to work and cooperate between stakeholders.

The quality of service should be conceived and realized in accordance with international standards and should make tourism enterprises competitive with the region. Increasing the number of days the tourists stay should come through drafting of consistent policies and strategies at the macro level of several years that would uniformly impact the sector and service providers, marketing Albania in relation to tourism capacities to enable recognition and competition with countries of the region, study of consumer behaviour patterns for domestic tourists, Albanian-speaking and foreign countries, as well as emotional tourism which in the case of Albania means tourists from Kosovo and emigrant tourists, who continue to contribute to the economy of the sector.

The government should play its regulatory role in enforcing the law and protecting employees by setting by law the minimum seasonal working time. In relation to private operators and the sector of education and continuous training of employees, more needs to be done in order to increase capacities in management, marketing, tour operating, tour guides, HoReCa, health & safety, cleaning, etc.

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Behavior finance – The impact of financial behavior on economic decision-making of individuals in Albania

Quantitative study of risk resistance
and overconfidence based on gender approach

Aurora Molishti, MSc.¹

DEPARTMENT OF ECONOMICS & FINANCE,
EUROPEAN UNIVERSITY OF TIRANA
amolishti2@uet.edu.al

Dr. Sokol Ndoka²

DEPARTMENT OF ECONOMICS & FINANCE,
EUROPEAN UNIVERSITY OF TIRANA
sokol.ndoka@uet.edu.al

¹ Aurora Molishti, MSc., is a graduate student in Master of Science in Finance, Accounting and Financial Reporting, at Department of Economics, Business and Development at European University of Tirana. During her academic years she has been part of different student's clubs and programs like Erasmus +, student exchange program in Pavia, Italy. During her five years of studies at European University of Tirana she has been awarded with excellence certificates and was a holder of full scholarship. Currently she is working at Deloitte Albania & Kosovo, in the position of Tax Consultant in the Tax & Legal Department.

² Dr. Sokol Ndoka has completed higher studies, Bachelor in the period 2007-2010 and Master of Science in the period 2010-2012, profile Management, Faculty of Economics at the University of Shkodra "Luigj Gurakuqi". During the period 2013-2018, Ndoka completed his Doctoral studies in Finance profile at the Faculty of Economics and IT at the European University of Tirana with the topic "FINANCIAL RISK MANAGEMENT, CONDITION FOR BANKING; PERIOD 2006-2015. During the period 2012-2013, he worked as an Assistant Accountant at the company Edi-Elt Consulting & Account. In February 2015, Ndoka began working as an external lecturer in the department of Finance & Economics, Faculty of Economics, and IT at the European University of Tirana. Since October 2015, Ndoka has been working as a professor at the European University of Tirana.

Abstract

For years the field of behavioral finance tries to explain economic actions and decisions in financial markets based on financial, psychological, and emotional factors, which affect the behavior of investing individuals. Various studies show that males are more tolerant of risk and make more risky decisions than females. The fact that men trade more than women in financial markets is attributed to the overconfidence they have. Men in addition to trading more, also own larger financial portfolios than women, but less diverse than they are.

The purpose of this paper is to investigate whether gender can really influence financial decisions through risk aversion, gender, and overconfidence. The data in this paper were collected through a very close population survey, explicitly students at European University of Tirana and an Albanian individual with financial knowledge. To measure statistical differences between the gender the Chi2 statistical test was used. Through empirical findings and analysis of data obtained from the statistical test was concluded conclusions from this study. It was found that there is a tendency among females to have a higher level of resistance to risk than males. This means that Albanian women will undertake a lower risk when managing an investment portfolio. Albanian men, meanwhile, have more confidence in their financial decisions.

Key words: *Behavioral finance, financial decision making, gender approach, risk aversion, overconfidence, Chi² testing.*

1. Introduction

“If you are relying on your gut rather than a rule-based approach to investing, you can be almost certain that your feelings of risk or safety are exactly the opposite of what they ought to be.”

- DANIEL CROSBY,

The Law of Wealth: Psychology and the Secret to Investing Success.

If one day you were offered 100 million ALL and you were told that you had to invest these funds, how would you act? What would be the first financial decisions you would make? How would you describe yourself as an individual who likes to “play” with risk or has an opposing attitude towards it? How do you consider your ability to manage personal finances? Behavioral finance is the latest innovation which is being used by many economics analysts to study financial markets and how investors operate in it. Numerous scholars have concluded that most financial phenomena cannot be understood using only older models of traditional finance.

Over the years humanity has faced various economic decisions. All aim for an efficient market where the pricing of securities will provide important information to investors and the latter will follow different strategies to achieve a good performance and high profitability. In most cases it is difficult to have “accurate” meters of these securities, so their price does not always indicate their real value.

1.1 Study Objective and Research Questions

The main objective of this research paper is to understand and evaluate the theoretical aspect of behavioral finance and to analyze how the culture, habits and financial behavior of Albanian individuals will affect their economic decisions and various investments in the financial market by understanding the notion risk, decision-making bias, or overconfidence, analyzing these on a gender basis.

The research questions raised in this paper are as follows:

- What is the approach of Albanian women and men regarding risk during the economic decision-making process before and after the pandemic of Covid-19?
- Are Albanian women less confident and more rational in their economic decisions compared to men?
- Do Albanian men have more confidence in their financial decisions than women?

Based on the literature review, it was concluded that the main factors influencing the decision-making of individuals are their relationship with risk (whether they are riskier or less), belief in their choices, reaction to the information provided and culture. The null hypothesis raised in this research study is as follows:

“In Albanian society, before and after the COVID-19 pandemic, men have a higher risk profile and are more confident in their economic decisions compared to women.”

2. Literature Review

Behavioral finance seeks to better understand and explain how risk response, decision-making bias, rational behavior affects individuals, and their decision-making process. Many discoverers believe that the study of psychology and other social sciences can shed considerable light on the efficiency of financial markets, as well as explain many stock market anomalies, market “bubbles” or its “destruction” (Shiller, 2002). Psychologists Daniel Kahneman and Amos Tversky are considered

the fathers of behavioral finance. During the 1960s, studies on financial behavior increased, as economists began to find behaviors or anomalies that could not be explained solely based on the traditional economic theories of the time. These anomalies encouraged many academics to turn to psychology for a more accurate explanation of human behavior and its effects on financial decisions. According to Ricciardi & Simon (2000) the key to determining behavioral finance is to first have basic knowledge in the field of psychology, sociology, and finance.

2.1 Cognitive Bias

Cognitive Bias is the way in which female and male individuals perceive reality. According to Charupat and Deaves (2003) cognitive bias are distortions that occur in the human mind, which are impossible to avoid and lead individuals to a judgment not very close to reality. Buchanan and Huczynski (2004) agree that cognitive biases are systematic distortions of financial decisions made by individuals. According to the study of Richard McMahon (2002), biases lead individuals to overestimate the reliability and validity of the information they possess during the decision-making process. They draw incorrect conclusions that affect their financial decisions.

2.2 Overconfidence

Since we are human beings, we have a predisposition to overestimate our abilities and to believe a lot in the prediction we may have made about our success. According to Klayman, Soll, Dance and Barlas (1999) and Dittrich, Buth and Maciejovsky (2001) most people have overconfidence about their judgment and knowledge of financial decisions. Nevis (2004) in his study notes that analysts and investors are incredibly confident in the areas in which they specialize and have knowledge. One of the subsequent effects of confidentiality is overcoming it, which leads individuals to inefficient decisions. During their study Busenitz and Barney (1997) found that male individuals who had overconfidence made more risky financial decisions than female individuals. Barberis and Thaler (2003) claim that excessive belief stems in part from two biases such as self-attribution and the prejudice.

2.3 Cognitive Finance Disputes

According to Morton (1993) individuals who are confronted with different financial ideas and decisions from their own begin to feel inwardly tense and have constant anxiety. We, as human beings, have the predisposition to face our inner emotions based on 2 simple ways (Morton, 1993):

- Justify the decision or choice we have made about a situation or event.
- To achieve those past opinions or past emotions change their value.

Goetzman and Peles (1993) conducted a study on how the theory of cognitive financial arrangements influences the economic decisions of financially invested investors. According to them, the cognitive disputes that these mutual fund investors have, relate to their investments in the process of buying, selling, or holding their assets. The theory of cognitive financial disputes shows that investing individuals find it easier to change their method of investing or their financial confidence and only to protect their financial choice.

2.4 Mental Accounting

Hirshleiper (2001) defines mental accounting as a framework that maintains the gains and losses that are the result of financial decisions that female and male individuals make. Mental accounting is a concept developed by Thaler in 1985. He defines mental accounting as a trend where people divide their income and other assets into different classes or categories with different time periods and each of these accounts is treated in different ways (Thaler, 1985). Mental accounting can lead individuals to make unsuitable financial decisions. According to the study by Charupet & Deaves (2003) mental accounting has major implications for daily life. It has a direct impact on how individuals feel about spending money or how to save it in the future. So, it affects the way people react to losses or profit.

2.5 Loss Aversion

Loss Aversion has a close relationship with the concept of mental accounting (Charupet, & Deaves, 2003). The first researchers to propose the concept of loss aversion were Kahneman and Tversky. They concluded that the consequence of the loss on the happiness of individuals was greater than the gain of the same amount (Kahneman & Tversky, 1979). According to Kahneman and Tversky, resentment towards loss is related to the tendency that individuals have towards loss. They would rather avoid the latter than focus on profit. Thus, these individuals make erroneous decisions.

2.6 Overreaction & Underreaction

Generally, in the financial market investors often over-react or under-react to new information, which has a powerful effect on the stock price. But what do the terms over-reaction and under-reaction mean, and when do investors experience these events?

People, to a large extent, base their decisions on the latest information, but forget the importance of information in the past, and this is what is called over-reaction. Lankonishok, Shleifer & Vinshy (1994) concluded that firms that had high E / P and C / P ratios would have lower profits and conversely firms that had these ratios at low levels would tend to high profits, this for the sole reason that the market over-reacts to increased profit and is surprised when the opposite happens.

Just like the over-reaction, the under-reaction is just as frequent in the stock market. According to Jegadeesh & Titman (1993) stocks that have had high returns a year ago tend to have a higher return for 3 to 6 months in a row. Markets that are in the sub-reaction do not use positive signals about the repurchase of shares in the future (Fama, 1998). Michaely, Thaler & Womack (1995) concluded that investors under-react to the stock price when negative information is initially disseminated, but also when they possess positive information about dividend distribution.

3. Empirical Analysis

3.1 Methodology

The methodological tool used to generate the data is the structured questionnaire, which was borrowed from the works of the authors Jonar Bergger & Romulando Gonzales and Mustapha Chaffai & Imed Medhioub and then processed to suit the target group and make the questionnaire more accessible. Completion of this questionnaire was made possible through the Google Forms platform, the link of which was sent to individuals to participate in this study. The final questionnaire contains 16 multiple-choice questions and is divided into two sections. The first section is composed of 6 questions, which are asked about the age group, educational background, profession, and monthly income of individuals. While the second section consists of questions of psychological and financial nature. This section is based on some supposed cases, where individuals will choose what their economic decision would be in each situation.

To understand gender-based financial decision-making in a more general way, questionnaire evaluation will be made possible using quantitative methods. The data collected for this paper will be measured and analyzed using the Chi2 independence test that will be used to verify whether the hypothesis of this study will be validated or not.

3.2 Questionnaire Results

The results will be presented with the help of tables to provide a clear picture and to understand as accurately as possible the difference between female and

male individuals in terms of risk aversion and the level of trust they have in their financial decisions. In this questionnaire 160 individuals were interviewed. At the beginning of the survey focused on general questions about the individuals taken in the study, to obtain an accurate summary of the data. The first question related to the gender of the respondents which is one of the variables on which the paper is based. The questionnaire was attended by 80 male and 80 female individuals. With a percentage respectively 50% male and 50% female. Out of 160 respondents, we notice that we have a diversity of age groups in this paper, but the highest percentage is in the age group 18-25 years, this is because as discussed at the beginning respondents were mainly student at the European University of Tirana. Of the respondents 2 have secondary education with a frequency of 1.3%, 29 individuals have bachelor education and have a frequency of 18.1%, 110 are of master education with a frequency of 68.8% and 19 have executive titles or doctorates with a frequency of survey 11.9%.

In the second section of the questionnaire, it will be possible to differentiate gender in the approach with risk and self-confidence of individuals. The females and males surveyed were placed in the same hypothetical situation. In this part of the analysis, it will be possible for Albanian women and men to access the variables taken in the study, it will be possible to answer the research questions raised at the beginning of this paper and to accept or reject the study hypothesis.

We note that out of 160 respondents 6 individuals have never invested in the financial markets with a frequency of 3.8%. 73 respondents had ever invested and have 45.6% frequency while 81 individuals with 50.6% frequency had invested regularly in financial markets.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.6299 ^a	1	<.005
Likelihood Ratio	6.1796	1	<.005
Linear-by-Linear Association	5.3843	1	<.005
N of Valid Cases	160		

Chi2 test shows that responses between the genders are different at a 95% confidence level. There is a significant relationship between gender difference and frequency of investment in financial markets $X^2(1, N = 160) = 5.6299, p = 0.005$. Albanian men are more likely to invest regularly in the financial markets than women (80.0% to 21.3%).

Individuals who completed the questionnaire of this study 52 of them undertake high risk financial transactions, this represents a frequency of 32.5%. 82 respondents undertake risky financial transactions, but how did they do the necessary research on this step, and this occupies 51.2% in the gender approach to this alternative. 26 individuals avoid risk at a rate of 16.3%. The most preferred alternative among Albanian men with a 55% frequency was that they thought they were taking high risks, while 63.7% of Albanian women reported that they undertook risky financial transactions only after doing sufficient research. Whereas only 38.8% of men took the risk after having done the necessary research. Finally, 26.3% of women viewed themselves as risk averse, while of men only 6.3% saw themselves as risk averse.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.9647 ^a	1	<.005
Likelihood Ratio	4.2952	1	<.005
Linear – by – Linear Association	3.6423	1	<.005
N of valid Cases	160		

Chi2 test shows that responses between the genders are different at a 95% confidence level. There is a significant relationship between the gender difference and the risk response $X^2(1, N = 160) = 3.954, p = 0.005$. Albanian men consider themselves more risk takers than Albanian women (55.0% to 26.0%).

Questions from 3-7 measure respondents' resistance to risk. 67 of the individuals who completed the questionnaire chose the investment alternative with 50% at low risk, 30% at medium risk and 20% at high risk with a frequency of 41.9% and 58 of them chose the investment option with 25% risk low, 20% medium risk and 55% high risk with a frequency of 36.3%. While according to the gender division most of the men (44 of them) with a frequency of 55% chose the investment option with 25% at low risk, 20% at medium risk and 55% at high risk. On the other hand, most Albanian women (38 of them) with a frequency of 47.5% chose the investment option with 50% at low risk, 30% at medium risk and 20% at high risk.

The last question is intended to provide data on how individuals who participated in the questionnaire manage their financial investment portfolio. It will be analyzed if they find satisfaction in managing this portfolio if they have confidence

in their knowledge and skills or manage it only because they enjoy discretion. The importance of this question is to understand, through the collected data, how confident and how confident Albanian individuals are with their economic decisions. We note that 69.4% of Albanian individuals are confident in their ability to manage their financial portfolio, while 18.8% of them take satisfaction when making financial decisions. In the gender approach most Albanian men with a frequency of 86.3% have confidence in their abilities regarding the diversification of the financial portfolio while 52.5% of women think the same. 10% of men find satisfaction during their portfolio management process while only 27.5% of women have this approach.

	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	2.199 ^a	1	<.005
Likelihood Ratio	2.319	1	<.005
Linear – by – Linear Association	0.021	1	<.005
N of Valid Cases	160		

Chi2 test shows that responses between the sexes are different at a 95% confidence level. There is a significant relationship between the gender difference and confidence in the management of personal financial portfolio X2 (1, N = 160) = 2.199, $p = 0.005$. Albanian men have more confidence in portfolio management than Albanian women (86.3% to 52.5%).

3.2 Data Analysis

In this part will be made a connection of the theoretical framework on risk resistance, overconfidence, and the regime of loss of Albanian respondents in financial markets with empirical findings from data collection from the questionnaire which was completed by 160 individuals. The method of analysis will be the same as the empirical findings of the data to make it as clear and understandable as possible. This section will discuss the results of these findings and address the behavior of Albanians in various economic situations, what is their reaction to the financial information obtained and how different factors influence their financial decisions. One of the aims of this study is to determine if gender difference can have a significant impact on economic decisions. In this study, primary data were collected

to answer research questions regarding the impact of the above-mentioned factors and gender differences in the financial decision-making of Albanian individuals. Empirical findings can distinguish gender tendencies in the approach to loss, risk aversion or even excessive self-confidence. In this paper the Chi2 statistical test was used to check the importance of these differences through the data collected from the questionnaire. This test makes it possible to state whether gender differences and factors such as risk avoidance and excessive self-confidence really have an impact on the financial decisions of Albanian individuals. A reliability level of 95% was used during this test. From the above empirical data and from the comparison with the data analysis before COVID-19 in the Bachelor thesis it was possible to obtain some of the following answers:

- Albanian men continue to have access to financial markets more than women even after the COVID-19 pandemic.
- Albanian women continue to make financial decisions with less risk than Albanian men who take higher risks compared to them.
- Real estate continues to be the favorite investment of Albanian individuals even after the pandemic.
- Albanian women make financial decisions based on the past performance of the company in which the investment can be made, while men trust their intuition by making those individuals who have higher self-confidence.
- In the situation when individuals were faced with a loss, it was observed that men again chose to invest in assets that had high returns but at the same time very high risk, while women avoided risk.

3.3 To what extent does gender difference influence the financial decisions of an Albanian individual; are Albanian women more risk averse than men?

During the literature review, in a paper conducted by two researchers Bernasek and Shwiff (2001) concluded that gender approaches are one of the main factors influencing the financial decisions of individuals. They argued that women are more conservative about their financial investments than men. According to Barber and Odean (2001) gender approach plays an essential role in the financial decision making of the individual. Regarding risk avoidance Ganzach (2001) argues that: "Risk is the first element that comes to everyone's mind during the financial decision-making process." According to him, women and men react differently to financial risk. In this dissertation it was noted that Albanian women both before and after the COVID 19 pandemic invest less in financial markets than men. Meanwhile, many researchers conclude that women are more inclined to avoid risk, but the same trend is in this paper.

3.4 Do Albanian men have more trust in their financial decisions than women?

Various studies regarding gender-based excessive trust have shown that men have excessive self-confidence while women are less confident in their financial decisions. According to Graham (2002) women who have a low tendency to make high-risk financial decisions will show less self-confidence during the financial decision-making process. In the questionnaire of this paper there were 5 questions that made it possible to assess the level of self-confidence in Albanian men and women. In general, it is observed that Albanian women consider themselves below the average level in relation to men towards risk acceptance.

4. Results and Recommendations

The introductory chapter of this paper states that the main purpose is to determine whether gender can have an impact on the financial decisions of Albanian individuals. It has also been studied whether there was a relationship between risk aversion, overconfidence, loss response and gender. The paper was made possible by the questionnaire and the data obtained from it, which helped to obtain answers to the research questions. The population used was students and professors at the European University of Tirana and individuals who have financial knowledge. With the help of the analysis of the data obtained from the questionnaire, the following conclusions were reached:

- It was found that Albanian women are more conservative before and after the COVID-19 pandemic about their financial decisions compared to Albanian men surveyed in this paper. Albanian men tend to completely disregard risk-free investment.
- After studying risk aversion, it was concluded that women are more risk averse than Albanian men. This indicates that men make more risky financial decisions.
- Regarding overconfidence, it is concluded that Albanian men have more confidence in themselves when making different financial decisions compared to Albanian women.

After drawing the conclusions of this study, the hypothesis raised in the first chapter of this paper is confirmed, that “In Albanian society, both before and after the COVID-19 pandemic, men have a higher risk profile and are more confident in decisions. their economic situation compared to women.”

The following recommendations were developed based on literature review and empirical data analysis.

- Understand risk and cognitive bias.
Behavioral finance is a relatively young and almost unknown field in Albania. This paper provides information to Albanian individuals on the role of risk and cognitive bias in their financial decisions.
- You need to know yourself.
Albanian men and women should be aware of all the risks and financial losses they are prone to before concluding these financial decisions. They need to evaluate the results of their decisions and the elements they considered during the decision-making process to trust their judgment and what to avoid.
- Research opportunities in the future in relation to the field.
This paper can be a basis for the further development of this field, this creates opportunities for future research.

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Service Quality in the Banking System —

The Case of Tirana Bank

Dr. Ketrina Çabiri Mijo¹

DEPARTMENT OF MANAGEMENT AND MARKETING,
EUROPEAN UNIVERSITY OF TIRANA
ketrina.cabiri@uet.edu.al

Xhorxhina Salaj, Msc,²

TIRANA BANK
xhsalaj@tiranabank.al

¹ Dr. Ketrina Çabiri Mijo has completed her PHD on Corruption and Decision Making in Public Procurement at the European University of Tirana, followed by a fellowship at the Institute of Social and Economic Research (ISER) at Essex University (2016) supported by the Civil Society Scholar Award and a research stay at the Department of Political Sciences and Sociology, University of Salzburg as a Sigma Agile Fellow (2015-2016). Ketrina received a master's degree in European Politics from the University of Sussex, United Kingdom in 2009. Ketrina has been a research Fellow at TRAIN programme 'Fostering Policy Dialogue in the Western Balkans' lead by German Council on Foreign Relations (DGAP) in 2017. Since 2011 Ketrina has been working at the Office for Project Development and Partnerships at UET and currently she is the Head of Office. Previously she has worked as an expert of European Research Programs in the Agency for Research, Technology and Innovation in the Council of Ministers in Albania. She has an extensive experience in project writing and management, while she has been involved in several EU Projects such as Tempus, IPA CBC/ Interreg MED/Balkan Med, LLP/Jean Monnet, ERASMUS +, ESPON and other national and international donors like World Bank and British Council, Open Society Foundation, Friedrich Ebert Sifting, OSCE, UNWOMEN, GDN (Global Research Competition), etc. Ms. Çabiri has published in national and international journals and publishing houses, such as Bentham Science Publishers, Kluwer Law International, Oxford University Press, International Journal of Sustainability in Higher Education (Emerald Publishing), etc..

² Xhorxhina Salaj, MSc., is a Personal Banker at Tirana Bank. She holds a Bachelor and Master of Science Degrees in Accounting & Financial Reporting from European University of Tirana. Ms. Salaj has worked in all operational position of banking services, gaining valuable expertise in banking products and services. She is also extensive knowledge on Taxation and Accounting, along with being a very good business strategist and consultant. She is part of many projects and international initiatives for digitalization of banking services and systems, Fintech, Finance Modeling for Renewable Energy, Business Fundamentals, Commercial Pricing Strategies, Business of Decentralized Finance (DeFi) and etc.

Abstract

The work environment is constantly changing thus it is a prerequisite for businesses to effectively adapt themselves to increase productivity. Various performance reports have shown that the approach how a bank operates drives its path toward growth or degradation.

The purpose of this research is to provide insights on the role of service quality in the banking system, with a case study on Tirana Bank. Using financial statements as key indicators, we have provided basic information on the growth and development of Tirana Bank in Albania.

Young people in Albania are the generation that understand the positive consequences of practicing emotional intelligence, shifting greater emphasis on how to achieve a worthy presentation between the equally sensitive and uncompromising “client service”. Therefore, we have collected responses of a questionnaire submitted by clients of Tirana Bank, gathering as such the necessary information to conduct a study on the importance of service quality in the banking system.

Methodologically speaking, this paper uses a simple regression analysis and Cronbach's alpha model, based on 18 questions posed to 350 clients at different ages over a period of 1 month. Through this analysis, it argues that there is a strong positive relationship between service quality and other influential variables, reliability, security, loyalty, sensitivity, vulnerability and responsibility.

This means that an increase of the above factors leads to the enhancement of service quality, therefore results show that to increase the bank's reputation, bring effectiveness

³ Prof.Assoc.Dr. Hysen Muceku is currently lecturer of: “Financial Audit”, “Internal Control & Audit”, “Governance, Risk & Ethics” and “Taxation & Fiscal Policy” at the Department of Economics & Finance, Faculty of Economics, Business & Development, at European University of Tirana. He has an academic experience of 15 years in public and private universities, and a 25-year work experience in public administration, by holding different positions, such as: manager in the banking system, specialist and manager at the Albanian Supreme Audit Institution (ALSAI), Deputy Director at General Tax Directorate and General Director of Internal Audit of Ministry of Finance. He has extensive experience in matters relating to bank management, tax administration and fiscal policies, good governance and good management of public funds, and collaborated with several organizations, such as: EU (PIFC1 & PIFC2 Project), USAID, OECD (SIGMA), SIDA on the preparation of a methodological basis in the area of Internal and External Audit of Public Sector, and Taxation. He is author of a number of 15 scientific articles in national and international scientific journals, has attended and has been a speaker in several international scientific conferences (13), and is also an author of two monographs.

to the institution and create increased competition, managers must upgrade it to the most optimal level possible.

Key words: *Client, Service Quality, Reliability, Loyalty, Responsibility.*

1. Introduction

The work environment is constantly changing thus it is a prerequisite for businesses to effectively adapt themselves to increase productivity. Various performance reports have shown that the approach how a bank operates drives its path toward growth or degradation.

Conditions such as leadership, mindset, long-term goals, critical or analytical mind are the main factors determining the success of a bank. In Albania it is mainly young people who are aware of the positive consequences of practicing emotional intelligence, shifting greater emphasis on how to achieve a worthy presentation between the equally sensitive and uncompromising connection of “client service”. Yet, how easy is it to practice such qualities in a country like Albania? It is exactly the purpose of this study to analyze in detail the perceptions and expectations of clients within the field of services provided by an institution in Albania, Tirana Bank.

This study assesses the status of service quality in Albania, which depends on factors related to satisfaction, trust, loyalty, quality of services and client sensitivity. Through the study from the financial reports demonstrating the bank’s performance in the market, we have shown how it is positioned and how it operates over years. The reason for choosing to conduct such a study comes as a request from bank clients, consumers and banks officials.

One of key factors for the efficient and rapid growth of financial institutions and especially banks themselves, is to provide a high quality service, since it directly affects the growth of competition, which brings a higher level of service and production, leading to a growing demand from clients and an increase in the bank’s revenues.

Various training sessions are recently being held for the development of individual performance, so that the transmission of information and importance of service quality to the client is as accurate and well-presented. Yet, does Albanian society really know what it means to have an individual performance? One of the fundamental principles of Adlerian psychology is closely linked with the principles of Emotional Intelligence: “Thinking about the common good.” How can this happen when everyone is supposed to think about themselves? In developed and developing countries such as Albania, major importance is attributed to team-

work. That is where the idea of thinking about common good originates. This is where the philosophy of practicing one of the main contemporary disciplines for joint development and improving the client service quality, originates.

The issue of service organization currently deals with how the result is measured compared to the production process generating the products. Service is an intangible result that possesses no physical features, a form of product being inviolable where it differentiates traders between quality for services and products. With the increase of communication device such as Internet, trends of clients towards perceptions have also changed, and it is this improvement in service quality that is increasing the successive demand of clients.

In 1990 Parasuraman *et. al* defined the service quality as the client's perception on how well a service meets or exceeds their expectations. Therefore, the traders of different organizations as well as bank managers attempt to determine the trends of clients and then develop their dimension of service quality to meet or exceed the trends of their clients. In order for an organization to gain a competitive advantage and enhance service quality, it must use technology to collect information on market demands and exchange it between organizations. Researchers and managers struggle to learn details about service quality components in their organization for obvious reasons which are client satisfaction, added benefit, etc. The need of banks to offer more qualitative services that add value to their activities, have gradually increased globally and locally the conditions of competition.

2. Methodology

For an accurate and detailed study, the aim is to concentrate on a scientific research question:

Is there a link between satisfaction, reliability, security, responsibility, sensitivity and service quality at Tirana Bank?

Focusing on the scientific research question raised, this paper seeks to test the following hypothesis through analysis:

There is a positive relationship between satisfaction, reliability, security, responsibility, sensitivity and service quality at Tirana Bank.

The purpose of this research is to analyse and highlight the profitability and costs of the bank, whereby elaborating these elements we discover the factors and elements boosting the bank's effectiveness and productivity. Taking as an example Tirana Bank and its data, we reach conclusions based on financial reports showing various financial factors.

Information regarding the balance sheets and statements of income and expenses of companies is provided by the National Business Center (NBC),

which contains an integrated electronic data system, wherefrom it realizes the connection between different counters/help desks by supporting interested entities or individuals, thus facilitating the accurate data provision. Its main purpose is to facilitate the procedures and registration of designated entities, as well as to inform in real time those who are interested.

Analysts analyse the company's financial statements to be more confident and have a deeper perception of financial decision making. To make data analysis as easy as possible, we can use their conversion into financial reports and by examining data we provide an overview of how the company performs, compared to other years as well as its performance compared to other companies in its industry. Although there are thousands of reports that can be counted, it is a very small subset where we will focus to achieve proper results.

Below, by horizontal and vertical analysis, we have expressed the changes from 2018 to date. Horizontal analysis enables data comparison over a period to discover trends and dynamics of changing positions of financial reports. According to the horizontal financing rules, long-term related instruments must be equal to permanent and long-term resources, and in this case automatically cash and short-term related assets are equal to short-term resources on the other hand. Vertical analysis also shows the bank's performance over years based on financial reports.

Further, in addition to operational work, we know that pronouncement/declaration of products and services on bank performance have a key role. Therefore, the rest of study focuses on how to manage staff having a direct relationship with the client and what clients think about this service and whether they believe the bank is taking right steps and meets all relevant conditions.

The questionnaire is addressed to a sample of 350 people, clients of Tirana Bank, who have completed the questionnaire in full privacy. Then we analysed the extracted data and drew conclusions by using multiple regression analysis.

3. Literature Review

Quality of service is one of the key factors for measuring and determining success in the industry, as it has a favorable impact on customers. Merchants themselves are the ones who measure the fact in increasing the quality of service, because they agree that it is an element that contributes effectively to customer satisfaction and brings increased competition in organizations (*Parasuraman, Zeithaml and Berry, 1985; Mersha, 1992 ; Avkiran, 1994; Marshall and Murdoch, 2001*).

Since traders accept and insist on the fact that the quality of service, as it becomes the most critical factors in the success of any business, it is a mandatory factor for maintaining and improving the level of competition. Traders should

ensure up to 100 percent delivery of superior service values to their customers, where it is worth noting here companies that are active in the banking sector (*Parasuraman, Zeithaml and Berry 1985, 1988*).

Over the past two decades, regulatory, structural, and technological factors have significantly changed the banking environment worldwide (*Angur et al., 1999*). And as a result of the massive changes that have noted, the banking environment has made the market feel more competitive, making the market more aggressive. In such a situation where the environment is changing constantly, it is precisely the quality of service as a critical measure of organizational performance, which continues to attract the attention of banking institutions and remains at the forefront of service and practical marketing literature (*Lasser et al., 2002*). The reason for such a high interest in the quality of service, is explained by the fact that it has a direct relationship with increased customer satisfaction and loyalty, greater willingness to recommend it to third parties and improved retention at rates. standards of customer reception (*Levesque and McDougall, 1996*).

Through his study observed the development of five dimensions of quality service which were vulnerability, reliability, security, responsibility and sensitivity (*Van Iwaarden et al., 2003*). Emphasizing these dimensions, Van Iwaarden mentions that in order to be more efficient in terms of banks' performance, we need to have as many customer service staff, up-to-date equipment and a comfortable environment that accommodates the client to high standards. An assessment at the right customer levels, using direct contact between the customer and the employee, brings about increased customer satisfaction (*vulnerability factor*)

The other dimension belongs to the degree of *responsibility*, which represents the willingness to help customers, offering them a quality service in a fast way. Bring to attention here HSBC which has incorporated SMS notification to cardholders for more than a decade now. (*HSBC, 2011*).

Credibility is the key point for the mutual relationship of bank clients and client bank as it is precisely reliability, the main reason why clients choose banks for their investment funds. Due to the reputation they possess, banks always promise a high level of security over customer transactions. Understanding the needs of each individual client such as, knowing the expected retirement age of clients, annual income, hobbies, are the best orientation to realize the provision of the right service for each client.

Security is a key element in the relationship between the two parties, as customers can save a lot of money and it is precisely the employees, who must give a clear explanation for each complicated product such as insurance, funds, limits, in order to customers feel safe about the services provided by banks.

The final dimension is *sensitivity*, represents the individualized attention that firms offer to its customers and aims to retain customers to use the banking

service (*Van Iwaarden et al., 2003*). The realization of a friendly service towards the customer, gives him the right satisfaction to enter the bank as well as to maintain a long relationship with him. Employees need to show understanding of the client's needs and always be ready to solve their problems, key factors for success in the service industry.

4. Analysis and Interpretation of Results

Client satisfaction provides a substantial link between cumulative purchase and post-purchase phenomena, in terms of change of the position, repeated purchase and brand loyalty. Service quality has a positive impact on client satisfaction. Client satisfaction is defined as the attitude resulting from what clients believe should happen (expectations) as opposed to what they believe has happened (performance perception). Satisfaction reinforces the perception of quality and encourages repetitive purchases, found that vulnerability, reliability and empathy are important for client satisfaction, but observed that responsiveness and safety are more important.

Client satisfaction is positively related to client loyalty and organizational profits. However, the cost of attracting one client can be five times higher than the cost of keeping the current client satisfied, because loyalty must be developed over a long period of time by meeting (and sometimes exceeding) client expectations. As already stressed, loyalty is a multi-dimensional structure that includes both positive and negative responses.

As the global world has suffered and continues to do so in recent years, the approach to a loyal client becomes even more sensitive and important, which is the basis for tougher economies and stronger competitiveness. Regression results show a positive relationship between increased service quality and client loyalty. Studies conducted by various authors have demonstrated *a positive relationship between Client Safety and Quality of Service*.

From the analysis performed, based on data obtained from the questionnaires addressed to Tirana Bank clients, we see that an increase in client security leads to better quality of service. *Credibility* is the key point for the client-bank or bank-client relationship as the main reason why clients choose banks for their investment funds. Due to the reputation, banks always promise a high level of security over client transactions. Understanding the needs of each individual client such as knowing the expected retirement age of clients, annual income, hobbies are the best orientation to realize the delivery of the right service for each client. *Both sensitivity and vulnerability have a positive impact, a direct link to service quality*. They represent the individualized attention that companies offer to their clients and aim to maintain clients to use the banking service (*Van Iwaarden et al., 2003*).

The implementation of a user friendly service gives the client the satisfaction to enter the bank, as well as to maintain a long relationship with it. Employees need to show understanding of the client's needs and always be ready to solve their problems, key factors for success in the service industry. From all the above analysis we understand that service quality is a vital component in terms of the bank's reputation and performance in the market. Thus, all the influencing variables, especially those having a direct impact such as the above factors, become the key point of success or bank's failure in the market.

If key factors such as client loyalty and satisfaction, sensitivity, loyalty, reliability, as affected by product quality, service quality and company reputation, are properly managed, then we face a well-organized institution and ready to compete in the market. We also observe the same with Tirana Bank. Whereby from the analysis we understand that variables have a positive relationship, proportional to the quality of service and that bank managers have attached due importance in both internal management and external interpretation.

5. Conclusions and recommendations

This study explores the link between satisfaction, reliability, security, responsibility, sensitivity and quality of service at Tirana Bank. Quality of service is the whole essence of how a bank operates efficiently in the market and for a long period of time. The big dilemma of bank managers is how to achieve the optimal level of efficiency and return to a level acceptable to clients, as they are the key to the institution's position in the market. During the operation and confrontation, many competitors have found the key of success by drawing the links between service-client interaction.

From the analysis we confirm the hypothesis, concluding that there is a positive relationship between satisfaction, reliability, security, responsibility, sensitivity and quality of service at Tirana Bank. The relationship examined by Cronbach's alpha model and that of linear regression between influential variables such as reliability, security, empathy etc. and service quality, found a positive relationship between them. The study showed that the higher the service quality at the bank, the more the client loyalty increases, leading to increased productivity and profit for him.

For banks to operate efficiently and have the longest possible operation in the market, it is recommended for managers of banking institutions to increase the quality of service to the most optimal value possible. Therefore, in order to achieve the highest possible point of client satisfaction, managers must create and increase the quality of service, in order to benefit from an increase in consumption and client referral (Arasli, Smadi and Katircioglu, 2005).

As Parasuraman et al. stated in 1990, traders and bank managers should attempt to identify client trends and then develop their service quality dimension to meet or exceed their client trends by enhancing communication device such as the Internet and it is this improvement in service quality that increases the successive client demand.

6. References

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