



GOING DIGITAL

A do-or-die choice for businesses!

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ECONOMICUS

No. 22/ issue 2, 2023

SCIENTIFIC JOURNAL / FACULTY OF
ECONOMICS, BUSINESS AND DEVELOPMENT

ISSN: 2223-6295

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ISSN: 2223-6295

Approved as scientific journal from the Commission of Academic Titles Evaluation at the Ministry of Education and Science no. 153, date 08. 10. 2010

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UETPRESS

Published April (Spring 2023)

Published under the series “ACADEMIC JOURNALS”.

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The journal has been catalogued at the National Library of Albania and the Library of the European University of Tirana, Albania.

(print ISSN: 2223-6295/ online ISSN: 2958-8901)

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www.uet.edu.al/economicus



Published by:
EUROPEAN UNIVERSITY OF TIRANA / ALBANIA

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EDITORIAL

Going Digital – A do-or-die choice for businesses!

Prof. Asoc. Dr. Elvin MEKA¹

EDITOR-IN-CHIEF

The term “digital” is now ubiquitous and one of the most used and cited word in the everyday life, throughout the world. Although the word saw the light somewhere in the mid-17th century, it’s has been vastly evolved from referring to digits, i.e., fingers, to numerical digits, thus entering the 20th century through the radio and recording technologies to the 1950’s world of computers.

Actually, the digital transformation is the most comprehensive and game changer’s process the world has seen since the First Industrial Revolution. As it laid the foundations for the Fourth Industrial revolution, now it is part of our economic and social life, in a capillar way. As Norqvist (2018)² puts it, “*digital transformation of society refers to a process where humans are re-shaping the way society ‘works’ by ways of interpreting and understanding society, including the usage of digital technologies in everyday life.*”

Putting into a real landscape a total of 5.30 billion people around the world were using the internet at the start of Q4 2023, equivalent to 65.7 percent of the world’s total population. According to OECD (2019)³, nearly all firms are connected, but only 11% of small firms perform big data analysis compared to 33% of large firms. So, the potential is still huge for individuals and businesses around the world. The digital revolution and the respective technology development has unfurled new ways for businesses in all sectors and industries. Digitalization and digital tools may be of great help, in terms of improving performance, efficiency, innovation,

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

² Norqvist, L. (2018). Analysis of the digital transformation of society and its impact on young people’s lives. In *Connecting the dots: Young People, Social Inclusion and Digitalisation*, Tallinn, Estonia.

³ OECD (2019), *Going Digital: Shaping Policies, Improving Lives – Summary*, OECD, Paris, www.oecd.org/going-digital/going-digital-synthesis-summary.pdf.

and customer satisfaction, despite respective risks associated with the extensive use of technology. However, risk and reward walk side by side, and businesses could reap considerable profits, if they adapt swiftly to the actual trend.

Albania may well seem to be an insignificant place for the digital revolution, but the fierce competition from outside challenging players and practices must not be neglected or sidelined by the Albanian businesses, be they big or no. In this way, it is now imperative for Albanian businesses, to employ digital strategies and solutions, in order to build adequate capacities for coping with the digital “tsunami”, which will undoubtedly touch and impact, in the near and more distant future, almost every aspect of their business, ranging from product development, risk management, to human resource management. Otherwise, if it is left unattended, or mismanaged, the digital revolution will turn into an imminent *weapon of business destruction!*



Digital Marketing In Albania And It's Impact On Consumer Behavior _____

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Abstract

Purpose: In this research we focus on the role digital marketing has in shaping consumer behavior in Albania.

Methodology: We conducted a survey in the capital of Albania to understand how trustworthy the WOM technique to consumers is and how valuable it is found to companies that rely on it to sell.

Findings: Results indicated that social media has built a positive reputation, as a good sales channel, and that companies should continue investing in digital advertising on social media because it can increase sales and brand image if done properly. Furthermore, companies that do not have a presence on popular social media outlets or have no strategy implemented on their outlets suffer from lack of brand recognition.

***Value:** Consumer interactions with brands are rapidly changing, due to advances in digital technologies and marketing channels of social media. Marketers nowadays seek to grab more consumer attention on social media than on the physical medium to promote their products or services.*

***Keywords:** digital marketing, social media, WOM, consumer behavior.*

Introduction

Nowadays, the internet has opened the doors for various firms to avail tremendous digital marketing opportunities. The advancement of markets and technologies that are highly competitive with the use of the internet have made digital marketing strategies replace those of traditional marketing (Alnsour, 2018). Moreover, digital marketing covers a wide area in the global market and includes business models that use digital technologies that reduce costs and increase businesses worldwide (Rafiq & Malik, 2018). Currently, digital marketing aims to grow businesses in the future, because customers are much more satisfied with online shopping, and they see digital marketing as safer than traditional marketing (Alzyoud, 2018).

Digital marketing has been around since the 1990s. “Online Marketing”, “Internet Marketing” and “Web Marketing” are all terms used to describe digital marketing. The use of electronic media to promote goods and services in the market is known as digital marketing. The goal of digital marketing is to attract customers and allow them to interact with companies they are interested in through digital media. Through a series of digital marketing strategies, the main goal is to promote businesses, build preferences and increase sales.

Digital marketing is an important platform in brand development, promotion and brand management as it encompasses all marketing efforts that use an electronic device or the Internet. Businesses use digital channels, such as search engines, social media, e-mail and their websites to connect with current and potential customers. The main advantage of digital marketing is that the target audience can be reached in a more cost effective and measurable way. Other advantages of digital marketing include increased brand loyalty and greater online sales (Alexander, 2021).

Digitalization has revolutionized the world of marketing during the last 15 years. The digital marketing industry gave positive signs during 2021 even in Albania, where one of the main factors was the outbreak of the global pandemic of COVID-19. Previously, consumers did not focus on online communication, sales or as it is otherwise known “e-commerce”, and the moment they faced the situation where the world stopped and the only communication window with the market became the internet, orders directed to digital marketing increased dramatically. Of course, the situation in Albania is quite different from years ago. The digital



part grew significantly in 2020 and results point to an average increase of 8%, compared to 2019. Traditional media (TV, radio, print) fell in 2020 drastically by about 18%.

The purpose of this paper is to identify the impact of social media marketing on the consumer's purchase decision. This study sheds light on consumer culture, how each of us experiences, is influenced and reacts to these very digital environments that we surround ourselves with as part of our daily lives. But this work also has limitations which are mainly considered for the generalization part of the data, since the survey was carried out only with a small part of the consumers of the city of Tirana. The obtained results are not intended to serve professional marketers but are intended to give non-field researchers an insight into how digital marketing is used today and what impact it has on consumer behavior.

Data Methodology

A comparative method of literature review, based on numerous research of foreign and Albanian authors, articles, scientific papers, books, scientific journals on the latest trends in the field of digital marketing, has served for the realization of this analytical, descriptive and comparative work. The obtained data are primary data, collected from 95 questionnaires, addressed to consumers in the city of Tirana, during the period September - October 2022. The interviewed consumers were chosen randomly, not all social media users, as well as residents not only in city center but also in rural areas. The questionnaire was designed in a simple sampling technique in such a way as to obtain all the important information necessary for the realization of this study. A total of 100 questionnaires were distributed and 95 filled samples were collected. The questionnaire was constructed from 11 questions, which received valid responses, providing information about demographics and consumer behavior towards digital marketing. The collected data have been analyzed through statistical programs, helping to reach the valid conclusions of this paper.

Literature Review

Marketing can be described as a management process between a firm and the consumer. There are many definitions of marketing, but they all revolve around the activities carried out in the context of improving customer relations. Shopper marketing is a new concept that has emerged, creating a new touchpoint for interactions between businesses and consumers. Shopper marketing is "the planning and execution of all marketing activities that influence a buyer along

and beyond the entire purchase path, from the point at which the motivation to buy first manifests itself through purchase, consumption, repurchase and recommendation” (Shankar et al 2011). The development in marketing theory has seen the conceptualization of the “marketing mix”. This theory has been used strategically by marketers to adapt a product to a specific market based on the characteristics of that market (Gilaninia et al., 2013). While the marketing mix is still widely used by many organizations to drive their strategies, the development of relationship marketing (Stauss, 2000) brought another dimension to marketing which created another change in the way firms sell their products and services.

Digital marketing has been proven to change consumer behavior (Khwaja et al., 2020). Many businesses claim that social media and digital marketing have become integral components of their marketing business plan (Cait Lamberton & Stephen, 2016). The use of digital marketing allows companies to achieve their marketing goals at a relatively low cost (Ajina & Tvaronavičienė, 2019). Organizations can also benefit significantly from creating social media, an integral element of the overall business strategy (Salma et al., 2016). Even during the period of the Covid-19 pandemic, not only the needs and purchasing behavior of customers partially changed, but also the internet and social media contributed to their change (Yogesh, 2021). Consumers spent more time shopping online when digital marketing flourished during this period (Coresight Research, 2020). Moreover, it is believed that digital platforms are a sustainable strategy of increasing consumer purchase (Verhoef et al., 2021).

One area that has been greatly influenced by various technological developments is marketing. But digital marketing that is carried out through a digital platform cannot be thought of without effective online advertising channels such as Facebook Ads, Google Ads or email marketing. Digital marketing helps businesses to sell their products to consumers through several channels such as E-Mail Marketing, online advertising, social media marketing, mobile marketing, etc. Digital marketing channels, (Levy & Gvili, 2015) are a set of channels that marketers use to interact with customers to sell their products.

- e-mail marketing is one of the digital marketing methods used to deliver orders to the same individuals at a convenient time. With Email, businesses can send emails that meet customer needs (Ugonna et al., 2017).
- online advertising is a form of promotion that persuades customers to make purchasing decisions and provides information about the audience. Also, a strategy that uses the internet to get website traffic and attract the right potential customers (Budiman, 2021).



- mobile marketing is considered one of the most important channels of digital marketing which provides access to consumers to know the benefits, needs and impact on their purchase decisions (Tiffany et al., 2018).
- social media marketing is a new trend and a fast-growing method to reach target consumers effortlessly and efficiently (Bansal et al., 2014).

The growth and spread of the internet also led to the emergence of a new form of “Word of Mouth Marketing” (WOM) considered one of the most influential informal media among consumers, businesses and the general population. Consumers increasingly use online tools (e.g., social media, blogs, etc.) to share their opinions about the products and services they consume (Gupta and Harris, 2010; Lee et al., 2011) and to research the companies that sell them. These tools are significantly changing daily life and relationships between customers and businesses (Lee et al., 2011). The rapid growth of online communication through social media, websites, blogs, etc., has increased academic interest in word of mouth (WOM) (Hennig-Thurau et al., 2004; Hussain et al., 2017; Yang, 2017). Today’s new form of online WOM communication is known as electronic word of mouth or eWOM (Yang, 2017). This form of communication has gained particular importance with the emergence of online platforms, which have made it one of the most influential sources of information on the web (Abubakar and Ilkan, 2016). One of the most comprehensive concepts of WOM was proposed by Litvin et al. (2008), who described it as “All informal communication via the internet directed at consumers and related to the use or characteristics of goods or services. The advantage of this tool is its availability to all consumers, who can use online platforms to share their opinions and ratings with other users.

In the field of consumer behavior, some previous studies (e.g., Park and Lee, 2009) have shown that consumers pay more attention to negative information than to positive information (Cheung and Thadani, 2012). For example, the most satisfied customers with a product or service tend to become its loyal representatives through positive WOM (Royo-Vela and Casamassima, 2011), which can bring very competitive advantages to enterprises, businesses or sellers, especially small ones, which tend to have fewer resources. Several studies have suggested that traditional WOM is the sales and marketing tactic most often used by small businesses. Furthermore, WOM offers businesses a way to identify customer needs and perceptions and even a cost-effective way to communicate with them (Nieto et al., 2014). Today, WOM has become an important medium for companies’ social media marketing (Hussain et al., 2017).

The new digital age has brought about a change in the way of thinking and doing things. The traditional marketing paradigm has shifted to a new paradigm facilitated by digital technologies. Many countries have used this change to

their advantage and adopted new age technologies and digital media marketing channels to respond to changing customer needs, while others have not been able to adapt to the revolution. digital and use the various opportunities available to them effectively (Goel, 2020). After the advent of the Internet and the evolution in digital technologies, there has been a drastic change in the wants and needs of consumers. Two-way communication tools, especially social media, have brought about changes in the traditional model of communication. Consumers now prefer to interact directly with brands and share their opinions and preferences publicly. Consumers expect brands to be more accessible and available across multiple touch points for ease of communication and interaction (Goel, 2020; Reynolds-Pearson & Hyman, 2020).

As traditional advertising media channels are losing popularity, marketers and advertisers must find new strategies to get their commercial messages to the consumer. Marketing practitioners must pay attention to how consumers interact with brands, how they respond to and engage with marketing promotions. Ho et al. (2020) in their study propose a strategic content marketing framework with the aim of providing guidance to companies starting fresh their content marketing strategies, guiding marketers through the strategic elements of vertical content marketing, and the opportunities of growing and executing content marketing horizontally. This model provides the essential elements for a content marketing strategy, depending on the maturity level of the company in relation to content marketing practices in general (emerging, developing or mature).

In addition, digital marketing uses channels to reach the preferred target audience through several channels, including social media, websites, multimedia advertising, online advertising, e-marketing, communication marketing such as opinion polls, adding games, mobile marketing (Garg et al., 2021). According to these researchers, marketers can conduct online surveys to get the information they need from customers, analyze the responses, and take appropriate actions based on customer responses to meet their needs.

Social media is a relatively new term that has evolved as a way to describe various platforms for online communication. In general, the term social media refers to “any technology that facilitates the distribution and sharing of information online” (Robbins and Singer, 2014: 387). More specifically, Kaplan and Haenlein define social media as a “group of internet-based applications that are based on the ideological and technological foundations of Web 2.0 and that allow the creation and sharing of User-Generated Content (Kaplan and Haenlein, 2010).

Social media marketing is a new trend and a fast-growing method to reach target consumers effortlessly and efficiently. Furthermore, social media marketing can be modestly defined as the use of social media channels to promote a business and its products (Bansal et al., 2014). This type of marketing can be considered



a subset of online marketing activities that complement traditional web-based promotional strategies, for example, email newsletters and online advertising campaigns (Omar & Atteya, 2020). Thus, with this new marketing approach, new channels are being created and improved for businesses.

Social media as explained by Mayfield (2011) is changing the way information is communicated to and by people around the world. The rapid use of social media is changing the way organizations respond to the needs and wants of consumers and is changing the way they respond to their competitors (Mayfield, 2011). Marketers now have the opportunity to engage in broader and more innovative forms of online mass communication using social media marketing tools (Stelzner, 2010). Social media marketing is about passion, emotion and genuine expression towards a brand (Brandz, 2010). Social media marketing represents communication opportunities for marketers to reach wider audiences (Kweskin, 2007), and allows marketers to access valuable information that influences building and maintaining relationships with consumers (Evans, 2010).

Social media marketers are now becoming better and more influential by introducing analytics applications from the official social networking website platform (Nur, 2021). Social Media refers to any software channel that allows and encourages engagement in discussions. Thus, the general forms of social media are Facebook, Twitter, LinkedIn and YouTube. Currently, social media is a platform for businesses to have more conversations and interaction with consumers. Moreover, it is the brand that is now attracting consumers through social media (Budiman, 2021). Social media has also spawned websites and apps designed to allow customers to share content faster, more efficiently, and in real time.

Consumer behavior is a term that can be used generally to refer to the actions and decisions that influence the purchasing behavior of consumers (Solomon et al., 2017). Consumer behavior mainly includes purchasing activities, consumption and disposal actions, behavioral, mental and emotional responses related to the decision to make a purchase (Zhang & Benyoucef, 2016). However, its understanding on the digital platform is quite possible through some analytical software. The behavior of any consumer depends on many factors which are very important for any marketing management team in any business or any organization that deals directly with consumers. The study of consumer behavior is very important for businesses because it enables them to understand and predict the buying behavior of consumers in the market; it is not only about what consumers buy, but also why they buy it, when, where and how they buy it, how often they buy it, and also how they consume it. New technology has changed consumer behavior online.

In today's digital age, consumers have many more opportunities to search and gather information to make decisions about their planned purchases. Rami (2012) in his study on factors influencing consumer behavior, explains that buyer behavior

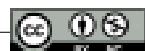
and purchase decision are strongly influenced by cultural, social, personal and psychological characteristics. Understanding the impact of these factors is essential for businesses in order to develop appropriate marketing methods to attract the target customer. Cultural factors refer to the social environment, ideas, customs and social behavior of a certain people or society; social factors include groups (reference groups, aspirational groups and member groups), family and social roles and status; personal factors include such variables as age and life cycle stage, occupation, economic circumstances, lifestyle (activities, interests, opinions, and demographics), and psychological factors include motivation, perception, learning, beliefs, and attitudes.

Advantages and disadvantages of using digital marketing:

ADVANTAGES

DISADVANTAGES

<p>Updated information on products or services. Consumers can stay up-to-date with information, while companies can update information about their products and services.</p>	<p>Reliability in technology. Digital marketing is completely based on technology and internet connectivity also plays a crucial role in consumer behavior. On the other hand, the reach and usability of digital devices/technologies still remains a challenge for a large portion of consumers everywhere.</p>
<p>Greater exchange of information. Digital communication can help exchange information in a more convenient way and with greater speed. Customers can engage with various company activities by visiting websites, reading posts about products or services, placing online orders, and providing feedback or sharing experiences with others. The Internet provides comprehensive information that helps customers make purchasing decisions.</p>	<p>Security, Copyright and Privacy Issues. Cyber security is the main requirement for the successful implementation of digital marketing. The problems of online payment frauds are also increasing day by day and that is why many of the consumers do not trust electronic payment methods and give up online shopping because of this.</p>
<p>Easier comparison with other companies. There are many companies in the market promoting the same products and services. By using digital marketing, the customer can compare these products or services with cost and time without visiting another retail store, to get knowledge about these products or services.</p>	<p>Consumer Mindset. Digital marketing is still not fully accepted by all consumers. Digital platforms do not allow the consumer to “touch and feel” the products before buying it, preferring to use traditional shopping methods. Also, there is a lack of consumer confidence in digital platforms due to numerous scams with virtual promotions, payments, non-delivery of products or services as shown on portals/posts etc.</p>
<p>Enables 24/7 shopping. E-marketing platforms provide 24/7 services to the customer, which is not possible in the traditional way of marketing.</p>	<p>The impossibility of small business development. There is a need to have a trained and specialized team to manage the elements of digital marketing. Also, tools, platforms and trends change rapidly, which require keeping up to date to meet customer demands. These are the main obstacles for small business owners to use digital marketing strategies to expand and reach a larger number of customers.</p>



<p>Cost efficiency and personalized services. Digital marketing is cost effective solution compared to traditional mass media marketing. Also, it is possible to create personalized offers and programs based on customer profiles and preferences.</p>	<p>Complaints and customer feedback. Many times competitors use famous brand personalities, bloggers, influencers and opinion leaders to advertise or to criticize the image of a certain brand that affects the business. Also, using the digital platform, consumers can give any negative or critical feedback about the brand online, which can be visible to any other consumer who visits the post / portals or social media and reviews the websites. Thus, performing effective online customer service is a challenge for protecting against brand reputation damage.</p>
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Data Analysis

The results obtained from the questionnaire will prove the fact that Albanian consumers are recently massively using social media for their purchases. In the following, more specifically, we will present all the empirical data with analysis and comments from the respondents.

Demographic data analysis for the questionnaire.

FIGURE 1. Questionnaire results based on Gender of participants.

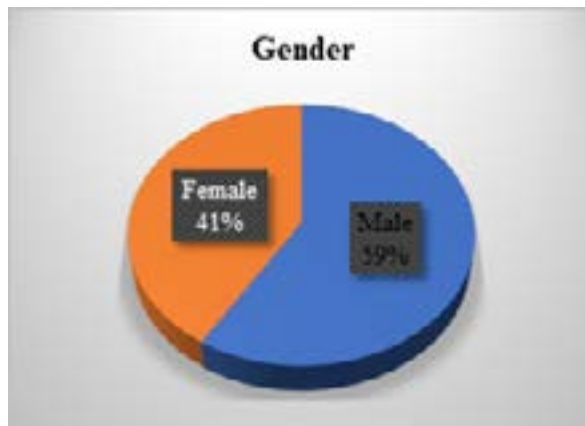


FIGURE 2. Questionnaire results based on Age of participants.

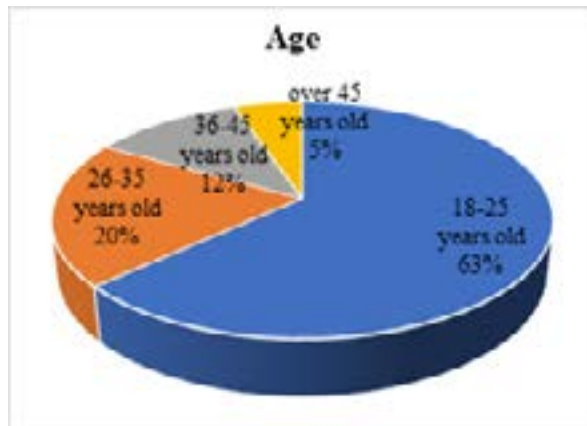
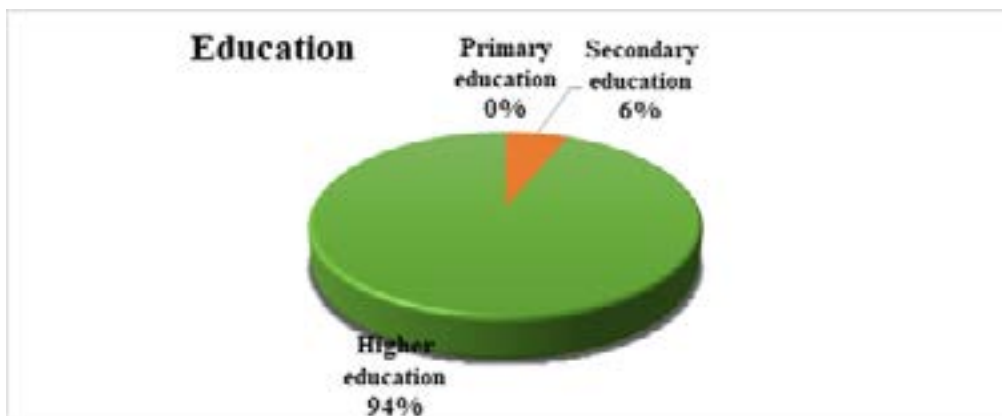


FIGURE 3. Questionnaire results based on Education level of participants.



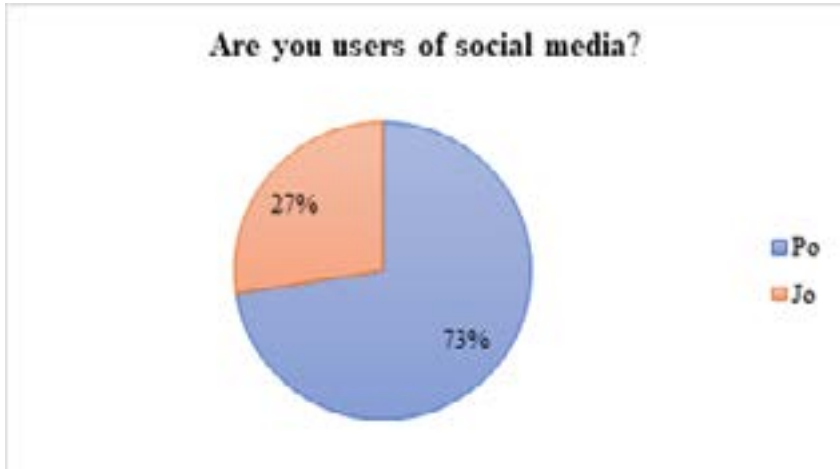
Based on the demographic data of the 95 people interviewed, the dominant gender was men with 59%, whilst women 41% (See Figure 1). The predominant age group in this study was the 18-25 age group with 63%, followed by the 26-35 age group with 20% of the interviewed population, 12% age group 36-45 years and 5% over 45 years old (See Figure 2). Asked about their educational level, 95% of them had a higher education and only 5% of them had a secondary education (Figure 3).

Data analysis for assessing the importance of using social media.

In order to get information about whether they were users of social media or not, they were asked the question presented in the graph below (Figure 4). The

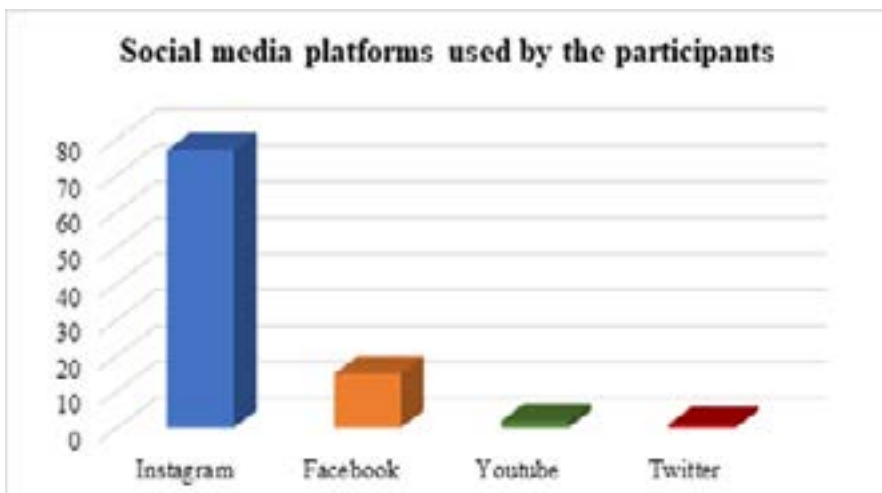
interviewees stated that they use social networks and have open profiles on these platforms (73%), and only 27% of them stated that they are not social media users. This part included consumers living in suburban areas.

FIGURE 4. Are you users of social media?



According to the questionnaires distributed to different people chosen randomly, it was found that many of them use different categories of social networks (Figure 5). The social network Instagram is the social network that dominates in terms of use, 81% of the participants stated that they are users of this social media channel, followed by Facebook which is used by 16% of the participants, YouTube by 2% and Twitter by 1% of the respondents of the questionnaire.

FIGURE 5. Social media platforms used by the participants



The results obtained from the answers to the question below (Figure 6), show that for the majority of respondents, the use of social media is very important in their decisions for the purchase of products. 84% have affirmed this, while 13% consider it important, and very few of them do not attach importance to the use of social media in informing about the products that companies offer on their sites.

FIGURE 6. Importance of using social media in increasing information over products they use.

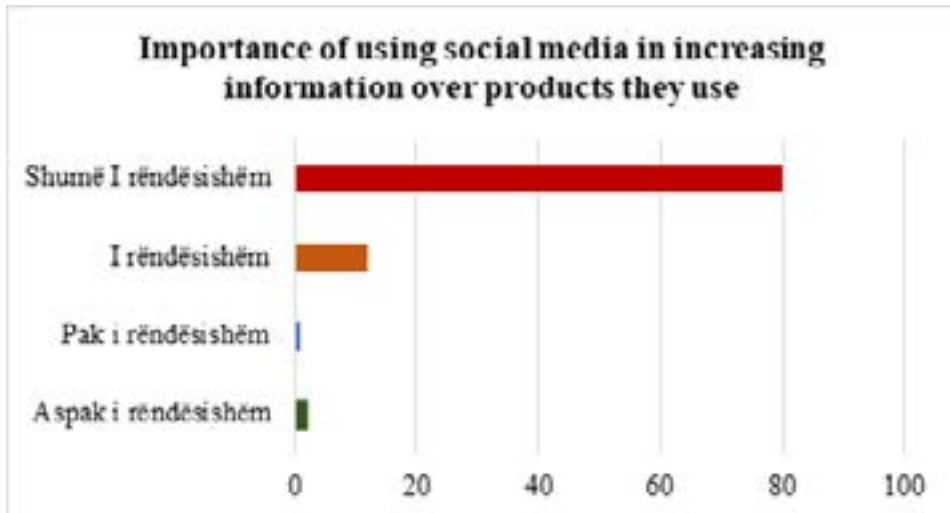
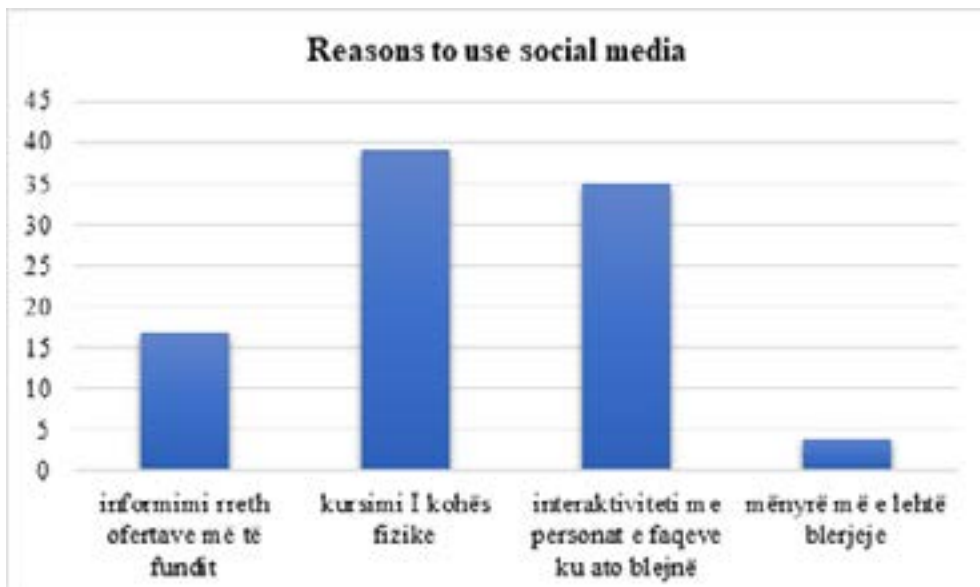


FIGURE 7. Reasons to use social media.



Undoubtedly, social media nowadays has become the best means for consumers to be informed about the latest offers and discounts on a company's products. This was confirmed by the answers given by the respondents in the next question of the questionnaire, where they were asked what are the reasons they use social media (Figure 7). 18% of the respondents answered to be informed about the latest offers. 41% of the answers from the respondents are because buying online saves more time and they don't get "tired" at all by going directly to see the offers or discounts of companies in physical stores, since something like this is all done from the phone, where obviously they enter social networks and see their offers. 37% of the respondents answered that there is interactivity with the responsible persons of the pages where they can ask them on social media about the questions they may have about products and this makes it easier to decide to buy a certain product.

The following questions were designed to provide information on how familiar the respondents in this study are with WOM strategies and what influences it has on their purchase decisions.

FIGURE 8. Are you informed on WOM strategy?

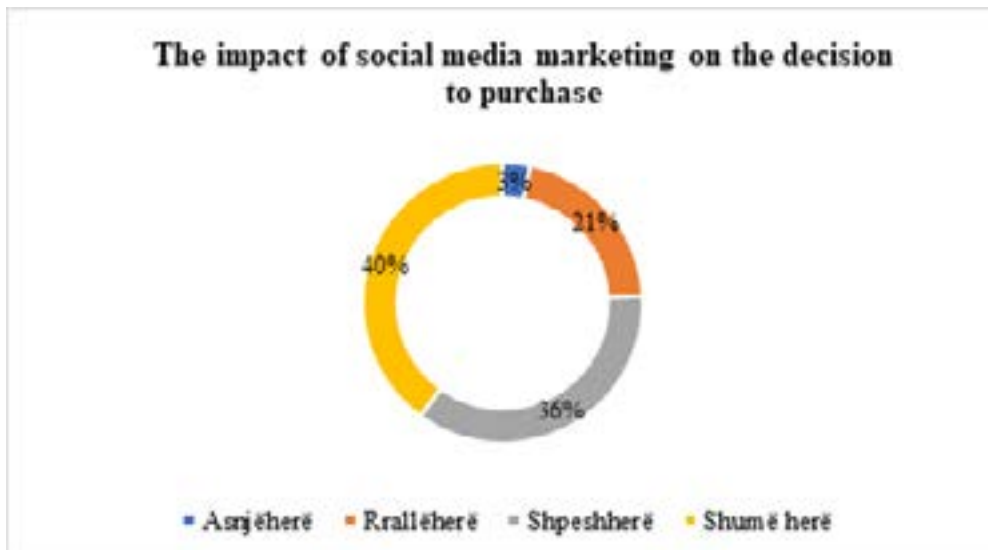


FIGURE 9. Does WOM strategy impact your decision to purchase?



The two figures above (Figures 8 and 9) prove that most of the individuals questioned have information about the WOM strategy, which they see as an important strategy that also affects their consumer behavior.

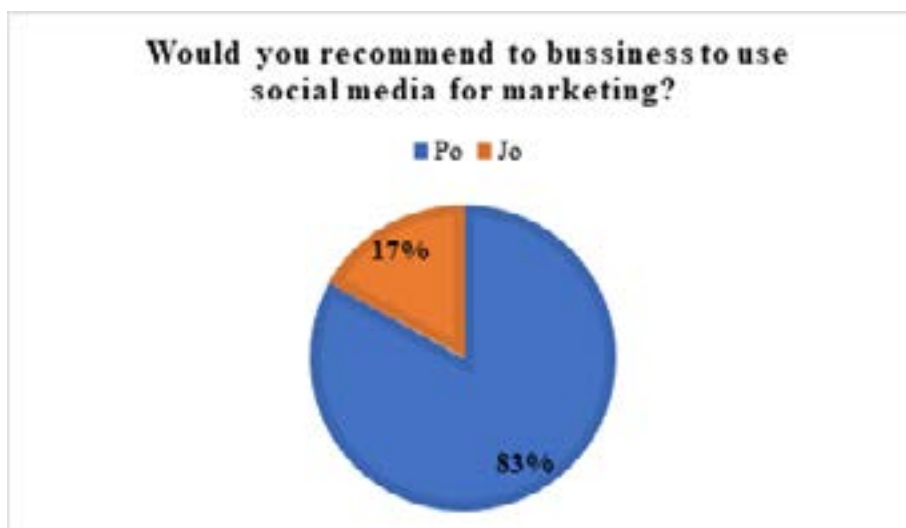
FIGURE 10. The impact of social media marketing on the decision to purchase



After the previous questions, the respondents were also asked about the fact that social media marketing has influenced them to buy the products of a company operating in our country (See Figure 10). Some 40% of the respondents stated that social media marketing has influenced many times that they choose and then buy products of different companies or enterprises. About 36% of respondents answered that social media marketing has often influenced them to buy a company's products. Roughly 21% of the respondents rarely had an impact, who expressed the opinion that they rarely bought company products from the marketing they did on social media. Only 3% of them stated that the marketing of these companies on social media has never influenced the purchase of any product.

Finally, the interviewees were asked if they recommend different businesses to do marketing in different social media (See Figure 11).

FIGURE 11. Would you recommend businesses to use social media for marketing?



Undoubtedly, the majority of the interviewees (83%) have affirmed that they recommend different companies to develop marketing in social media, in order to be as attractive as possible, and clearer about their products as this will it was a more convenient way for them to establish relationships with customers and to be as close to them as possible.

Conclusions

In recent years, technological developments have played a vital role by increasing the awareness of consumers who are fully convinced of the effectiveness of various social media in their purchasing behavior. However, the consumer mindset has changed from mall to mobile, as consumer behavior has changed, companies are also trying to attract customers through the digital age. Digitalization has inspired people to market through social media platforms, and consumers are constantly changing their mindset and taking advantage of online shopping. Undoubtedly, social media is playing an important role in making people aware of social media companies, which are offering online sales and increasing their profits through social media. Through digital marketing, the company has created all the facilities that the customer needs.

Marketing has always aimed to connect the company with the audience at the right time and place. Today, companies must meet consumers where they spend most of their time: online. People's lives changed a lot with the invention of the internet, and the way of doing business changed forever. The goal of companies in

the past has been to meet consumer needs while meeting target profits. Today, with all the information that is available to everyone and free of charge, companies are forced to provide a customer experience in addition to fulfilling needs.

Therefore, today it is not enough for companies to simply fulfill these needs, but to provide satisfaction to consumers. Also, Word of Mouth Marketing (WOM) is an action taken recently by various companies that have begun to pay attention to motivating people to talk about their products, services or brand spontaneously, becoming into a valuable marketing resource.

From the answers obtained from the interviewees in this study, we noticed that:

- They attached very high importance to the quality of the product or service in choosing the product/service brand. This is a very important point that directly affects the company's marketing since the whole company can be destroyed from negative feedback by its customers, whether they are new or existing customers.
- They were users of social media, mainly the Instagram platform, where they bought new and existing products of companies thanks to the digital marketing of the product through social media. They could be considered loyal customers, as long as the company met its targets and marketed the identical product as marketed.
- The main reasons why these interviewees used social media were: information about the latest offers, saving physical time, interactivity with the people of the pages where they buy, easier way of buying.
- Digital marketing had a significant impact on the selection and then on the purchase process of a product.
- They were informed about the WOM strategy and the importance it had on consumer behavior.

Regardless of the positive impact social media has on consumer behavior, assumption that we derived from the questionnaire responses, Albanian consumers should be more loyal to social media, seeing it as an opportunity and not as a risk. But this is insufficient as there is always a need for improvement. Since the fight for survival in the market is becoming more and more fierce, companies operating in our country must work to improve marketing incentives in order to be able to convey the right information in the right way to consumers. It would also be recommended that companies use to their advantage other forms of social media platforms in order to differentiate themselves from other competitors in the market.



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Network Characteristics Of Advertising Portals: Fostering Web Marketing Development In Albania

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Abstract

Purpose: *The main purpose of this study is to identify the peculiarities of advertisements in Albanian online portals. Also, it aims to introduce us to a general picture of advertisements used by Albanian online portals, as well as highlight their special elements. Monitoring and analysis of the content of advertisements in some of the most popular Albanian portals as well as studies by specialists in the field who know very well this part of the world and very little in Albania is another point at which the work will focus.*

Methodology: *The paper is a descriptive study of the literature of digital marketing in the Albanian portals. Qualitative methods are used in the development of the paper, browsing mainly foreign literature, by reviewing different scientific papers, as well as*

a direct observation has been carried out to support the analysis of the peculiarities of advertisements on online portals in the period January-June 2023.

***Findings:** The application of advertising in Albania has gone through two stages, firstly we have the publication of the portal's own advertisements; in the second phase, we have a further development of technology, online portals were developed even more, and we have the orientation of advertisers towards the Internet, showing mostly local ads on these portals, then we have the application of non-local, mostly foreign ads.*

***Value:** This study can serve as a starting point for more in-depth studies in this field, focusing on the specific elements of advertising in online portals in Albania.*

***Keywords:** advertisement, portal, Cost-per-click, ad serve*

Introduction

Today viewers and readers are becoming more demanding and selective. Online media has made it very easy to spread information in a few seconds in real time, thus competing with news television, but also with the written press, which has somehow left it in the "shadow". Technology has also added alternatives for users who are not only able to change the channel, but also shift their attention to the Internet, watch the latest movies and make other endless choices that this platform offers.

More and more businesses are switching from traditional marketing to digital marketing (Zanubiya, J., Meria, L., & Juliansah. 2023).

In this unstoppable evolution, even the advertising market, the main source of income for many television stations and newspapers, has focused mainly on online media that have attracted their attention.

This new communication platform includes all aspects of advertising as well as product research, promotion, and product sales. Radio and print media have a lower cost than television for advertising. Even in Albania, online marketing is becoming widely used, this is proven by the figures that show a decrease in advertising on television, mainly on the main national televisions.

The Internet is becoming popular for reasons of costs and specific targeting of the audience. A simple illustrative example, if you own a product and want to promote it, online media gives you the opportunity to define the budget, geographical space, specifics of the target group, such as age, gender, etc., and the entire amount will be spent on the target audience, whereas an advertisement in visual media you cannot control the audience so specifically.

The advertisement has been accompanied by many changes. New methods in its management and provision make it every day even more costly and necessary for the survival of the media, the online portal.

The role of advertising is essential in the media industry. For all types of media both traditional and new, it is the main source of income. Despite the radical changes that the media environment has undergone and influenced by the technological process, the status of advertising as the main source of income remains intact.

The application of new forms of advertising appears as an attempt to adapt to the behavior of audiences and as a response to the demand for increased efficiency on the part of advertisers. Meanwhile, the advertising industry is a growing business activity with significant impact on the economy.

However, this new media, along with a found freedom, also faced a series of new challenges, such as economic difficulties, conflict with the government or politics, lack of professionalism, as well as the resistance of new media owners to journalists for control of content.

The Covid-19 pandemic offers businesses an excellent opportunity to shift to real and honest marketing that can actually tackle urgent environmental and social challenges globally. (Alshaketheep *et al.* 2020).

Despite the global closure during the Covid-19 pandemic in March-May 2020, destinations continued to market themselves (Ketter, E., & Avraham, E. 2021).

An inherent and continuous problem in the analysis of the Albanian media market is the lack of accuracy, transparency and regular public data about advertising due to the lack of transparency of funds in the media and the lack of regular reliable studies of the advertising market. and advertising revenue.

In case of Balkan Media, the situation can be described as: "It is difficult to teach these new businesses that together with competition, responsibility must be exercised; something that is necessary in the media business (Avadani I, 2017)

The hopes of television remain with telecommunications companies and banks, which have the largest budgets available for marketing and advertising, while new advertisers are counted by the dropper. However, the big TVs are managing to hold on and take a major slice of the advertiser budgets pie.

In the conditions of an increasingly fierce competition, the use of advertising, one of the most important forms of communication, appears as a necessity not only in the economic sphere but also in the political, social, cultural, etc.

The main purpose of this study is to identify the peculiarities of advertisements in Albanian online portals. Also, it aims to introduce us to a general picture of advertisements used by Albanian online portals, as well as highlight their special elements. Monitoring and analysis of the content of advertisements in some of the most popular Albanian portals as well as studies by specialists in the field who know very well this part of the world and very little in Albania is another point at which the work will focus.

The development of technology and the creation of online portals in Albania has caused companies to shift advertising from traditional media to online ones.

This has created the need for portals to develop or borrow some of the technical and managerial platforms to publish, target and measure advertising on their portals with the aim of increasing the efficiency of advertising as well as the most efficient use of advertising spaces on the portal.

Methodology

The paper is a descriptive study of the literature of digital marketing in the albanian portals. Qualitative methods are used in the development of the paper, browsing mainly foreign literature, by reviewing different scientific papers, as well as a direct observation has been carried out to support the analysis of the peculiarities of advertisements on online portals in the period January-June 2023 (Albeu.com, Balkanweb.com and Top-Channel.tv). The selection of these portals was based on the most clicked in Albania (according to Alexa.com). Also, the monitoring carried out by the author of this paper on the advertising formats that use Albanian online portals, it was concluded that these three portals apply different advertisements and meet the criteria to be part of the study.

This study is focused on the types of online advertising, the application and investment of advertising agencies in online portals, the analysis of the peculiarities of advertising in online portals in Albania, as well as the monitoring of some of the most popular portals. We also gave a description for online advertising formats, in order that the reader will have a complete framework about the topic.

The study uses the most popular online portals located in Albania, where, there is a lack of scientific studies on the advertising market, especially in online media. The study presents a complete picture of the qualities of advertising in online portals.

Finally, this study can serve as a starting point for more in-depth studies in this field, focusing on the specific elements of advertising in online portals in Albania.

Literature Review

We as consumers are exposed to hundreds of commercial messages every day. They can be in the form of billboards or in the form of an advertisement, a newspaper, a television advertisement, a coupon, a brochure for advertising various products, in the form of a publicity, a sponsorship for a certain event, of a phone call and even as an email message. These are just some of the different means of communication used by companies and organizations in order to establish and maintain contacts with buyers, potential customers. These communications are included in the general

term “advertisements”. The correct term for these different tools is marketing communications, and advertising is only one of the marketing communications. (Weigold, 2004)

Albert Lasker, who today is considered the father of modern advertising, at the beginning of the twentieth century, defined advertising as: “Commercial in written form, driven by a certain reason.” But today this concept has changed, because at that time business and advertising were quite limited. The environment and needs of businesses have changed and so has the concept and practice of advertising. Advertising is any public announcement broadcast for payment or similar remuneration, for the purposes of self-promotion; that is intended for the promotion of the sale, purchase or production of a service; to advance an idea or issue; or to cause some other effects desired by the advertisers or the broadcaster itself.

Online advertising, also called internet advertising, uses the internet to distribute promotional messages, marketing messages to consumers. It includes email marketing, social media search, types of display advertising (including web banner advertising), and telephone advertising. Like new media it involves both a publisher, who integrates advertising into an online content, and an advertiser, who provides for the ad to appear on the publisher’s content.

Online advertising is a big business that is growing very fast. In 2011, Internet advertising revenue in the United States surpassed that of cable television and nearly surpassed that of broadcast television.

Effective marketing enables the collection of data to understand more about the targeted consumers, allowing advertising and other strategies to be more directed. In addition, this was initiated to deeply understand how the digital marketing strategies of online business sellers work (Tabuena et al. 2022). The use of digital tools may allow SMEs to achieve a higher performance and efficiency in communicating with their customers, as well as to improve their growth and competitiveness in the market (Bermeo-Giraldo, M. C., Valencia-Arias. 2022).

But journalists define it as a communication, as public relations or as a process related to efforts to convince consumers; people see it as a marketing process; economists and sociologists tend to focus on the social economic or ethical significance of advertising.(Zela, 2017)

According to McCann-Erickson advertising is “the truth told the right way”. For Bernbach “advertising is persuasion and persuasion is not a science but an art”. Arens. W (2004) defines advertising as “the impersonal, structured and systematic communication of information usually intended to persuade about various products (goods, services, and ideas), financed by identified sponsors and distributed through various media”.

Kotler and Armstrong define advertising as “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor,



which is intended to inform, persuade or remind about a product or certain service”. (Kotler, 2013)

According to Richards and Curran (2002), advertising is a form of communication paid for by an identifiable source designed to persuade the recipient to take some action, now or in the future. Advertising is a form of communication that aims to persuade. It is about promoting a product or service to attract attention and helps build a brand through communication.

The wind of globalization, promotional integration and dot.com, the beginning of which coincides with the turn of the millennium, where the diversity of the media portfolio stands out with the growing presence of the Internet and new media in front of an increasingly sophisticated audience. Today’s audience has greater power than ever in the ‘fate’ of the advertising message (filtering, avoidance, etc.), as well as thanks to new techniques there is a tendency for input from the market itself (crowdsourcing) in the realization of advertisements, etc. (Duka, 2012)

The development of the Internet has also brought changes in the marketing environment forcing marketers to rethink almost everything they do. In her doctoral thesis Loreta Axhami entitled “Advertising in audiovisual media and the specifics of Albanian models” states that “Currently there are approximately over two billion Internet users worldwide and the desire of consumers to receive information, the speed and convenience of receiving of this information as well as the ability to control what and how much information they receive has influenced the increase in the use of the Internet”.

There is something new on the internet every day, we shop through it and there is nothing that cannot be found or bought there. Both customers and marketers have rapidly increased the use of this medium and the opportunity to target customers effectively through the Internet is very attractive and profitable for marketers.

Unlike other media, products and services offered for sale, the Internet is interactive. In their book “Advertising and promotion” George E. Belch and Michael A. Belch” state that” consumers not only control when and what messages and content they see but they provide their own content, offer products and services for sale as well as give feedback”. Marketers are increasingly engaging consumers in a way never seen before through a variety of platforms that never existed before. (Belch, 2015)

In the beginning, the Internet was used by corporations that used it to create their sites there, mainly to provide information and there was no interaction. But, the role of the site changes very quickly and now through them a large number of objectives are achieved by making the website as creative as possible, promoting brand image, brand positioning, various promotions, product information, products and services for sale. thus enabling an interaction between the company and the customer.

According to Belch, the communication objectives that companies aim to achieve through the Internet are: creating awareness, generating interest, distributing information, creating an image, creating a strong brand (Belch, 2015).

The authors Kotler & Keller (2016) highlight several types of advertising on the web, which are: *banners*, *trick banner* (masked advertisement - the advertisement looks like a dialog box, so it attracts attention), *pop-up/pop-under* (advertisement window above/below the page in question), *interstitials* (transit ad - opens before the destination page is downloaded), *floating ad* (floating ads that wander for a certain time on the page and then disappear by themselves or are closed by the viewer), *expanding ad* (ads that when the page opens, and the ad zooms in to the domain of the page), *video ad* (video ad similar to television ad), *wallpaper ad* (background ad), paid search, *behavioral targeting*, *contextual ads*, *online commercials*, *video on demand*, *websites*, *videogames*, *instant messaging*, *podcasts*, etc.). But Internet advertising also includes social media ads (Facebook, Youtube, etc.) that focus more on the message and the ads that will appear, starting from the profile that users have on these media.

The term “Digital Marketing” was used for the first time in the 1990s. Immediately with the advent of the Internet and the development of the “Web 1.0” platform, this term expanded even more, giving even more advantages to its users. “Web 1.0” allowed any user to be able to find various information on the Internet, but it did not provide the possibility of interactivity so that even Internet users could share this information on the Internet. The “Web 1.0” platform meant that marketers were not yet sure that their advertising strategy would be successful because until that time the Internet was not yet fully spread throughout the world.” (Monnappa, 2018)

Then came Web 2.0, where people became more active participants rather than remaining passive users. Web 2.0 allowed users to interact with other users and other businesses by providing interactivity and real-time information sharing. As a result, the volumes of information circulation, including the channels used by digital marketers increased more. In 2004 Internet advertising and marketing in the US alone brought in about \$2.9 billion.

The integration of online businesses and the publication of their products online made it possible for costumers to have the opportunity to view and buy the product at any time, as well as for the seller to be available to his customers at any time. Statistics compiled by MarketingTechBlog for 2017 show that posting on social media is the top online activity in the US. The average American spends 37 minutes a day on social media. According to the statistics of this study, 99% of online advertisers use Facebook as a market, 97% use Twitter, 70% use Google+, 69% use Pinterest and 59% use Instagram.



“70% of B2C marketers have acquired customers through Facebook. 67% of Twitter users are more likely to buy from brands they follow on Twitter. 83.8% of luxury brands have a presence on the social network Pinterest. Three pages The first social networks used by marketers are “LinkedIn”, “Twitter” and “Facebook”. (Technology, 2017)

The digital market is in a constant state of flux and a digital marketing professional must find ways to keep up with this change. They should be able to keep an eye on new trends and the development of the newest and smarter Search Engine algorithm.

Online Advertising Formats

Online advertising has evolved since its inception, from a static image that appears at the top of a web page, to now there is a wide variety of ad types that we see used on websites. In this paper, as stated above, the types of web advertising will be analyzed. Which are: banner ads, rich media ads, video ads and native ads.

Banner Ads

“Banner” ads have been popular throughout the internet and will continue to be present on websites forever. The banner ad developed relatively early as a major part of online advertising and continues to dominate as the most widely used online advertising format. A banner ad is a special type of online advertising resource that can be found anywhere on a web page. It can be positioned very easily at the top, bottom or side of a page. “Banner” ads are generally graphic ads or ads coded in “HTML” or “javascript” enabling the display of a specific ad which, when clicked, sends the user to the advertiser’s site. The sizes of online banner ads are: 300x250, 728x90, 468x60, 300x600, etc.

Unlike some other types of ads, banner ads can also contain video or Rich Media. In general, the banner ad is a type of format familiar to early Internet users and is now being eclipsed by more sophisticated ad formats.

Without banners there would be no Google or Facebook, as the search engine and social media keep a percentage of the revenue earned through banners to fund their business. It all started when the first banner of AT&T, a US phone company, appeared on HotWired.com. “*Have you ever clicked your mouse here?*” it read, with an arrow pointing to the right side that read: “*You will.*”

In 1995, the first commercial contract to show advertisements on the Internet was signed, and its distribution led to a reorganization of the site’s content and a change in graphics. (Weigold, 2004)

Banner advertising as stated above refers to the use of a rectangular graphic display that spans the top, bottom, or sides of a web page.

Banner ads continue to bring low revenue. On average standard banner ads, those with no interactivity beyond animations, only deliver about 0.05% CTR (some say 0.01%) for every 10,000 ads that are displayed, about 5 clicks are received. Banners are usually best understood not as click drivers, but awareness drivers that fit into a larger strategy.

Marketing agencies such as Tipping Point Communications in the US use the banner as part of campaigns that also include mobile tactics, online video and audio streaming and other ad formats such as high-impact billboards, rich media banners. While banner ads have evolved rapidly, the basics of online advertising stemming from those early banners remain the same. (Techopedia, 2018)

Rich media ads

“Rich Media” is a digital advertising term for an ad that includes advanced display features such as video, audio, or other elements that encourage viewers to interact and engage with the content the ad presents.

While text ads are sold with words and banner ads are sold with pictures, rich media ads offer more ways to engage your audience with an ad. This ad format has features such as being expandable and scrollable across web pages.

Rich media advertising can collect data about audience behavior, including the number of extensions, multiple exits and video completions to obtain highly detailed data about the success of the campaign.

Rich Media enables advertising agencies to create complex ads that can yield interesting data about the users who engage with them. Using HTML5 technology, this ad format can include multiple content elements in one placement such as video, audio, games, etc. (Google, 2019)

Video Ads

The growth and expansion of digital media, the proliferation of increasingly sophisticated mobile devices and the improvement of broadband coverage and 3G and 4G services has meant that we all use the Internet to watch our favorite shows, watch video clips of songs on Youtube or to check for the most viral videos on Facebook. Our insatiable “appetite” for video has not gone unnoticed by advertisers, and as a result, there has been significant growth in the video advertising market as well. Recent studies show that video spending has reached one billion dollars by in 2018. (Bagguley, 2015)

Advertisers are very interested in videos because videos are incredibly easy to make and post but can stay online attracting views for as long as we want.



“Native” Ads

Unlike the above forms of advertising, “native” advertising is an interesting enough form that the user does not immediately realize that it is an advertisement. “Native” ads are formats that manage to match the look, ideology and functionality of the media format or website in which they appear.

They are often found on social media networks or as recommended content on a website or online media.

These forms of advertising appear as content on the website itself and appear to be part of the site’s editorial flow even though it is actually a sponsored post, which has advertising as its purpose.

To better understand native ads and where we most often encounter them, below we will bring some more detailed forms of them:

- **The social media newsfeed**

Social media are the first to use the most native advertising. Facebook, Instagram, Twitter, Pinterest, etc., are an example of native ads that appear by navigating in the form of a post including photos, videos, text and redirect links to the advertiser’s site. Recently, this form of advertising is becoming more present in the newsfeed of social media, appearing while we are looking at the posts of friends or the posts of the pages we follow.

- **Portals and websites with an informative character**

Informative websites, news portals, online magazines or blogs are the ones that use “native” ads the most, positioning them at the end of reading an article or article. These ads are titled as “Similar Articles” and appear in the form of an article since native ads are able to fit very easily with the category of the article and look like a real editorial post. (Outbrain, 2017)

“Pop-up “ advertisement

Pop-up ads are forms of online advertising on *the World Wide Web*. A pop-up is a graphical user area, usually a small window, that appears suddenly on a visual page. The pop-up window containing an advertisement is usually generated by JavaScript using cross-site scripting (XSS), sometimes with a secondary payload using Adobe Flash.

The pop-up ad originated on *Tripod.com* in the late 1990s. Ethan Zuckerman created pop-up ads, he wrote code that would launch ads in separate windows in response to complaints from advertisements. It created the pop-up window. Zuckerman later apologized for suddenly annoying ads appearing online, but those had since evolved.

In online advertising, pop-up ads are highly visible and more effective than banner ads. Pop-up ads are versatile and can include most types of ads. For advertisers, this remains one of the most popular methods of reaching consumers

online, as click-through rates are higher than other forms of advertising. In other words, the return on investment for pop-up ads is high. When used correctly with the page, it can lead to better tagging, as they have the potential to leave a lasting impact with viewers.

Pop-up ads often annoy users, as they usually appear on the desktop, require time and effort to close the window open on the page. Many find these ads annoying as they cover other pages and become active popups. For advertisers, the cost of pop-up ads is usually high compared to other types.

Opera was the first browser to include tools to block pop-up ads; Mozilla browser later improved on this part by blocking only pop-ups generated as page loads. In the early 2000s, all major browsers except Internet Explorer allowed users to block almost all unwanted pop-ups. In 2004, Microsoft released Windows XP SP2, which added pop-up blocking to Internet Explorer. Most modern browsers offer pop-up blocking tools; third-party tools add other features, such as ad filtering. (CNN, 2014)

“Pop-under “ advertisement

Pop-under ads are similar to pop-up ads, but the opening of these ads is hidden behind the main browser window instead of being placed in front of it. As pop-up ads became more prevalent and intrusive, often taking up the entire computer screen, many users would immediately close pop-up ads that appeared without seeing them. Pop-under ads do not immediately block the view of content, but remain unnoticed until the user closes or minimizes the main browser window

Flash Ads

A flash ad is an animated banner created using Adobe Flash technology. These banners use complex animations (like movies) and sounds and are often interactive (they “react” based on what the user is doing). Physically, flash banners are objects uploaded to web pages and can be positioned in any ad space of a web page. These types of ads are considered more effective and more attractive to the user.

Online advertising sources and their management

Small businesses not only need to receive outside income to achieve goals and keep the business running, but because cash flow and resources are limited, they cannot engage in marketing campaigns and high profile advertising that more powerful competitors may have.

As a result, many small businesses overlook the possibility of advertising, seeing it as an unnecessary expense. The problem with this is that without a marketing and advertising strategy, it is almost impossible to build a base that will bring



in enough income for the business to exist. This is a kind of dilemma for most entrepreneurs as it takes more expenses to place more ads and it is necessary to create a lot of ads to earn a lot of income. Fortunately, there are some possible solutions. Below we will talk in more detail about advertising resources that are used by modern entrepreneurs and that do not cost. These sources provide the benefits of a full advertising campaign, saving a business budget and bringing benefits. Let's start with advertising agencies.

Advertising agencies

An advertising agency creates, plans and manages all aspects of the client's advertising. Advertising agencies can specialize in specific areas, such as interactive advertising, or they can be full-service agencies that create advertising materials such as brochures, catalogs, print ads, radio and television ads, online and social media campaigns, and advertisements.

In an advertising agency, the president of the agency is at the center, followed by the creative director, account manager, copywriters, graphic designers and a media director. Some agencies also work with freelance copywriters and/or freelance graphic designers who usually don't work in one place.

Advertising agencies have very similar functions, but there are many differences that set them apart from each other. There are three different types:

a) Above The Line (ATL)

These are the big agencies that deal with key accounts and create national (and even international) advertising campaigns that take up a significant portion of the client's budget. This includes major television, magazine, newspaper and non-traditional media campaigns.

b) Below The Line (BTL)

These agencies don't have the budgets or recognition of ATL agencies, but they are still very important to the media (even more so these days when online media is so dominant). BTL agencies usually deal with direct mail (email), local advertising, online advertising and small media campaigns.

c) Though the line (TTL)

Perhaps more common these days, TTL agencies are a mix of ATL and BTL. They create campaigns on TV, radio, down to smaller and less important media ads. TTL agencies are so common these days because of the rise of social media and smartphones. Tactics that were once considered BTL are now receiving big budget funding, including campaigns for Instagram, YouTube, Facebook and Twitter.

In addition to these three main groups of advertising agencies, there are also other types of specialized agencies, which include:

a) Digital Advertising Agencies

These agencies have a primary focus on all aspects of digital. They deal with websites, apps, online campaigns and anything else that is considered "digital

advertising”. Digital Advertising Agencies can also create radio and even TV ads, but their day job is all about the internet.

b) Advertising agencies for health

There is a need for specialists who only focus on healthcare products and services, as these areas can be very difficult to handle. Healthcare advertising agencies handle pharmaceutical products, hospitals, medical devices and anything else that would be considered too impossible for a traditional agency.

c) Financial / Technical Advertising Agencies

Like healthcare, the world of finance and technology can be a minefield to navigate. These agencies have financial specialists who know well their objectives and what needs to be addressed.

d) In House Advertising Agencies

These agencies are based in a company and work only for that entity. Whether it’s a big brand like Apple or Nike, or something much smaller, they work exclusively for that product or service and are employed by the advertising company. Some people consider this to be a “sale” because it is no longer working on a diverse range of brands. (Duncan, 2018)

Ad networks

Ad networks developed even more during the dotcom boom that began in the mid-1990s. As the number of digital sites and publishers proliferated, they needed an easy way to increase demand to buy space and earn ad revenue. Also, advertisers needed help scaling their digital ads across a growing number of sites without having to deal directly with each publisher.

In the beginning, it was ‘DoubleClick’, launched in 1996, the digital services agency promoted the concept of an ad network and attracted the attention of the buyer by tracking the performance of the ads and the solutions used for reporting. The company acted as an intermediary between advertisers and a network of publishers. ‘DoubleClick’ survived and was bought by Google in 2007 for \$3.1 billion. By that time, Google AdSense was four years old, having started in 2003. Today, the Google Display Network for Google AdSense publishers is the largest ad network in the world, and “DoubleClick for Publishers (DFP)” already has renamed to “Google Ad Manager” acts as the premium network of Google publishers. With the growth of motion and video, ad networks that specifically offer these spaces have formed and many of them have been collected by Google (AdMob), Yahoo (Flurry and BrightRoll), Twitter (MoPub), AOL (Millennial Media, Adap.tv) and Facebook (LiveRail). TubeMogul and Tremor Video are examples of independent ad networks. Chartboost, InMobi, Smaato, StartApp and TapJoy are among the still independent mobile ad networks. (Marvin, 2015)



An advertising network, or ad network, connects businesses that want to display ads on websites and that want to be there for a long time against payment. The primary attribute of an ad network as stated is the accumulation of space and matching the needs of the advertiser.

The term “ad network” is media neutral, but is often used to mean “online ad network” as the market for ad space that advertisers seek is increasingly found online. The main difference between traditional and online ad networks is that online ones deliver ads to viewers via a server. Distributing advertising through a central distributor allows the business owner to use different methods of targeting, tracking and reporting that do not exist in traditional media alternatives.

Ad networks work with anyone who has unsold ad space across the network, helping them and wants to monetize their offers. The networks then aggregate this space and sell it to advertisers.

The main function of an ad network is to collect space from publishers and match it with advertiser demand. Ad networks make it possible for advertisers to buy digital ads in places that offer this option as well as in apps.

Advertising networks provide an efficient way for media buyers to coordinate advertising campaigns in dozens, hundreds, or thousands of different locations. Campaigns often make it possible to include ads in a category (run-of-category) or an entire network (run-of-network).

Online advertising space inventory comes in many different forms, including space on desktop and mobile websites, blogs, mobile apps, e-mail and other media. An advertiser can purchase a network package or an in-network category package. The ad network serves ads from its central ad server.

The benefits of using ad networks are many for content providers and advertisers. Content providers find them an easy and reliable way to sell inventory, even though the revenue is usually less than what they could earn from selling space. Advertisers also like the ease of use. With minimal effort, they can purchase a campaign targeting a specific group of consumers on websites all over the world. Ad networks are also known for flexible payment models.

Disadvantages for advertisers is limited control over ad placements. Ads may appear next to inappropriate content. Many advertisers have also complained that their campaign analytics often do not match the spaces provided by the networks. Despite these obstacles, many businesses find their ad networks an affordable and efficient way to reach their target customers.

Google CPC

Cost-per-click (CPC) means you pay for every click on your ad. For campaigns businesses set a maximum cost-per-click bid, or simply set a “Maximum CPC” - this is the highest amount a business is willing to pay for a click on their ad.

Google Ads, AKA Google AdWords, are Google's advertising systems in which advertisers enter certain keywords in order for their clickable ads to appear in Google search results. Advertisers have to pay for these clicks, so Google makes money from search.

The average cost per click with Google Ads in developed countries can range from \$1 to \$2. However, CPCs can vary widely, from the lowest price to over \$50 per click. (Google, Google Ads Help, 2019)

RTB (Real-time Bidding)

Real-time bidding (RTB) is a means of buying and selling ad inventory based on an impression, through an instant programmatic auction, similar to the financial markets. With real-time bidding, ad buyers display an ad with a bid, and if the bid is won, the buyer's ad appears immediately on the publisher's site. Real-time bidding enables advertisers to manage and select ads from multiple networks by giving users access to multiple different networks, allowing them to create and launch ad campaigns, as well as share percentages of unsold space. .

RTB effectively promotes static sub-auctions for both advertisers and publishers in terms of ad inventory sold, although results vary by execution and local conditions. RTB replaced the traditional inventory selling model and enabled both publishers and advertisers to place the right ads to the right users based on real-time data.

Advertisers use websites as 'proxies' for their ads. If they wanted to reach sports fans, they would buy ads on a sports-related site, for example. The advent of RTB has enabled them to show their ads to targeted users.

RTB is a type of programmatic advertising, but not all programmatic ads use RTB. Some technology-driven "programmatic" platforms allow publishers to pre-sell space for a fixed price, as opposed to an auction or marketplace. This is also known as a direct program or a guaranteed program.

Thanks to real-time bidding, ad buyers no longer need to work directly with publishers or ad networks to negotiate ad prices. Using exchanges and other technologies, they can access a large amount of space in a wide range of countries and choose only the spaces they consider most valuable to them. This reduces the number of spaces lost to the wrong users, but also minimizes the need for expensive and unreliable ad buyers.

Some large publishers are wary of RTB because they feel it allows advertisers to pay less for their space. However, they are increasingly becoming more comfortable with it, as bidding platforms allow them to control the minimum prices at which their space is sold, otherwise known as price floors. This allows publishers to open their ads in an auction, and set a reserve price that must be met in order for the transaction to go through.



Research suggests that real-time bid (RTB) digital ad spending reached \$23.5 billion in the United States in 2018, compared to spending of \$6.3 billion in 2014 (Marshall, 2018).

Header Bidding

Staged bidding, also known as pre-bidding or pre-bidding, is an advanced programmatic technique where publishers offer an opportunity for multiple spaces to be exchanged simultaneously before making calls to their servers (mainly DoubleClick for Publishers). The idea is that by giving multiple demand sources the bid for the same space at the same time, publishers increase their 'yield' and make more money.

"Header Bidding" is also an advanced programmatic advertising technique that serves as an alternative to Google's "waterfall" method. Tiered bidding offers publishers a way to simultaneously bid where ads should appear at the same time.

Ad Servers

An 'Ad server' is a piece of advertising technology (AdTech) used by publishers, advertisers, advertising agencies and advertising networks to manage and run online advertising campaigns. Ad servers are responsible for making immediate decisions about which ads to display on a website, then to display them. Additionally, ad servers collect and report data (such as impressions, clicks, etc.) for advertisers to gain insights and monitor the performance of their ads.

Since then, ad servers have come a long way, constantly evolving along with the entire ecosystem to meet the growing demands of both advertisers and publishers.

Some of the functionality that was added to ad servers over time, such as budget control and frequency coverage, has also been incorporated into more of the newer platforms, such as DSPs and SSPs. While first-party and third-party ad servers are essentially the same, they are used by publishers and advertisers for slightly different reasons (Zawadzkiński, 2017).

To understand how ad servers work, it's really important to know why they appeared in the first place. When the popularity of the Internet began to increase in the early to mid-1990s, traditional print publishers began to move there. This not only created large amounts of content, but also a chance to take advantage of a silent opportunity to display ads.

The purpose of online advertising and ways to track them

Every business is different from other businesses in several ways. This is what makes products and services unique to the customer. If you are going to advertise your business online, it is important to keep in mind the fact that you need to

clearly identify what you are willing to achieve from online advertising and the priority of these online advertising goals.

This way, you are on your way to making wise decisions about managing your campaigns based on the goals you have. Identifying your online advertising goals and pursuing them accordingly will definitely give you great success in terms of performance and results.

Some hints why businesses should go for online advertising:

a) Increasing brand awareness

Brand awareness is among the most popular online advertising goals. Building awareness of your business and its products is the main goal for a campaign. Within this goal, you're really aiming to create a situation where your customers will interact with your brand through a wide range of ways, like consuming your videos, trying out games, or even communicating with other customers. This is the best way to promote or create movement for the new product or model.

b) Customer engagement

If impressions explain how many people have seen your ad, customer interactions represent how well they interact with your product or service. A click on your ad means engagement. Also, opening and watching a video through your ad is considered a customer engagement.

c) Reinforce the impression

Determining that your primary reason is to increase awareness and visibility of your company or product. Increasing traffic and encouraging visitors to find and interact with you is one of your online advertising goals. At this point, you need to dig deep in order to attract impressions to increase brand loyalty and motivate your customers more and more.

Save your precious time by looking at factors like CTR on Search Networks campaigns and looking at conversions for Display Campaigns to know how your efforts are doing. Also, data from Reach and Frequency numbers can show how well your goal is building awareness in the minds of your customers.

d) Increased conversion

In digital marketing campaigns, a conversion is counted when a click is made on your ad and this click leads to your website. Registrations, purchases, downloads are also some key factors in increasing conversion.

Taking action to track conversion data and optimizing campaigns according to the data collected is a crucial step to increase sales and conversion.

e) Directing to the page with the corresponding URL

Among the best practices in Internet advertising purposes is to direct a customer from your ad to the right page where he can buy from you the desired specified product and without wandering through many different pages.

This way, your ad will be easier to remember and will further enhance the

user experience on your site. So, choose and forward the relevant URLs to the destination when you have the goal of increasing sales. Also, it is important to look at the progress of clicks, click through rate, performance of search words and terms.

This is about identifying and tracking online advertising goals! As you can see, defining the goals of online advertising is important as it will easily lead you to set up the right campaigns and with the right settings of your goals in order to engage well with the right customers and to measure and follow your work or success.

f) Online advertising targeting

Customer targeting is a strong point in online advertising where marketers can use sophisticated methods to target an audience with certain characteristics based on the product or person the advertiser is promoting. “These traits may be demographic, focused on race, economic status, gender, age, education level, income level, and employment, or they may be psychologically focused, based on values, personality, attitudes, opinions, style of their livelihoods and interests”. (Jansen, 2013)

With the emergence of new online channels, the need for targeted advertising is increasing as companies aim to minimize lost advertising through information technology. Newer new media advertising currently uses second-order proxies for targeting, such as tracking consumers’ online or mobile activities, associating historical demographics of website consumers with new website access. consumers, using a search term as a basis to imply interest, or contextual advertising.

g) Advertising targeting effectiveness

Audience targeting in online advertising has improved the effectiveness of advertising and reduced the “waste created” by sending ads to consumers who are unlikely to buy that product or service, targeted advertising or improved targeting leads to lower advertising expenditures which in the end may not have any positive effect.

According to Andrew Sneddon, researcher of the field in his book “*In Advertising and depp autonomy*” says that: “Many argue for the ethical unacceptability of targeted advertising, but due to the commercial context of advertising this is accepted because the consumer has a good one, who can choose what to accept and what to reject”.

Shiffman says that people have the cognitive competence and are equipped with the necessary faculties to decide whether they will be affected by advertising or not. “Those who argue against note, for example, that advertising can make us buy things we don’t want or that, since advertising is embedded in a capitalist system, it only presents choices based on consumer-centered reality and thus limits exposure to the non-materialism of living”. (Shiffman, 1990)

Although the effects of targeted advertising are mainly focused on the customers who are targeted, but it also has an effect on the customers who are not the target of an advertisement. Its unsolicited audiences often see an ad targeted at other groups and begin to form judgments and decisions about it and even the brand and company after seeing an unsolicited ad, these judgments can influence future consumer behavior . (de Run, 2007)

Analysis Of Advertising On Albanian Online Portals

In this part of the paper, as a beginning, a detailed online advertising formats that are applied by the portals in Albania are studied by monitoring and examining them in detail. Monitoring and review are performed by analyzing the use, presence, type, size, format of advertisements that are explained in the theoretical part of this paper.

Advertisements on the Top-Channel.tv online portal

Top-Channel.tv was created in December 2001 under the ownership of the company Top Media and comes online as a news portal of one of the most watched television channels in Albania: Top Channel TV. The online editorial office has a staff of 11 employees: 10 journalists or editors and 1 webmaster. The auxiliary and administrative activities are covered by the staff of the parent media. The portal is generalist in nature, and covers a wide range of information from politics to entertainment. The published material is mostly what is also produced for the Top Channel TV channel, which means that most of the fund is news and videos of TV programs. The portal has also made available to its readers the application for Android and iPhone, to be reached in a comfortable way by those who access the site through mobile phones. The editorial office also successfully uses social media to expand its audience. Top Channel's Facebook page, until the end of June 2023, has accumulated about 1,500,000 likes, which speaks of an effective use of social networks. Top Channel also has its own YouTube channel, where until June 21, 2023, it has published 342,00,000 videos, some of which have also had record viewership for the Albanian online audience.

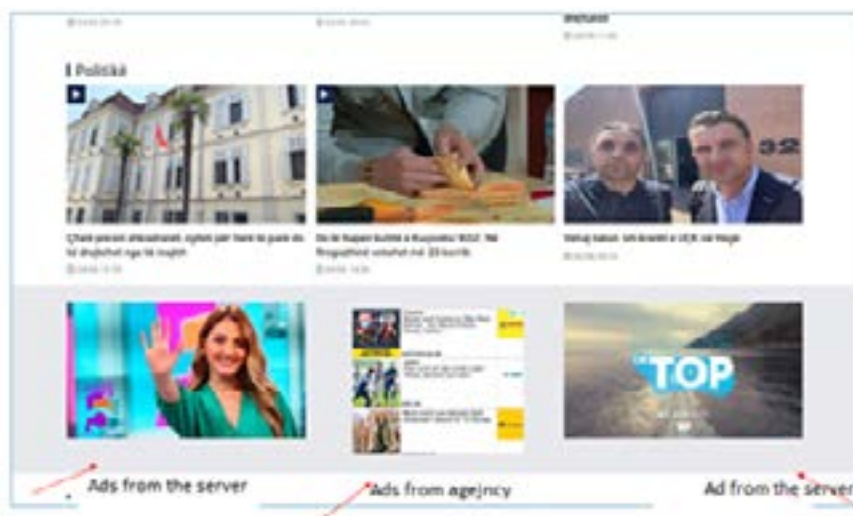
“Top Channel owns approximately half of the market with 12,104, 450 euros or 43 percent marking a slight increase compared to 2014” - writes Loreta Axhami Zela in her doctoral thesis. In contrast to the official data of the NRC, according to data from McMonitoring, Top Channel ranks second in terms of advertising revenue after Klan TV, owning 26 percent of the market in 2018 and 24 percent in 2017. (TopChannel, 2001).



Analysis of advertisements used by the Top-Channel.tv online portal;

- First ad is a banner ad, which is coming from the Ad server the same portal, is a local advertisement provided by the media itself . Since the ads is coming from Ad servers, they are the possible that are targeted, to count the clicks or views that can the made on it.
- Second ad coming by advertising agencies since we accessed it from Germany.
- The third ad, is again a banner ad which coming from the Ad server the itself portal and for this, it is local advertisement which is provided by the media itself .

FIGURE 1- www.top-channel.tv - Accessed from Germany



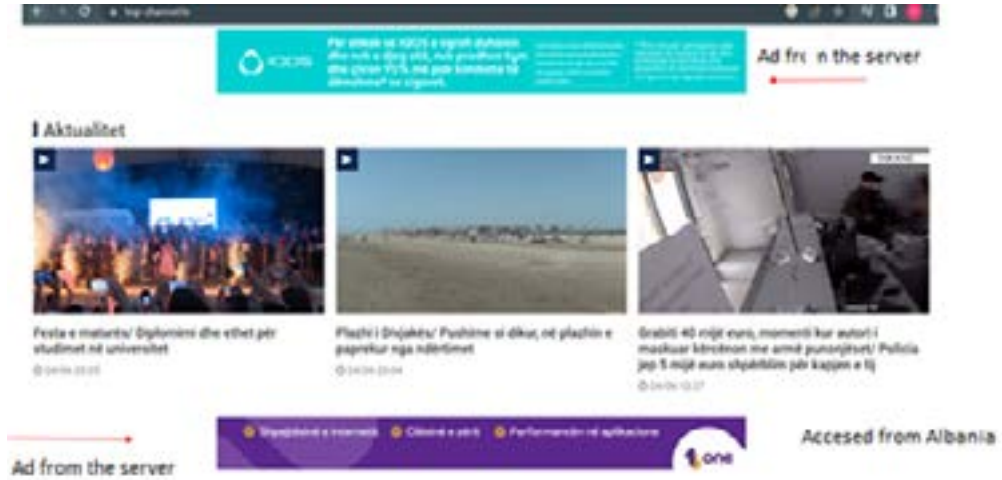
In the picture below, we can see the change in advertising when the visitor is from Albania.

- The first ad remains the same because, as we said above, it is an untargeted ad that advertises the media activity itself.
- The first ad introduces the banner ad, which are a popular form of online advertising. Banner advertising is based on the use of an image that appears in a rectangular shape at the top, bottom, middle or side of the web.
- In the space of the second ad which comes from the Ad Server of the portal, we notice that we have another ad for a visitor from Albania.

The “Top Channel” portal a part of the ads is managed by the “Lupon Media” advertising agency, which is an advertising network that uses “Header Bidding”

which we have analyzed above. As noted, the advertising agency has a pretty good system to target ads to each visitor.

FIGURE 2- www.top-channel.tv - Accessed from Albania



The portal of “Top Channel” as an Ad Server for the management of local advertisements which provides self-use of the system “Google Ad Manager” (formerly Google DFP), making it possible to have very precise targeting for all their advertisements.

Advertisements on the online portal Balkanweb.com

Balkanweb.com was launched in February 2000 as an online news agency, it was founded by the Edisud company as an original website and did not belong directly to any of the traditional media owned by this company, such as Gazeta Shqiptare, TV News24, or Radio Rash, even though it was fed to a considerable extent by materials created by these media. The aim was to create an online agency that reflects the latest news faster than traditional media. Since 2007, this media, as well as other media of the Mediasud group, are owned by Focus Group. The website is generalist in nature. The core of balkanweb.com’s editorial staff consists of 5 journalists, 1 proofreader and 2 webmasters. The Balkanweb Facebook page has a total of 29,5198 likes in May 2019. To create opportunities for audience interaction, the website has a comment space and several options for feedback and “share” or “like” for each article. (Hysenbelliu, 2000)

The first ad on “Balkanweb.com” is a 728x90 pixel banner ad that comes from the portal’s own Ad Server. This advertisement is placed provided by the portal itself and may generate measurement data for the number of clicks or views it



may have during the specified advertising period. Advertising space number two is of banner format but smaller than the ads we analyzed above. This ad is 300x100 pixels in size and is a static image. The advertisement also comes from the Ad Server of the portal itself and may generate measurement data for the number of clicks or views it may receive.

FIGURE 3- www.balkanweb.com - Accessed from Albania



FIGURE 4- www.balkanweb.com - Accessed from Germany



The first ad comes from the Ad Server of the portal and has the same dimensions. Instead of the advertisement of “Prestige Home”, since the accessing of the portal is made from Germany, the advertisement of “Birra Korça” appears. This is the change of the number one advertising space.

Ad space number two has no change. The ad is the same as the previous access of a visitor from Germany and it is again a local ad coming from the portal’s Ad Server. Portal “Balkanweb.com” as an Ad Server for managing local advertisements which it provides itself uses the system “Revive Adserver” (<http://ads.balkanweb.com>).

com) , which is a free Open Source adserver, simple to use but not very efficient in targeting and managing ads.

Advertisements on the Albeu.com online portal

The Albeu.com news portal belongs to the category of individual websites and among them is considered one of the most successful in the Albanian online space. It was founded on July 4, 2003 by Idaver Sherifi, known for his passion and desire to invest in wind media, an investment that after many years turned out to be successful. In its economic activity, albeu.com is profitable, while the number of employees has increased from 3 to 11.

The portal has on its main page a number of advertisements, which are the main source of income generation for this media. Under the slogan “Portal of all Albanians”, the website has created three large sections, which respectively cover the events of the day from Albania, Kosovo and Macedonia. The published news are mostly original, produced by Albeu. Whereas most of the editorials and analyzes are taken from other online media, noting the relevant source. The portal also publishes many videos or photos taken from the Internet, especially when it comes to sensational news related to well-known names or sensational events from the world. Even though it is generalist in nature, a significant part of the published information belongs to “soft news”. , divided into categories: sports, showbiz, technology, curiosity, lifestyle, entertainment, humor, etc. It must be said that this category of information has the most readers on the web, and it is a trend not only of Albanian websites but also of world ones. (Zguri, 2015)

“Albeu.com” is the portal that is also included in our study because it is an online media, which is not based on a traditional media such as the two portals that we analyzed above, “Top-Channel.tv” and “Balkanweb.com”.

Since advertisements are the only revenue generator to ensure the continuity of the portal, we also notice from the following photo that the main page of the portal does not have many advertising spaces, making access to it easier and faster. In the next picture we have accessed the portal “Albeu.com” from Germany to observe what is the strategy that the portal organizes the ads and how effective is their targeting.

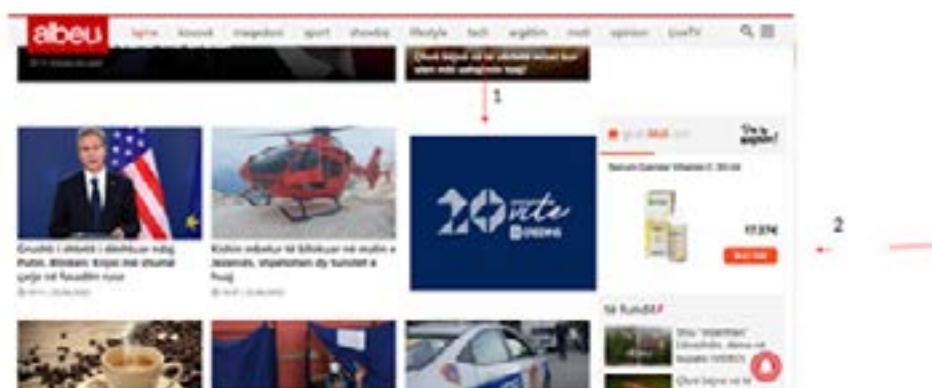
FIGURE 5- www.albeu.com - Accessed from Germany



This is the home page of the “Albeu.com” portal accessed from Germany.

- The first ad, which is positioned at the top of the page alongside the portal logo, is a banner ad, which comes from an advertising agency.
- Ad number one is not a local ad and in our case accessed from Germany, it shows that this advertising space of the portal is quite well targeted.
- Advertising space number two is also a banner ad which is positioned alongside the portal’s main news.
- Again this ad is not native and is tailored to the visitor accessing the portal.

FIGURE 6- www.albeu.com - Accessed from Albania



The photo above shows the front page of the “Albeu.com” portal, in this case accessing it from Albania, we notice that we have some changes in the advertising spaces. Comparing it to the case when we accessed it from Germany, this time we don’t have the column advertising spaces on the left and right of the page.

- In the picture above, we have the main page of the “Albeu.com” portal again, but this time accessing it from Albania, to see what the changes will be in the advertising spaces of the portal and whether we will still have the same ads as when the we accessed from Germany.
- In this case, we do not have an ad positioned at the top of the page as it was in the case of the ad accessed from Germany.
- The first ad, this time comes from the Ad Server of the portal and is also a local ad of an Albanian brand in banner format. The advertisements that come from the Ad Server of the portal can be targeted and generate data on the number of clicks, views or actions of the visitor in it.
- The second advertisement is a local advertisement which comes from the advertising agency with which the “Albeu.com” portal cooperates.

The “Albeu.com” portal as an Ad Server for managing local advertisements which it provides itself uses the “Google Ad Manager” system as well as “Revive Adserver” (<http://ads.albeu.com>), which is an Open Source adserver without paid, easy-to-use native ad targeting and management.

From the advertisements on the “Albeu.com” portal, which we analyzed above in both cases of our access, we notice that the portal dedicates more advertising space to the advertising agency because it enables better targeting and more regular operation.

Conclusions

The changes taking place in the online media industry are significant as they have a very profound impact on these media, through which most advertising is carried out. Recent developments in foreign markets testify to a decline in the role of television as a medium for reaching large audiences, thereby indicating significant changes in the way media advertising budgets are spent.

Television is losing its monopolistic position as a mass communication medium, especially with the introduction of new media into the market, which have attracted the attention of advertisers. In these media, to ensure audience capture, advertisers must integrate their communications in several online media to target their customers. They must recognize the fact that many people watching TV programs



is changing, because they use laptops, tablets and smart phones, which are capable of performing several processes at the same time, and in addition to watching television programs, viewers have the opportunity to engage in other activities.

Advertising, the single main source of television data, is shrinking, big businesses are not only constantly cutting their marketing budgets, but are increasingly turning to online advertising, which is simpler, more efficient, there are less expenses, bring in more income, as there is also their target market. The online market is rapidly developing and the most difficult to measure due to informality. This is necessary in the conditions where the media environment is constantly changing due to the influence of technology.

The application of advertising in Albania has gone through two stages, firstly we have the publication of the portal's own advertisements, the various shows that the television broadcasts, since most of the most popular televisions in Albania have their own online media on the Internet as well.

In the second phase, we have the further development of technology, online portals were developed even more, and we have the orientation of advertisers towards the Internet, showing mostly local ads on these portals, then we have the application of non-local, mostly foreign ads.

Based on the monitoring carried out in the framework of this study, it results that the ads of the analyzed online portals have some particularities that distinguish them from each other, such as the format, types of ads, their different sizes, etc. The most used ads are banner ads, non-local and local.

According to the analysis we did, we noticed that non-local ads always come from advertising agencies and local ads either come from the Ad Server of the portal or are untargeted ads and are placed directly on the page.

Meanwhile, regarding the application of these types of advertisements on online portals from the analysis carried out in this paper, we say that the advertisements on the Top-Channel portal belong to the banner format and are of different sizes. As it was said a little higher in some portal ads, we can't get any information about the clicks or the visibility of the ad, because they are untargeted ads. Ads that come from the portal's own AdServer, which means they are local and are hard to target. There are also non-native ads that we accessed for analysis and mostly come from an advertising agency. The portal as AdServer for the management of local ads uses the "Google Ad Manager" system (formerly Google DFP), making it possible to have very precise targeting for all ads.

It should be mentioned that on this portal part of the ads are managed by the "Lupon Media" advertising agency, which is an advertising network that uses "Header Bidding" that we analyzed in the theoretical part. The advertising agency has a pretty good system to target ads to each visitor.

The “Balkanweb.com” portal mainly uses banner ads that are 728x90 pixels, 120x270 pixels, and come from the portal’s own Ad Server. There are local ads provided by the portal itself, but there are also non-local ones. On the main page of the portal there are ads that are positioned on the left side of the page and are also banners with dimensions of 251x564 pixels. These non-native ads come from the advertising agency that the portal uses and are targeted by appearing according to the visitor’s location and preferences. As for managing local ads, the “Balkanweb.com” portal as AdServer uses the “Revive Adserver” system, which is a free Open Source adserver, simple to use but, as we said, not very efficient in targeting and managing ads.

Meanwhile, the Albeu.com portal, uses banner ads with standard sizes, and they come from the advertising agency. These are not native ads. Local advertisements used by this portal are 300x250 pixels in size and generate data on the number of clicks, views or actions of the visitor on it. For local advertising management, the “Albeu.com” portal as AdServer uses the “Google Ad Manager” system and “Revive Adserver”, which is a free Open Source adserver. This portal, from the analysis of the ads it used, showed that it pays a lot of attention to the advertising space where we mention the advertising agency because it also enables better targeting and more regular operation.

It’s important to notice that in the three portals there was no application of other types of online advertising, except for the banner format.

Bearing in mind that at the time when consumers are losing interest and attention to television advertisements, the number of online portals available to them is increasing, therefore, it is important for advertisers that the viewer continues to be focused to these advertisements, and that should be produced different variations of the same theme or the production of creative messages that attract the attention of the readers and will keep them “stuck” behind the ads.

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The Impact of Technological Advancements on Society: Examining the Possibility of a Brave New World _____

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Abstract

Purpose: *This research paper aims to explore the impact of technology on society in various areas, including social interactions, education, the economy, and the environment.*

Methodology: *The first section will provide an overview of the major technological advancements and their impact on society. The second section will examine how technology has affected social interactions, including whether people are becoming more isolated due to the prevalence of technology and the potential benefits of technology on social interactions. The third section will focus on technology's impact on education, including the benefits and potential drawbacks of technology in education. The fourth section will explore technology's impact on the economy, including the potential benefits and risks that come with technological advancements. Finally, the fifth section will examine the impact of technology on the environment, including the potential benefits and risks of technology on the environment.*

Findings: *Through this comprehensive examination, this research paper shed light on the complex relationship between technology and society and provides an insight into the possibility of a brave new world.*

Value: *The study contributes to a better understanding of the multifaceted effects of technology on society, encompassing social, educational, economic, and environmental aspects, ultimately addressing the potential implications of these advancements on the creation of a new societal landscape.*

Keywords: *Collaboration, Governments, Education, Legislation, Intelligence.*

Overview Of Technological Advancements

Micro and nano technologies have witnessed tremendous progress in the past few decades, making significant contributions to many industries including electronics, biomedical, pharmaceutical, materials and manufacturing, aerospace, photography, and energy. These technologies have been used to develop petroleum industry equipment that is much lighter, reliable, and long-lasting (Kong & Ohadi, 2010). All Nanomembranes, for instance, have been used for gas separation and removal of impurities from oil and gas streams. Smart fluids are being developed for enhanced oil recovery (EOR) and drilling, and nano sensors are providing more detailed and accurate information about reservoirs, Bioethanol is an attractive eco fuel due to its environmental sustainability and renewability over fossil fuels. Second-generation bioethanol production, specifically cellulosic ethanol, has gained attention at commercial scale over other feedstocks as it has no impact on food security (Halder et al, 2019). Advances in bioethanol technology are being made, with improvements in pretreatment technologies, genetically engineered microorganisms, single-process integration, and the list goes on. River current energy conversion systems (RCECS) are electromechanical energy converters that convert kinetic energy of river water into other usable forms of energy. Significant progress has been made in RCECS technology, which includes innovative turbine designs, power electronic systems, and the use of advanced materials (Khan et al, 2008). However, the potentials of RCECS as an effective source of alternative energy have yet to be fully explored, and the underlying challenges of system design, operation and economics lack proper understanding and. Reports on technical and economic feasibility of RCECS have been published in the last few decades, providing an overview of technological advancements in the field. In addition, the use of carbohydrates as starting materials for chemical production has seen considerable progress, with the review providing an updated evaluation of potential target structures and an overview of the technology developments that led to the inclusion of a given compound (Bozell, 2010).

How have these advancements impacted society?

Machine Learning (ML) and Artificial Intelligence (AI) have experienced tremendous advances in recent years, and this has been further propelled by advances in computing power, digital data, and algorithms. ML obtains a model of non-linear relationships or complex patterns within data that are usually beyond human capability or established physics to define. AI provides a framework for



machine-based decisions and actions using ML tools and analyses. Autonomous systems, which require perception of a field of information to establish a policy or decision basis for a machine (robot) to take unsupervised action based on the sensed field, have been developed. Control systems are increasingly using both models and ML/AI for learning the trajectories of the sensed field evolution and generating the navigation policy. There is debate regarding the interpretability of the DL methods and models due to them appearing as “black boxes”. The advancements have brought about a radical change and technical revolution.

However, Artificial General Intelligence (AGI) remains a futuristic goal that is beyond foreseeable horizons. ML is being used in a data-mining like mode to learn complex relationships involved in molecular synthesis from known past experience. It has been applied to fields such as computational chemistry, chemical synthesis, and drug discovery. In addition, it has been used to search for inorganic materials, learn complex non-linear relationships between variables, and achieve machine-based pre planning for chemical synthesis. Open data, open-source computing methods, and technology businesses have become more available to support the methods and approaches.

Additionally, ANN advancements have led to the development of deep-learning neural networks with thousands of hidden layers. These networks can contain a billion nodes or more, and many more connections between nodes, and the methods and benefits of ML/AI are likely to grow rapidly due to increasing data availability. Citrine Informatics supports open-access use of their ML tools, provided that the user data being analyzed is contributed to the Citrine database, and private sector entry into publicly accessible large-scale materials databases has made relevant materials data more openly available (Dimiduk, 2018). Moreover, the Air Force Research Laboratory has posted data pertaining to additive manufacturing, along with a data-use challenge. These advancements have provided unprecedented capabilities to society, and are impacting nearly the entire domain of materials and structures, processes, and multiscale modeling and simulation. While technology has the potential to improve society in numerous ways, it has also created a digital divide. Many individuals and communities, particularly in underserved areas, lack access to essential technology like computers and the internet. Addressing this digital inequality is crucial to ensuring that the benefits of technological advancements are accessible to all.

As technology becomes more integrated into our daily lives, concerns about privacy have grown. The constant collection of data by companies and governments raises questions about how our personal information is used, stored, and protected. Society is grappling with the need to strike a balance between innovation and preserving individual privacy. Automation and artificial intelligence are transforming the job market. While they eliminate some jobs, they also create new

opportunities. The challenge lies in equipping the workforce with the necessary skills to adapt to these changes. Lifelong learning and upskilling have become essential in a technology-driven society. The pervasive use of technology, particularly social media, has been linked to mental health issues such as increased anxiety and depression. Society is now exploring ways to mitigate these negative effects while harnessing the positive aspects of technology for mental well-being, such as telehealth services. While technology has the potential to address environmental challenges, it has also contributed to environmental problems.

The production and disposal of electronic devices, as well as the energy consumption of data centers, are significant contributors to e-waste and carbon emissions. Sustainable technology and responsible consumption are areas of focus. Telemedicine, wearable health tech, and AI-driven diagnostics are revolutionizing healthcare. This not only increases access to medical services but also poses questions about data security, medical ethics, and the role of healthcare professionals in an increasingly digitized industry. The digital economy and the gig economy have transformed the way people work and earn a living. This has implications for job security, income inequality, and the social safety net. Society is challenged to adapt economic systems to these changes.

Is There A Possibility Of A Brave New World Due To Technological Advancements?

The possibility of a brave new world due to technological advancements is a subject of much debate. Technological advances have the potential to create monopolies or oligopolies, where robot manufacturers, developers, and programmers can take advantage of proprietary IP, standard-setting power, and scale (Wirtz, 2018). This is especially true in countries like the USA, where healthcare provision is primarily private, fragmented, and competitive. In the medical industry, this has been seen with the introduction of soft tissue robotic surgical equipment. Additionally, the introduction of the new Internet address space, IPv6, with its much larger set of addresses, may alleviate the need for NAT devices (Blumenthal, 2001). This is debated in regards to whether NAT devices are a temporary fix or a permanent part of the Internet, but the text does not provide any clear answer. In many debates on new technologies and AI, teleological positions have been taken which suggest that technological perfection is the historical goal of human destiny. Improvement and replacement narratives about the future of humans exist in trans and post-humanism, mass media, and church academies (Hoffmann, 2022).

The advancement of AI and robotics has led to the replacement of human performance in various tasks, as well as the question of what will happen to humans as technology improves. Some authors warn of a fundamental threat to human employment, but they also see great opportunities for humans and machines



providing service together. Service robots are likely to be increasingly used for tasks that would cause health problems, are strenuous or are a physical burden for humans. There is also the fear that the exponential progress in robotics could lead to higher unemployment and more economic inequality (Hoffmann, 2022).

Impact On Social Interactions

Technological advancements have had a great impact on the way people interact with each other, and the consequences are far reaching. Many people believe that technology has degraded society's ability to communicate face to face, and research backs this up, with 92% of respondents stating that technology has had a negative effect on face-to-face communication. Similarly, 89% of respondents also agreed that technology has caused a degradation in the quality of face-to-face conversations. The author's field observations also reflect this trend, as students were seen spending more time on their cell phone than engaging with others in person (Drago, 2015). Technology has impacted the way people interact with each other in many ways; it has hindered face-to-face communication, making it more difficult for people to interact with each other, and it has also become a crutch that people use to hide behind.

The development of artificial intelligence raises profound ethical questions. Society is grappling with how to ensure that AI systems are fair, transparent, and unbiased. Issues like algorithmic bias and autonomous decision-making in critical areas (e.g., healthcare and criminal justice) are subjects of ongoing debate. Technology has reshaped our culture and social interactions. From the way we communicate to how we consume entertainment and news; technology has influenced societal norms and behaviors. Understanding these shifts and their implications is crucial for societal cohesion. Technology has disrupted traditional education models. The rise of online learning, digital classrooms, and personalized learning platforms has the potential to democratize education. However, ensuring equal access and maintaining educational quality are ongoing challenges.

Technology is also seen as a barrier to communication, as it is difficult to convey feelings and nuances through technology, and face-to-face interaction is better for conveying emotions, discussing sensitive topics, and avoiding miscommunication. Additionally, technology has changed the way people socialize; it has made it difficult to develop connections with colleagues, it has created communication overload, it has blurred the boundaries between work and leisure, and it has increased the need for planning specific social interactions (Lal, 2021). All these factors have resulted in less informal conversations and decreased the quality and quantity of face-to-face interactions. In conclusion, while technology can facilitate communication, its impact on face-to-face communication is undeniable.

Are people becoming more isolated due to the prevalence of technology?

While technology has provided numerous benefits, it is also true that it can lead to feelings of isolation, especially among seniors. In fact, the pandemic has further accentuated this phenomenon, as countless elderly people are now relying on technology for communication, due to the restrictions of the virus. A study conducted by researchers at the University of Haifa in Israel examined the relationship between internet use, social networks, loneliness, and quality of life among adults aged 50 and older. It explored the mediating and moderating effects of these factors, but it does not provide a clear answer to whether people are becoming more isolated due to the prevalence of technology (Sin F.). It is known that the disorder related to problematic computer usage mainly occurs in countries where computer access and technology are widespread. However, the text does not provide any direct information about people becoming more isolated due to the prevalence of technology. It is noted that there is a lag of a decade or more from initial to problematic computer usage (Shaw M., 2008). The etiology of internet addiction is unknown, but probably involves psychological, neurobiological and cultural factors. Internet addiction has been associated with indicators of social isolation, and yet this study did not provide a definitive answer to whether people are becoming more isolated due to the prevalence of technology.

The potential benefits of technology on social interactions

ML and AI are also having a significant effect on social interactions. Technology now has the potential to affect thinking and behavior in social interactions on platforms like Twitter. This is particularly true in the case of new social media, which can be used to facilitate social interactions. What is more, these interactions can reveal remarkably valid predictions about future events, such as the success of a potential venture (Fischer E., 2018). Therefore, understanding how technology provides anonymity to users and how users utilize anonymity can be important. In particular, the use of computer technology has become an essential form of interpersonal communication, and the uses of anonymity in technology can be positive in nature. Furthermore, computer-mediated communication (CMC) provides many more possibilities for anonymity (Christopherson, 2007). For instance, social media channels like Twitter can be of immense value to entrepreneurs, helping them to create and capitalize on opportunities.



Impact On Education

Technology has revolutionized education in a number of ways. It has made the teaching and learning process more efficient and effective. Technology has enabled teachers to administer their duties more successfully and efficiently. Computers and the internet have made it easier for teachers to transfer information, and for students to access it. AI has been widely used by educational institutions to improve the overall quality of their instruction (Alam, 2021). The study analyzed the impact and use of AI in education, and found that it has enabled teachers to perform their tasks more effectively and improved classroom instruction. Furthermore, the use of innovative ideas and methods, due to the development of microcomputers in the 1970s and personal computers thereafter, has improved the efficiency and efficacy of classroom instruction. Additionally, the use of technology has made education more accessible and convenient. Technology has also allowed students to access a plethora of online materials, helping them to study and develop the skills necessary for the workforce. Finally, the introduction of technology in education has transformed the learning process, making it more entertaining (Ghory, 2021).

What are the benefits of technology in education?

Technology in education has become a vital part of learning, and its use is continuously transforming the way students learn. Through Information and Communication Technologies (ICTs) like mobile devices, teachers and students are able to improve students' learning outcomes. The digital revolution is changing the way educational models are designed, and with the appropriate use of digital technologies and a pedagogical approach, an improvement in the learning results of the students can be generated. By conducting an analysis of the behavior and use of mobile devices on current students, efficient educational applications can be developed. Technology is also having an impact on how instruction is delivered and how information is found and shared, and this has changed the educational models and access to information. Knowledge is now available online, mostly free, and easily accessible.

Mobile devices are now a complete set of applications, support and help for educational organizations, and educational institutions and teachers can design innovative learning methodologies with the help of mobile technology the accessibility and opportunities offered by mobile technology are important to investigate and harness, and it has been found to have numerous benefits in current education. M-learning, for instance, can take advantage of students' interest, and

provides them with flexibility, ubiquity, and portability in learning. Technology can also be an innovative new methodology to enable students to achieve their goals and can be easily adopted by the new generations of “digital natives”. Access to the Internet, mobile devices, and social networks can make it easier for students to adapt to new technologies. Furthermore, mobile devices allow students to improve the way they acquire knowledge, the studies telling the benefits of education with mobile devices. Mobile technology in education generates an impact on learning, since students are no longer limited by the traditional classroom.

Technology also enables teachers to control their students remotely and manage learning activities in a more effective way, and mobile devices allow students to easily access educational content from anywhere and at any time. The benefits of m-learning technology can also assist teachers and students in its use, and aid in its correct deployment. Mobile technology encourages self-directed learning, produces an increase in student motivation, and a positive change in the observable actions of students. It also allows for active control of the learning process, and the benefit that is most associated with the items analyzed is student behavior. In conclusion, technology can be beneficial in education, and the use of mobile devices in education presents many opportunities (Criollo-C, 2021). Technology allows for quick and inexpensive access to different platforms, forms, and application resources and cloud computing reduces costs, increases the speed of m-learning implementation.

Are there any potential drawbacks of technology in education?

Technology such as Machine Learning (ML) and Artificial Intelligence (AI) have been introduced to the field of education in order to improve the quality of teaching. However, there are potential drawbacks to the use of technology in education that should be taken into consideration. These potential problems can be categorized as problems of judgement, distance, and ethics. For example, educators must be aware of the potential for students to become disengaged from the learning process due to a lack of face-to-face interaction with their instructors and peers. Additionally, there is the potential for students to be exposed to inappropriate or sensitive material when using the internet. Furthermore, students may be prone to developing a dependency on technology and rely on it as a crutch for learning. As a result, students may become less creative and less flexible in their thinking. To address these potential problems, educators and administrators should suggest course design, pedagogical, and student activity solutions. It is important that these solutions are implemented in a manner that allows for maximum benefit from the use of technology in education while minimizing the potential drawbacks (Sharma, 2003).



The internet of things, cyber-physical systems, sensors, and big data implementation are among the most widely implemented technologies and have substantial positive impacts on economic metrics. In addition, Industry 4.0 technology development and implementation can also have a systemic impact on sustainable energy transition in developing countries. Furthermore, digital technologies can offer a wide range of potentials for implementing a circular economy in companies and can help improve the availability and quality of data necessary for sustainability-related decision making on both a process and product level. Making Indonesia 4.0 is Indonesia's response to framing the roadmap to enter Industry 4.0 era, as the relevancy of Industry 4.0 and sustainability is set in the global Sustainable Development Goal. Lastly, digital technologies can enable the collection, management, aggregation, and exchange of product data, and are currently mainly in pilot phases of use for sustainability management (Nara, 2021).

How has technology impacted the job market?

Technology has had a major impact on the job market, both in terms of the creation of new jobs and the displacement of existing ones. For instance, the relative demand for college graduates has increased significantly between 1940 and 1996 (Autor, 1998). This is mainly attributed to the rapid skill upgrading in certain industries, especially those that have a higher dependence on computers. This has consequently led to a widening of the educational wage differentials in the U.S. However, technology has also created new job opportunities in certain sectors. Likewise, technology is expected to have a major impact on the job market in Africa. Automation technology is predicted to lead to job displacement, particularly for highly - skilled and trained jobs (Millington, 2017).

Digitalization in EU countries has resulted in an increase in the DESI, which has in turn improved the employment rate, personal earnings, long-term unemployment rate and labor market insecurity. The Working Paper has also examined the role of trade unions in the digital economy. Additionally, the 4th industrial revolution has opened up new possibilities for the job market, impacting the status of employees, working conditions, and training (Degryse, 2016). However, developing countries are more vulnerable to automation than high-income countries as vulnerability to automation is largely based on whether jobs or tasks are codifiable and routine. Furthermore, greatly improved computing power, artificial intelligence, and robotics have put a much larger scope of occupations at risk, and there is limited information on the potential impact of automation on the labor market in developing countries.

The Potential Economic Risks Due To Technological Advancements

The potential economic risks associated with technological advancements, particularly those related to AI, are significant. Tax policies may focus on making capital more expensive, such as the robot tax advocated by Bill Gates, in order to encourage resource-saving innovation. Additionally, taxation of excess profits arising from digital technologies and the elimination of tax deductions for interest, along with the imposition of a tax on capital, could increase the cost of capital and induce capital augmenting rather than labor-saving innovation. Differential taxation can also be introduced to favor labor over capital to address rising income inequalities and skill-biased technological change. AI-based technologies have created large first-mover advantages, which can lead to further rising market concentration and inequality. As a result, risks are linked to further worsening income inequalities, both within and across countries.

Technological change does not progress uniformly across sectors, and labor-saving automation might be more than offset by increased demand if the sector is highly price elastic. Moreover, the introduction of ATMs in the banking industry did not lead to unemployment as the cost of opening new outlets fell. Developing countries lose out on two fronts from the benefits of AI, and the large economies of scale and first-mover advantages from AI can worsen income gaps within and between countries. Furthermore, AI systems represent embodied technological change with specific implications for the skill-biased nature of economic progress, as well as price discrimination enabled by AI, which is a double-edged sword as it could lead to the proliferation of preexisting biases. In addition, a large number of jobs are at risk due to technological advancements in developing countries, and the introduction of robots and AI could lead to significant job losses or job polarization (Hernández Ramírez, 2020).

Moreover, a report by Bank of America Merrill Lynch highlighted the potential rise in inequality as a result of increased automation, and up to 35% of all workers in the United Kingdom, and 47% of those in the United States, are at risk of being displaced by technology over the next 20 years. Furthermore, the current wave of technological change in the form of AI comes at a time when the costs of the previous wave are becoming manifest and increases in labor productivity induced by new technologies necessarily lead to a fall in labor demand, potentially causing working conditions to deteriorate and earnings to fall further behind productivity. As such, it is clear that new risks and opportunities might arise as technology is evolving quickly, and constant regulatory adjustment is necessary to ensure that technological rents are broadly shared. Proper support for local actors



is also necessary to benefit from the advantages of AI, and the impact of AI based innovations on workplace organization and employment relationship remains highly uncertain.

Impact On Environment

Technology has had a major influence on the environment, in both positive and negative ways. Green Technology Innovation (GTI) has been identified as a key driver for green growth initiatives, which can help to reduce environmental footprints. In addition, environmental taxes (ET) can help to attain sustainable development without damaging the environment. Renewable energy consumption (REN) also has a significant positive impact on the environment and can help to reduce environmental footprints. Ecological modernization theory holds that environmental issues can be mitigated through technical innovation-driven environmental regulation, creating incentives and coordinated regulations that can lead to green growth (Guo, 2017). Studies have been conducted to explore the driving forces of green growth practices, with the results showing that a mix of institutional, economic, trade, and policy frameworks help to create and diffuse leading innovations, which can have a lasting impact on the environment. It has also been suggested that joint productivity gains can help to mitigate or compensate for the trade-off between environmental and economic targets. Therefore, technology and renewable energy are essential in reducing environmental footprints and improving the quality of the environment (Costantini, 2012).

Conclusions And Recommendations

Conclusions

- The impact of technological advancements on the environment and societal development is a complex and significant challenge that presents us with numerous opportunities and risks. Technology has deeply influenced how we live and operate in our society, bringing about significant advancements and profound changes in how we utilize natural resources and affect our environment. However, it is imperative that we invest in education and awareness to ensure that technology is used responsibly and in accordance with our societal and environmental values. On one hand, technology has brought unforeseen possibilities to enhance efficiency, comfort, and the overall quality of our lives. Advancements in clean energy, electric transportation,

and artificial intelligence have aided in reducing our negative impact on the environment and improving our utilization of natural resources. On the other hand, this technological progress has also presented significant environmental challenges.

- Climate change, deforestation, and biodiversity loss are issues that demand our unwavering attention. The development of technology is also accompanied by concerns about data security, privacy, and ethical considerations, which require continuous care and oversight. In this context, it is crucial to adopt a sustainable approach to societal and technological development. We must invest in technology that contributes to the preservation and restoration of the environment while respecting ethical values and individual privacy. Although the challenges are substantial, this is a pivotal moment to build a more sustainable society and environment fit for the future. Ultimately, in this era of rapid technological advancement, we must remember that technology is a tool, and its impact on the environment and society depends on how we wield it.
- Our duty is to tread a wise path and use technology to create a sustainable society and an appealing environment for all generations to come. This is the challenge of our century, and it is time to engage and find solutions that enhance our lives and the environment that surrounds us.

Recommendations: This study yields several implications:

- The complex nature of technology's impact on society necessitates continued interdisciplinary research. Collaboration between experts in technology, sociology, economics, and environmental science can yield more holistic insights. To understand the evolving dynamics, longitudinal studies tracking the long-term effects of technological changes on society are crucial. These studies can shed light on trends, causal relationships, and potential mitigating strategies.
- As technology becomes more integrated into daily life, ethical questions arise. Research should delve deeper into the ethical implications of technological innovations, particularly in fields like AI and automation. Future research should focus on sustainable technology solutions, exploring how advancements can contribute to environmental conservation and reduce the ecological footprint.

Implications for Practice

- Educational institutions should embrace technology as a tool for improving learning outcomes. Teacher training in technology integration and digital literacy should be prioritized. Policymakers and businesses should invest in



workforce development programs to equip individuals with the skills needed for the evolving job market, with a focus on retraining and upskilling. Policymakers can use our insights to inform environmental policies that promote green technologies and incentivize sustainable practices. Ethical considerations should be integrated into the development of technology products and services. Tech companies should prioritize responsible innovation and data privacy.

Implications for Society

- Society should prioritize digital literacy and responsible technology use to mitigate the negative consequences of overreliance on digital communication. A broader societal commitment to environmental stewardship and sustainable practices can amplify the positive impact of technology on the environment. Efforts should be made to ensure that technological advancements benefit all members of society and do not exacerbate existing inequalities. Society should foster ethical awareness and discussions surrounding the ethical implications of AI, automation, and data privacy. Hope for a better and brighter future through technology. This brave new world is open to innovation and new opportunities for everyone.

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Could fiscal amnesty reduce informality? The case of Albania

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Abstract

Purpose: *Fiscal amnesty is a policy tool that has been used in various countries as a means to reduce the level of informality in their respective economies. It's been successful in some countries, but not always. As a measure against informality, the Albanian government has recently proposed the law for fiscal amnesty. The purpose of this paper is to conduct an analysis of the factors that could lead to the success of fiscal amnesty programs and to identify the ways on which this measure can succeed to reduce the level of informality in the Albanian economy.*

Methodology: *A qualitative approach was adopted to analyze the appropriate data, policy documents and reports relevant to this study.*

Findings: *The findings among other things, showed that the economic and political context, as well as the previous experience of fiscal amnesties in Albania, do not guarantee an effective and appropriate solution for Albania, such as the fiscal amnesty.*

Value: *By evaluating the economic and political context and program design, together with the long-term impact of the fiscal policy programs in Albania, this paper contributes to an ongoing discussion of the factors that could lead to a successful fiscal amnesty.*

Keywords: *fiscal amnesty, informality, European integration, Albania.*

Introduction

Informality and EU integration in Albania is a complex issue that has been the subject of much discussion and debate in recent years. Albania's path to EU accession began in June 2006, when the government signed the Stabilization and Association Agreement (SAA), and since (2014), Albania is a candidate country for EU membership. However, the issue of informality has been identified as one of the major obstacles to Albania's EU integration process. One of the main concerns of the EU regarding informality in Albania is the impact it has on the country's economy. Therefore, addressing informality is a crucial step in Albania's EU integration process, as it will contribute to the country's economic growth and development and strengthen its legal system and rule of law. At the same time, the process of integration into the EU itself can influence the reduction of the levels of informality in Albania. The standard conditions necessary for integration in the European Union can change the culture of informality and a better environment for business growth.

According to a report by the World Bank (2021), the level of informality in Albania accounts for one fourth of the gross value added, making it one of the countries with the highest level of informality in the Western Balkans region. Reducing the level of informality in the Albanian economy has been a policy priority for governments. Various measures have been introduced to tackle the problem, including tax reforms, improved enforcement of labor regulations, and efforts to improve the business environment. However, the problem persists, and there is growing recognition of the need for more innovative approaches to address it. One potential solution that has been recently proposed is the use of fiscal amnesty, which will be the focus of this paper.

Fiscal amnesty is a policy tool that allows taxpayers who have previously engaged in informal economic activity to come forward and declare their income and assets without facing penalties or legal consequences (Meka, 2021). The aim of fiscal amnesty is to encourage tax compliance by offering incentives for individuals and businesses to enter the formal economy (Baer & Borgne 2008).

Fiscal amnesty programs typically involve a temporary suspension of penalties and interest for past non-compliance, as well as reduced tax rates for a certain period. In some cases, taxpayers may also be granted amnesty from criminal prosecution for tax evasion. Fiscal amnesty programs have been used in various countries around the world as a means of reducing informality and increasing tax revenues (OECD, 2015). Proponents argue that fiscal amnesty can provide a one-time boost to government revenue while also encouraging previously informal economic actors to enter the formal economy and contribute to sustainable economic growth.

However, critics of fiscal amnesty argue that it can create moral hazard by rewarding past non-compliance and encouraging individuals and businesses to continue engaging in informal economic activity in the expectation of future amnesties. Additionally, fiscal amnesty programs may be expensive to administer and may not be effective in the long-term unless accompanied by broader tax and regulatory reforms. International experience demonstrates that tax amnesties severely damage democracy, creating a sense that there is one rule for the rich and powerful, and another rule for everyone else (Tax Justice Network, 2016)

In the context of the Albanian economy, fiscal amnesty has been proposed as a potential tool for reducing informality and increasing government revenue. The government has previously introduced partial fiscal amnesty programs in 1996, 2007, and 2011, with varying degrees of success. As such, an analysis of the potential role of fiscal amnesty in reducing informality in Albania is warranted.

The study aims to answer the following research questions:

- What is the current state of informality in Albania and the challenges it poses for EU integration?
- What are the potential benefits and drawbacks of implementing fiscal amnesty measures in Albania?
- What factors are critical in designing an effective fiscal amnesty program in Albania?

For this purpose, this paper aims to analyze some elements that can identify the current general situation of the informal economy in Albania, and to present an analysis of the ways that fiscal amnesty can serve to reduce the level of informality in the context of the Albanian economy.



The importance of this paper is:

- Addressing informality is a crucial step in Albania's EU integration process, as it will contribute to the country's economic growth and development.
- This paper can serve to increase the understanding of the factors that could lead to the success of fiscal amnesty as an instrument to reduce the level of informality, in the context of the Albanian economy.

The findings of this study will contribute to the existing literature on informality and provide insights for policymakers in Albania and other countries facing similar challenges.

Literature Review

Fiscal amnesty or as it is known otherwise tax amnesty, is a government program that allows individuals or businesses to come forward and declare previously undisclosed or underreported income or assets without facing penalties or prosecution for past noncompliance (Alm, Vazquez & Wallace, 2009). The goal of fiscal amnesty is to encourage voluntary compliance with tax laws and increase government revenue.

The extensive literature in this field shows that fiscal amnesty, either complete or partial, has been applied in many developed and developing countries. Of course, every fiscal amnesty program is accompanied by benefits and costs depending on the economic and political context of each country, therefore policymakers should carefully consider the potential costs and benefits of fiscal amnesty programs before implementing them.

Although there are no golden rules that fully guarantee the effectiveness of fiscal policy programs when they are implemented, there is a considerable number of *empirical studies on the possible effectiveness of fiscal amnesty program*. This analysis will focus on the various factors that could lead to the success of fiscal amnesty programs countries, as well as analyzing the context of the Albanian economy in relation to these factors.

Economic Context. Fiscal amnesty programs tend to be more successful in countries with relatively stable economic conditions, as taxpayers may be more willing to participate when they have a certain level of economic security. In contrast, in countries with high levels of economic instability, taxpayers may be more skeptical of the government's ability to maintain fiscal discipline, which can limit the effectiveness of fiscal amnesty programs. In a study Mookerjee and Bhattacharya (2010) analyzes the impact of economic development on the success

of fiscal amnesty programs in India, finding that programs are more effective in states with higher levels of economic development. Alm, Bahl, and Murray (2017) examines the impact of economic development on the success of fiscal amnesty programs in Latin America and the United States and concluded that programs tend to be more successful in countries with higher levels of economic development.

Political Context. The political context can also influence the success of fiscal amnesty programs. If the government is perceived as being corrupt or if there is a lack of trust in the government's institutions, taxpayers may be less likely to participate in a fiscal amnesty program. In addition, if there is a lack of political will to enforce tax laws, a fiscal amnesty program may not be effective in the long term. Koester and Pomerleano (2006) analyzes the political economy of fiscal amnesty programs, finding that political factors can play a significant role in the design and implementation of these programs.

A study by Gemmell and Morrissey (2005) examined the impact of political factors on the success of fiscal amnesty programs in sub-Saharan Africa. The authors found that the success of fiscal amnesty programs was influenced by the political context, including the level of political stability and the quality of governance.

Design of the Program. The design of the fiscal amnesty program can also impact its success. For example, programs that offer a short window of opportunity for taxpayers to participate may generate greater participation rates. Similarly, programs that provide incentives to taxpayers, such as reduced penalties or interest rates, may be more effective than those that simply offer amnesty. Torgler, Schneider & Schaltegger (2011) analyzes the impact of tax amnesty programs on taxpayer behavior in Latin America, finding that programs that offer reduced penalties and interest rates are more effective in encouraging compliance than those that simply offer amnesty. Analyzing the impact of tax amnesty programs on tax competition among countries Kanbur and Keen (1993) found that the design of these programs can significantly influence their effectiveness.

Long-Term Impact. While fiscal amnesty programs can generate short-term revenue gains, their long-term impact on tax compliance can be uncertain. Some studies suggest that frequent use of amnesty programs can lead to a culture of noncompliance. That is because if tax amnesties are frequently repeated, taxpayers tend not to comply with their tax obligations in anticipation for the benefits of the next tax amnesty (Bird, 2015). Bird and Gendron (2007) examined the long-term impact of fiscal amnesty programs on tax compliance in developing countries. The authors found that while fiscal amnesty programs can generate short-term revenue gains, they can also send a signal to taxpayers that noncompliance is acceptable, which can undermine future tax compliance efforts.



Overall, the success of a fiscal amnesty program in a country can depend on various factors, such as the country's economic and political context, the design of the program, and the long term impact. Policymakers should carefully consider these factors when designing and implementing fiscal amnesty programs. Albania, taking into account the context of current developments first of all, should be necessary focus on strengthening the tax system and enforcement mechanisms, providing taxpayer education, and increasing transparency and accountability in the tax administration, because no matter how clearly drafted a fiscal amnesty program cannot have the expected positive effects.

Research Methodology

To identify the current general situation of the informal economy and the ways that fiscal amnesty can serve to reduce the level of informality in the context of the Albanian economy, this paper is based on a qualitative analysis. The qualitative analysis involves a review of relevant data, policy documents, reports, and academic literature relevant to the study. To answer the main questions, the study implies the method of analyzing theories and empirical work of the factors that can lead to positive results of fiscal amnesties in order to reduce informality.

Analysis And Findings

From the reports of official institutions, or in the various studies in this field, it does not seem to have been done a comprehensive analysis of the effects on the economy of past programs of fiscal amnesties in order to conclude on their effectiveness in Albania. But based on the analysis of some factors that extensive literature suggests which can be considered favorable for the application of a fiscal amnesty, we can consider its successful application or not in Albania.

The first proposal for a general fiscal amnesty in Albania dates back to 1999, on the initiative of former President Rexhep Mejdani, but was not accepted by the government or the opposition of that time. During the last two decades, in Albania there have been at least two initiatives for fiscal amnesty based on voluntary declaration of assets (2011 and 2017) in the sense of the legal approach, but none of the proposals have found the political consensus and the international factor (Meka,2021).

The 2020 proposal remains a draft, amended in 2022 and currently under discussion for the agreement of stakeholders and international institutions.

Economic Context. Albania is classified as an upper-middle-income country, with a Gross Domestic Product of approximately \$42 billion at the end of 2022 in purchasing power parity terms (World Bank, 2022). However, Albania still faces significant economic challenges, such as a large informal sector, high unemployment rates, and low productivity. These factors can make it difficult to enforce tax compliance and may make fiscal amnesty programs less successful. The phenomenon of informality is complex and can be analyzed in terms of the factors that can potentially cause it. Some elements that are essential in causing the informational economy are: the labor market, cash economy, corruption, the tax system, etc.

The World Bank study (2021) showed that the level of informality in Albania accounts for one fourth of the gross value added, making it one of the countries with the highest level of informality in the Western Balkans region, concluding that informality hinders thus the development of Albania. Another ILO report for 2021 shows that the informality rate in Albania in the work environment sector is about 51.3%, while about 45.5% of employees in Albania work in the informal sector.

An indicator of *informality in the labor market* is the number of social security contributors in relation to the number of total employees. If we compare the data on the number of employees reported by INSTAT and the number of social insurance contributors reported by SII, it is noticed that there is a significant discrepancy between them, proving a high degree of evasion.

Years	Contributor in total	Employed
2018	778.111	1.230.000
2019	781.924	1.266.000
2020	747.872	1.243.345
2021	790.835	1.248.749
2022	801.48	1.230.000

Source: INSTAT and SSI

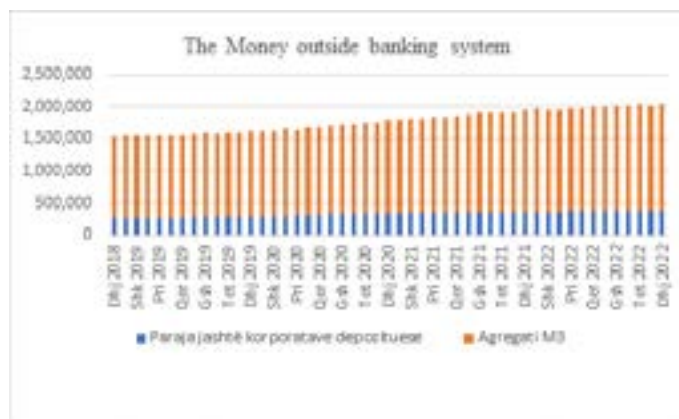
The informality of work in Albania seems to have increased. According to the SELDI Hidden Economy Monitoring System (2022), the share of workers without written contract on the main job is the largest in Kosovo* (19%) and in Albania (16%) and compared to a previous period there was a 3% increase in the “no written contract” share in Albania.

According to the World Bank, the Hidden Employment Index shows that 47 percent of employment in Albania has a level of informality and Albania has a high



level of informality in the wage sector compared to the Region. With only 5.2% of GDP, our country collects income from social and health insurance half of the regional average. In Serbia and Montenegro, this indicator exceeds 12% of GDP. This is an indicator of the high informality of work in the country, as a large part of employees declare minimum wages, but also of the fact that Albania has a high number of employees in the agricultural sector, who pay minimal contributions, or they don't pay at all.

Numerous studies in the field of informality show that *the amount of cash that circulate outside the banking system* is also an indicator of informality in an economy. If a large number of transactions in a sector are carried out in cash without being reported in taxes, this can be another indicator of informality. Referring to the data of the Bank of Albania (2022), over 387 billion ALL “CASH” circulated in the Albanian economy. Compared to the same period a year ago, it turns out that the cash has increased by 21 billion ALL (BOA,2023).



Source: Bank of Albania

Although for years the Bank of Albania has been engaged in encouraging and promoting the use of formal and secure channels for money transactions, through the improvement of payment systems, the increase of financial education and the digitization of financial services in order to address the high level of the use of cash, the reduction of informality still remains a current problem and a challenge. According to the World Bank (2022) only 40 percent of adults and about 75 percent of SMEs have access to a bank account.

The tax system is also considered as one of the main pillars that can facilitate or hinder the formalization of the economy. This is because often the high costs and difficulties in the tax administration, push many businesses not to declare their income or even worse to leave the market.

Years	Businesses that have gone into passive status
2019	7049
2020	6292
2021	8071
2022	12433

Source: General Directorate of Taxes

Meanwhile, Albanian Center for Economic Research (ACCER 1999) showed that 73% of evaluated enterprises do not report full profits. The fiscal burden and high informality are two of the main problems that businesses in Albania consider as hindering factors for business development (World Bank, 2022).

At the end of 2022, tax revenues for Albania were 494.7 billion ALL, of which tax debt was 146 billion or 29% of total revenues. Compared to the data of a year ago, there is an increase in the total tax debt in relation to the total income.

Years	Tax debt
2018	108.000.000
2019	117.000.000
2020	123.000.000
2021	135.000.000
2022	146.000.000

Source: General Directorate of Taxes

The International Monetary Fund (IMF) has analyzed Albania's fiscal system, in a technical assistance report (IMF, 2020). The report emphasizes the complicated tax system that the country has with degrees of progressivity and fiscal exemptions, which create a path for evasion, while giving some recommendations for its simplification.

The analysis shows that the situation of informality in Albania is disturbing. Governments in Albania as in other countries of the region, have undertaken a lot of different measures to tackle informality, ranging from dedicated initiatives to more general structural reforms within the framework of EU accession. Yet, the lack of unequivocal long-term political commitment to EU accession and related reforms across the region, makes sustainable progress on informality difficult (SELDI, 2022).

Political Context. Even though Albania has made significant progress in recent years towards strengthening its democratic institutions and governance structures, *corruption* remains a significant challenge in the country. Studies show that the



level of corruption is also an indicator of informality in the economy. A one-point rise in the index of corruption is associated with an increase in the level of hidden economy by 0.253% points (Borlea, Achim and Miron 2017). Where there is informality, there is a great increase in corruption. According to the Transparency International Report (Annual Report, 2021) Albania, Serbia and Bosnia-Herzegovina are the most corrupt countries in Europe. Albania's score in Transparency International's Corruption Perception Index has continuously deteriorated since 2016, decreasing from a score of 39 to 35 (out of a possible 100) in 2021 (TIR,2022). Meanwhile, according to the OECD report (OECD 2020), corruption is one of the main causes of informality in Albania, creating unfair conditions for legally registered businesses and encouraging the activity of illegal businesses. This can undermine taxpayer trust in the government and tax system, potentially making it more difficult to encourage participation in fiscal amnesty programs.

The long-term impact of fiscal amnesty programs on tax compliance in Albania is uncertain, cause it does not appear that a comprehensive analysis of the economic effects of past amnesty programs has been done (mainly tax debt forgiveness), but referring to the data on the tax debts where amnesty or tax forgiveness was announced by political forces, it appears that this debt has deepened. According Open Data Albania (Albanian Institute of Science, 2022) after the implementation of the first fiscal debt forgiveness program in 2008, there was a very high increase in fiscal debt, from ALL 8.4 billion liabilities to ALL 19.8 billion liabilities in 2009, increasing the cost of informality in the economy.



Source: SSA 2012; Report for the implementation of the 2011 state budget

The two previous amnesties, in 2010 and 2017, which were partial, failed to achieve the intended results. At the end of 2011, the fiscal obligations in total were about 65 billion ALL, which have been increasing since the attempt for partial forgiveness of customs and tax obligations in 2008. During 2015, the value of the debt has increased by the amount of 12,630,410 thousand ALL or 14% of the debt balance at the beginning of 2015, as well as 13% of the total debt

These results show that the repetition of amnesties can lead to the loss of confidence of tax payers in the system, therefore the avoidance of tax obligations while waiting for the forgiveness of unpaid obligations.

Design of the Program. The participation rates in fiscal amnesty programs in Albania have generally been lower than in other countries. For example, a fiscal amnesty program introduced in 2018 generated less revenue than expected, with only a small percentage of eligible taxpayers participating. This may be due to a lack of trust in the government and tax authorities, as well as the perception that the program did not provide significant benefits to participants. On the other hand, it seems that these partial tax amnesties have not been accompanied by other ongoing reforms. As (Meka, 2023) emphasizes for a tax amnesty to be successful in the long run, must, unavoidably, strive to be intertwined with other indispensable and follow-up reforms.

Analysis of these data shows that fiscal amnesty has had a limited impact on reducing informality in Albania. The weak legal and institutional framework, lack of enforcement of tax laws, and the existence of a culture of informality have hindered the effectiveness of fiscal amnesty programs. The incentives provided by the programs were not significant enough to encourage taxpayers to participate, and the penalties for non-compliance were not severe enough to constrain informal economic activities.

Conclusions

Reducing the informal economy is a critical priority for Albania's EU accession process. Addressing this issue requires a concerted effort by the government to simplify regulations, reduce the administrative burden on businesses, and improve tax compliance. The success of these efforts will depend on the government's ability to build trust in institutions, enforce regulations effectively, and create a culture of compliance.

- The findings suggest that informality remains a significant challenge for Albania's EU integration, as it contributes to tax evasion, corruption, and unfair competition.
- Fiscal amnesty can be undertaken when it is estimated that the state through its policies can control informality and all other problems related to it, such as corruption, evasion, prevention of money laundering, etc.
- The economic and political context, as well as the previous experience of fiscal amnesties in Albania, do not guarantee an effective and appropriate solution for Albania, such as the fiscal amnesty.

- We can estimate that the fiscal amnesty programs (tax debt forgiveness) in Albania have not been successful in the results achieved for the normalization of the economy, even unpaid fiscal obligations have increased year after year, an increasing trend after each fiscal amnesty program, or waiting for a new amnesty.

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Natural Monopolies In Albania: Problems And Regulation. The Case Of The Water Supply & Sewerage

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Abstract

Purpose: *This paper examines the problems of the water supply & sewerage (US&S) sector in Albania and the way they have been carried over time. Through the paper, there are described financial problems of the Albanian water industry and the current regulatory methods.*

Methodology: *The authors have used a systematic literature review on 19 case studies of WSS industries in countries like: England, France, U.S.A, etc., to identify politics and conditions, which have helped developed countries to overcome low performance problems, in the industry of water supply and sewerage. Secondary sources, such as: scientific studies on natural monopoly, case studies of developed and developing countries, a series of manuals on regulatory practices, followed by Western countries, have been analyzed, for comparative purposes. Also, data from annual performance reports of the water supply sector, strategic plans, ERRU regulatory acts and the Constitution of the Republic of Albania, are also used.*

Findings: *The implementation of a series of reforms led to significant improvements until 2007. However, after 2007, and especially the 2014 reform for decentralization and transfer of control of the sector to the local level has put the water supply sector in the performance stage where operating efficiency has decreased and performance has not improved.*

Value: *In response to the current mismanagement of electrical energy, Energy Efficiency Improvement Plans should be drawn up for US&S companies. Also, this paper offers a valuable comparative approach between countries of which this monopoly has been managed efficiently.*

Keywords: *natural monopolies, public good, water supply and sewerage, Albania, regulators.*

Introduction

According to Hanemann (2005), the problem of the water supply and sanitation industry lies in the need to match the demand and supply of quality water, in the right place, at the right time and at a price that people are able and willing to pay for having it. This illustrates a widespread opinion in the literature that it is the duty of state institutions to ensure water supply, efficiently.

However, efficient management for the materialization of this purpose has been a challenge, especially for the governments of countries in political transition. That's why in 1990, many developing countries privatized their water supply and sanitation sector. From 2002 to 2005, countries such as Albania, Algeria, Ghana, Peru and Russia joined this process and allowed private participation in this sector (Marin & Izaguirre 2006).

Despite the reforms undertaken in the water sector in Albania, within the EU integration process, the problems of this industry remain unsolved. Although identified by the monitoring unit, their solution has not been achieved even when they are foreseen by the national strategy, to be addressed. This implies that the reforms and policies undertaken have not found the right environment. In advance, the state must ensure certain conditions, so that the measures taken can be implemented.

Literature Review

Water fulfills both the definition of a public good and that of a private good. As a public good, it has two defining characteristics; water is non-excludable in possession and non-rival in consumption (Hanemann, 2005). However, it can be deposited, distributed, in countries like England, even completely privatized and finally sold on the market, for individual and exclusionary consumption. These types of distribution forms add to the characteristics of water the features of a private good.



Referring to Savas classification, on the categorization of goods according to the type of consumption and excludability, there can be hypothesized four forms of water as a good: Private Goods, Toll goods (taxable goods), Common-pool goods, Collective goods (Savas 2000).

So, some forms of water can be better provided by the government, while others would be more efficient to be provided by the private sector. However, the piped water, over which the study is focused, remains a case of natural monopoly and the performer of operations is subject to regulatory frameworks.

This form of economic entity is related with the significant cost of the water supply infrastructure investments. But even so, in order to use the economy of scale, water distribution can not be provided by several firms. The firm, generating alone the entire social output of the industry, can afford the high fixed cost of the necessary infrastructure.

The sole presence of a provider will limit the level of output to the level of a monopoly, which would lead to a loss of social welfare (Savenjie 2001). On the other hand, due to significant fixed costs, even though the monopolist will operate at higher prices but at a lower amount of output, the profit will be low. His unfavorable situation worsens when the state requires to trade at the social price. Therefore, government intervention is necessary to regulate these markets. It consists in the combined application of price controls and subsidies.

Experience has shown that ownership of industry assets, management and simultaneous performance of services by the state has left much to be desired. Baietti (2006) describes it as a chain of consequences: Incomplete coverage of the population with water supply, frequent water disconnections combined with high operational costs, no financial surplus for expansion opportunities, were followed by inappropriate tariffs and lack of willingness on the part of consumers to pay.

The causes of unsuccessful management practices to provide water service, beyond the nature of a natural monopoly, are found in the so-called internalities. According to Wolf (1988), this situation is called non-market failures and occurs when the private interests of officials, with an influence on the sector's decision-making, prevail over public ones. Which is followed by increased costs and misallocation of resources and, as a result, externalities.

Politicians, in accordance with their own interests and short-term goals, change the charging methods and prices. In Peru, during 1990, to please the electorate, the majority policy applied surprisingly low prices for water service (Savodoff & Spiller 1999). In 1994, the World Bank estimated that the revenue collected could cover on average only 30% of the total cost. (Cowen & Cowen 1998).

Other forms of using decision-making in the water industry, with a profitable or powerful purpose, are the manipulation of tender documents and the release of confidential information. Thus, Davis (2004) cites the case of India, where firms

competition for tenders is not based on the best rates, investment capital and projects but on paying senior officials to provide inside information or manipulate the tendering system.

These internalities in the water and sanitation sector create space for poor financial management. Employing more staff than is necessary to accomplish the tasks, increases the cost of water service and creates the need for higher rates. On the other hand, it leads to difficulties in monitoring the performance of employees and, as a consequence, a decrease in the productivity of public utilities (Ostrom & Ostrom 1977).

According to a study by Tynan and Kingdom (2002), the water sector in developing countries reported 20 employees per 1000 connections. Meanwhile, in developed countries, this ratio consisted of 2-3 employees per 1000 connections.

The divergence between the cost and the collected benefits, the specialized technical requirements for this sector, the inappropriate political interventions combined with poor financial management are important determinants of the state's performance in the water and sanitation sector.

In these conditions, the participation of the private sector is important. The experience of the private sector has shown that, without the support of the public sector, it cannot improve the performance, in the water industry. It can not create an adequate competition to reduce the cost, does not increase the coverage of the water supply and does not increase the financial resources to the expected size.

From the supply side, the regulatory framework established by the state should ensure a business-friendly environment and effective regulatory mechanisms.

On the demand side, the state should strive for mechanisms to overcome the costs not covered by fees and subsidies to improve the quality of services in WSS.

A business-friendly environment reduces the risk of investors getting involved in the operating system of the water supply industry. In such environment, there are well-defined property rights, competitive labor markets, business ethics and good governance. According to the World Bank (1992), the participation of the private sector has been successful in those countries where reforms have been undertaken for an open economy and free entry into the market.

Shirley and Menard (2002), highlighted three conditions that enable the success of a regulatory contract: the tendency and effort to reduce asymmetric information between the regulator and the operator, the generation of motivational incentives for the operator in order for the latter to fulfill the terms of the contract and that both parties must generate trust in each other, respecting the agreement.

Asymmetric information can be reduced through continuous control and monitoring. Thus, the regulator to collect basic information could use Yardstick competition. Although market competition in the water industry is rare, when it is present as in the case of England, the best form of operation is considered

the franchise. Through aggressive commitment to competitive goals, the firms themselves will take care, even by paying for the collection of information about the market, another company.

Methodology

To identify politics and conditions which have helped developed countries to overcome low performance problems, in the industry of water supply and sewerage, the authors have used a systematic literature review on 19 case studies of WSS industries in countries like: England, France, U.S.A, etc. Secondary sources such as scientific studies on natural monopoly, case studies of developed and developing countries and a series of manuals on regulatory practices followed by Western countries have been analyzed, for comparative purposes. They have also, studied and interpreted the primary data, which were provided through the annual performance reports of the water supply sector, strategic plans, ERRU regulatory acts and the Constitution of the Republic of Albania. Due to them, they were able to analyze the performance of the water supply operators in Albania and identify the main laws that regulate the activity of this sector.

The WSS Performance

Water supply coverage has remained the same over the past decade. It is clear that urban areas have a wider coverage than rural ones. From 2007 to 2021, overall water supply coverage has remained at an average level of 77.7%, approximately 93% for urban areas. However, in 43% of rural areas, the water supply network is completely missing. As a result, residents use alternative sources, wells, natural ponds or water transported by tankers. Regarding the quality of the service, we must consider two aspects; its continuity and quality of drinking water. There is a large gap between UK companies, with the lowest level of service continuity being 3h/day and the maximum being 23h/day. Half of the companies provide less than 12 hours/day of water supply. Regarding the quality, although the performance report of the water supply system states that the parameters are optimal, the citizens constantly have complaints about it. The practices of determining the price of water supply in Albania are characterized by an obvious lack of transparency. Consumers often do not have enough information about the cost of water production and service, which makes it difficult to understand how prices are set and raised. One form of lack of transparency is that of afro-religious billing. It ranges from 3000-4000 ALL per subject, when applied. This situation is related to the lack of equipment

with a measuring device for evaluating the quantities of water consumed. On the other hand, not equipping citizens and businesses with measuring devices makes it difficult to avoid network abuses and misuses.

Financial and Managerial Mismanagement

The average level for the entire Non-Revenue Water (WWR) sector, in 2021, reached 65.4% but compared to the WWR level in 2007, it has not improved. The poor results of WWR are related to low metered coverage. International best practices consider a minimum of 95% as a good collection rate.

Considering the fact that the variation between 56 WS companies, regarding the possibility to measure water consumption, goes from 0.15 to 100%, it makes one think that this indicator is related to the lack of managerial will to perform according to objectives.

Installation of meters is important to avoid abuse and misuse. In practice, achieving the 2017 target of 85% metered coverage would not be impossible if WS utilities did not continue to unnecessarily increase staff costs. The staff cost occupies the main item in the operation and maintenance budget in WS companies (it varies on average 22-81% and on average, at the national level, 34%).

Staff efficiency, in 2021 is reported to be 5.8 employees/1000 connections and UK companies have continued to increase the number of employees on average, with around 336 new hires. In 2007, this indicator was 6.3 employees/1000 connections. According to the standards, this indicator should be 2 workers/1000 connections.

It is noted that the increase in employment occurred during the elections, for example during the local elections of 2019. Also, the movement of managerial staff coincides with the same periods. The latter hinders the development and professionalism of employees and creates a culture of fear and repression in the organization.

Another important item in the operation and maintenance budget in UK companies is electricity. It ranges from 1% to 78% of total OPEX and averages 26% nationally.

According to the report published by ERRU, during 2022, out of 58 companies operating in the sector, 26 companies performed poorly, below the 70% level of this indicator. This increase can be seen in the context of energy cost increase.

The increase in price can explain the increase in the cost of energy, but it does not explain the reason for the increase in the amount of energy consumed. If we refer to the data related to the quantities of water pumped, they do not coincide with the amount of energy consumed for them.



The efficiency of water pumps varies, but is usually in the range of 40-70%. This means that to pump 1 liter of water, between 1.43 and 2.5 kW of electricity may be needed, using the minimum and maximum efficiency values. A worn pump system and outdated distribution infrastructure mean that the amount of electricity needed to pump a liter of water is greater. Given that the water supply network in Albania dates back in decades and the rate of its consumption is high, as a result the level of electricity to make it to work is higher.

Also, related with outdated supply system and its insufficient maintenance, are the high levels of water losses, published by the waterworks reports. According to the multi-year strategy published for consultation on the sector, the current infrastructure in the water sector is quite depreciated. Most of the WS utility's distribution network dates back 60 years and as a result, its present value is much lower than its replacement cost.

For water supply services, fixed assets per inhabitant range from 0 to 157,000 ALL/inhabitant with an average of 16,000 ALL/inhabitant, while the wastewater average is much lower at 13,000 ALL/inhabitant and ranges from 0 to 359,000 ALL/resident. This means that depreciation costs and maintenance costs (calculated as part of the asset value) will increase over time as the existing old infrastructure is replaced and expanded, worsening the recovery of operational costs for services.

For the period 2007-2009, the annual average of investments was 8.68 billion ALL. Compared to 2015-2016, the level of investments increased by 11.2 and 13.04 billion ALL. Meanwhile, in 2021, the value of investments fell to 4.25 billion.

One of the main reasons for the lack of investments in the water supply infrastructure in Albania is the lack of sufficient financial resources. Public and private funds available for this sector have been limited. When there is a lack of transparency and difficult procurement processes, it is difficult to attract foreign investors or secure the necessary funds to improve infrastructure.

Successful investments in water infrastructure require long-term planning by the government and relevant institutions. Improving the water supply infrastructure is not a quick process and requires proper coordination at the strategic and operational level. Also, it will serve as an instrument to attract other investors, public and private.

Most of the water supply and sewerage services in Albania are provided by public operators. This brings the lack of competition which can create obstacles to innovation and to ensure high quality of services. In this context, it is important to create favorable conditions and regulations for the entry of private operators in the market and to encourage healthy competition.

Currently, the entry of private operators into the water and sanitation sector is still limited and hindered by complex licensing processes and regulations.

Licensing processes, public procurement and other legal requirements can be complicated and difficult for private operators to cope with. It is important that Albania develops clear and simple regulations to facilitate the entry and operation of private operators in the water supply and sanitation sector.

Also, the government should improve the business climate. It is important to take steps to fight corruption, in order to create a better business climate. This will encourage foreign and local investors to engage in the water supply sector. Corruption manifests itself in the form of low payments, dubious contracts, rigged tenders and misuse of public resources.

Excessive bureaucracy is another gap for corrupt affairs. The high level of bureaucracy and lengthy procedures in the water sector can create opportunities for corruption. When there is a lot of room for personal gains and abuse of administrative processes, sector employees can use these conditions to carry out illegal and corrupt actions.

And finally, the lack of transparency. Information regarding the performance and planning of the water supply and sanitation sector is often insufficient and unavailable to citizens. Financial and performance reports are vague, and the lack of transparency fosters suspicion and mistrust among citizens. In 2022, 26 WS companies were checked by ERRU, assessed as having reported suspicious data.

For that must be induced increase of responsibility level on the part of the management staff of WS companies and control on the part of the regulator and ERRU

Conclusions

The implementation of a series of reforms led to significant improvements until 2007.

However, after 2007, many indicators on the operation and management of the sector have remained the same. The 2014 reform for decentralization and transfer of control of the sector to the local level has put the water supply sector in the performance stage where operating efficiency has decreased and performance has not improved.

The experience of developed countries has shown that if the appropriate institutional environment is created and regulatory mechanisms are strengthened, the engagement of the private sector can be an important partner for the success of the water supply sector. The stronger the regulatory framework of a country, the less risky privatization becomes for the natural monopoly of water and the greater the propensity for success.

There should be a clear, objective and fair process for the selection and appointment of managers of water supply operators. Performance contracts should



be considered in relation to the position of the Executive Director of the company in management for the improvement of the financial performance of the company, from which the continuity in the task will also depend.

Also, demand accountability from the mayor of the relevant municipality. As in France, the mayor must be held accountable for poor performance and poor quality of services (Ephraim Clark&Gerard Mondello, 1996).

Regulatory mechanisms should generate effective incentives to encourage operators not to act abusively and to disclose more information, in terms of financial reports publications. These incentives can be in the form of price adjustments, rewards or the establishment of a system of performance indicators to check efficiency and control over distribution. In Thailand, this type of system resulted in profitability rate of 40.3% over the established target (McIntosh 2003).

In response to the current mismanagement of electrical energy, Energy Efficiency Improvement Plans should be drawn up for UK companies. To draw conclusions, to apply and the needs that they foresee as a necessity for increasing operational efficiency are financed.

Finally creating an institutional, a friendly business environment and installing effective regulatory mechanisms are prerequisites that have served other countries successfully. As such, they should also be considered to be applied in the water and sanitation sector, in Albania, for the effective application of reforms and policies.

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Banking System on the Albanian Path to European Union Integration

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Abstract

Purpose: This article aims to assess the contribution of the Albanian banking system to the European Union integration process by analysing its progress and challenges in alignment with accession criteria and compliance with EU acquis.

Methodology: The research spans 12 years (2011–2022) of monitoring by the European Commission. The methodology involves a thorough review and content analysis of annual EU integration progress reports for Albania, uncovering banking system-related criteria, requirements and recommendations enhanced by a thematic analysis identifying recurring themes and report patterns over the years.

Findings: The analyses confirm the hypothesis that the Albanian banking system has made significant progress in aligning with EU accession criteria, as evidenced by positive evaluations of the European Commission, mainly in macroeconomic and financial stability, but still ample room for lending and financial inclusion improvement. The progress reports over the years have consistently ascertained the positive impact of the monetary and macroprudential policy, while progress in non-performing loans (NPLs) is acknowledged, ongoing concerns persist regarding the extensive use of the Euro in the economy.

***Value:** This paper holds multifaceted value as a resource for policymakers, researchers, and those engaged in EU integration. It comprehensively assesses the Albanian banking system's progress and offers practical recommendations, with a particular emphasis on improving financial education as a key factor on the demand side. Using a long-term, data-driven approach, it uniquely examines the system's contributions and challenges in meeting EU standards, making it essential for Albania's European Union integration efforts.*

***Keywords:** EU Integration, banking system, convergence criteria, harmonization chapters*

Introduction

It may feel distant, but the powerful statement from the students in December 1990, "We want Albania like all of Europe", was not just a slogan but the aspiration of a nation and a vision for a better future inspired by the standards and values that the European Union (EU) represents - a functional democracy with sustainable economic development. This call marked the most significant event in modern Albanian history: the fall of communism, paving the way for the country's Euro-Atlantic integration. This journey has been long, filled with challenges and achievements, but it remains a national strategic priority and the destination every Albanian wants.

The opening of negotiations in the summer of 2022 brings Albania one step closer to the Union. The integration process involves continuous advancement and reforms in key sectors of the country by meeting the criteria and requirements that align Albania with EU countries. Among these crucial sectors is the banking system, which stands at the core of economic developments, not only as a financial sector but also due to its significance within the institutional and regulatory framework. A developed financial system is destined to create a more productive and efficient economy, playing an extraordinary role in a country's macroeconomic and financial stability, with banks being the most significant institutions in this system (Mishkin, 2016).

Aim and Objectives

This study aims to assess the contribution of the Albanian banking system to the European Union integration process by analysing its progress and challenges in meeting the accession criteria. The research examines progress reports to uncover the multidimensional dynamics influencing Albania's journey toward aligning its banking sector with EU standards. The objectives detail this aim:

- (1) To analyze the essential criteria and recommendations set forth by the European Commission in the yearly progress reports related to the banking system.

- (2) To provide insight into the implications of the banking system compliance with EU criteria on Albanian integration prospects.
- (3) To identify any challenges or areas of improvement encountered by the Albanian banking system in its pursuit of EU alignment.

1.2 Hypothesis and Research Questions

Hypothesis:

The Albanian banking system has made significant progress in aligning with the EU accession criteria, as evidenced by positive evaluation in the European Commission's annual progress reports, positioning it as a constructive contributor to Albania's integration path.

Research questions:

- (1) How has the Albanian banking system evolved over the years in response to the European Union's economic criteria and recommendations as documented in EU progress reports?
- (2) What are the key areas of compliance, improvements and concerns that must be addressed?

Methodology

This study is a descriptive qualitative research based on secondary sources. The study utilises the annual progress reports since 2011, being the first report on Albania, up to the most recent one in 2022. These reports comprehensively assess Albania's progress in various sectors, including the banking system, and offer valuable insights into the alignment with EU criteria. The study incorporates information from the Economic Reform Program (ERP) and updated data from the Bank of Albania, focusing on critical financial stability indicators and monetary policy developments to gain further insight into the policy changes and recommendations related to the Albanian banking sector. The primary method involves a comprehensive review and content analysis of the yearly progress reports on Albania's EU integration to identify the criteria, recommendations, and policy changes related to the banking system. To complement the document analysis, thematic analysis will be conducted to identify recurring themes and patterns in the progress reports over the years. This analysis will help determine areas of compliance, progress, and persistent concerns.

Literature Review

From the Bonn Conference to the opening of negotiations

The principles of the integration criteria and, consequently, the banking system's responsibilities emanate from the Maastricht Treaty (1992) that established the EU as we know it today and the declaration of the Bonn Conference between the European countries and the former communist bloc (1990). These principles were detailed in specific requirements for aspiring countries at the Copenhagen Conference (1993), known as the Accession criteria. After the turmoil caused by the Bosnia, Herzegovina, and Kosova wars, the Member States confirmed a new perspective for the Balkan countries at the Thessaloniki Summit (2003), 'the future of the Balkans is within the European Union'. The Summit created a specific legal framework to advance the integration process — the Stabilization and Association Process aimed to enhance regional stability and prepare regional countries for European accession.

For Albania, this process culminated with the entry into force of the Stabilization and Association Agreement (SAA) in (2009), a pivotal moment in Albania's European future. The Agreement legitimised mutual commitments and paved the way for a detailed process with clear objectives in political cooperation, economic collaboration, and alignment of Albanian legislation with the EU acquis (2009). The common denominator of the integration process, included in all the documents mentioned above, is the *existence of a functional market economy* as a requirement for being a reliable EU member.

Copenhagen criteria and the conditions and requirements of SAA

The banking system directly affects two out of five requirements needed for the existence of a market economy under the Copenhagen economic criteria, which are (i) macroeconomic stability *and the* proper functioning of the financial market. This last one includes (ii) financial stability and (iii) access to finance (EU, 1993).

In addition to the economic criteria, Copenhagen also has political criteria and a third criterion: the ability to undertake membership obligations, which refers to a candidate country's administrative and institutional capacity to implement the acquis. The acquis includes all the rights and obligations that comprise the legal framework of the Union's functioning. They consist of treaties and laws created to implement these treaties, resolutions, declarations, court decisions, international agreements, policies, rules, and constantly evolving standards. Candidate countries



must accept the *acquis* and align their laws with them before joining the EU. Alignment with the *acquis* is the primary process during the pre-membership phase, negotiations, and screening (EC).

As a detailed reflection of the Copenhagen Criteria, the SAA fulfils the comprehensive framework of Albania's requirements for integration, including those related to the banking system. The SAA contains a series of provisions grouped into chapters. These chapters, the political-economic criteria, and priorities have been the roadmap for monitoring progress since the signing of the SAA. In 2020, the European Commission (EC, 2020) reviewed the accession negotiation strategy, reorganising the 35 chapters into clusters, the progress of which is monitored and assessed by the EC. With the opening of negotiations, the screening process has begun to align with the *acquis* and fulfil key priorities. In summary, the criteria and chapters for the banking system are as follows:

TABLE 1. Economic Criteria and *Acquis* Chapters for Banking System

Cluster I: Fundamentals	I. Macroeconomic Stability II. Financial Market Function: Financial Stability III. Financial Market Function: Access to Finance
Cluster II: Internal Markets	1. Chapter 4 Free Movement of Capital 2. Chapter 9 Financial Services
Cluster III Competitiveness and inclusive	1. Chapter 7 Economic and Monetary Policy

Convergence Criteria

Under the criteria for assessing macroeconomic stability, it is crucial to emphasise the four convergence criteria outlined in the Maastricht Treaty (1992) as transition criteria for the member states to become part of the monetary Union and the adoption of the common currency, the Euro. Even though these criteria do not directly apply to candidate countries, they are the ultimate objective of such countries and provide measurable indicators that guarantee economic stability and cohesion. The banking system strongly impacts the achievement of these criteria, or they influence the financial stability of banks. Adherence to these criteria, detailed below (EU, 1992), is considered crucial for the success of the Union.

Price stability, as the primary objective of central banks and monetary policy, is considered a public good due to its crucial role in ensuring economic stability and impacting the real economy outcome (Mishkin, 2016) as the first convergence criteria requires that the average inflation should not exceed 1.5 % points above the rate of the three best performing Member States. Sound public finances, as the second criterion mandates that the government deficit should not surpass 3% of GDP and government debt shouldn't exceed 60% of GDP. When governments

seek credit, they affect the monetary offer, increasing the private sector credit cost. However, they also pose a risk to stability when central banks finance public deficits or inject liquidity in breach of their independence, endangering the stability of the banks holding most of this debt, as Mishkin (2016) explained.

The third criterion on exchange rate stability is the direct responsibility of the central bank, which establishes and implements the exchange rate regime and maintains confidence in the local currency through various mechanisms like foreign exchange reserves requirements. Currency fluctuations impact the assets and liabilities held by banks' public debt costs, significantly influencing prices, balance of payments and trade, and the real economy overall (Mishkin, 2016).

Last but not least is the long-term interest rate, which should not exceed two percentage points above the rate of the three best-performing Member States in terms of price stability. This criterion serves as the leading indicator to assess the durability of the convergence. The long-term bond yield curve is considered the 'economic radar' by Langdana since it is closely linked to market actors' expectations of future inflation and economic risks, expressed in the interest rates- the Fisher effect. Anchoring future inflation expectations is one of the main concerns of the central banks, which highly impacts the country's sustainable growth (Langdana, 2022).

Financial development and access to finance

The financial system's role in economic growth is empirically confirmed from the 1800s to contemporary analysis. Banks, as promoters of savings and facilitators of investments, are essential for economic growth and contribute to the money supply as depository institutions (Mishkin, 2016). The Financial Development (FD) Index assesses financial institutions and capital markets' impact across three dimensions: deepening, access and efficiency. FD combines three dimensions, with depth reflecting market size and liquidity and access indicating individual's ability to use financial services (Sahay, et al., 2015). The index finds that financial development doesn't always guarantee economic growth; its impact varies with a significant effect observed at high deepening levels, as seen in European and U.S. markets.

Enhancing financial access at any level of financial development, particularly for under-served sectors like SMEs and crucial industries like agriculture or innovations, remains highly advantageous. Financial access is fundamental in fostering economic growth, reducing poverty, and promoting overall development. In the analysis of Western Balkan countries by Moder and Bonifai (2017), "access to finance" refers to the availability of quality financial services at reasonable costs, encompassing services such as bank accounts, deposits, ATM usage, online



payments, and access to credit. Access Barriers decrease as financial systems become more advanced. Developing economies still have ample opportunities to leverage Financial Development across all dimensions: depth, access, and efficiency, contributing not only to economic growth but also to financial stability and mitigating inequality and poverty (Sahay, et al., 2015).

Banking System in Albania

The Albanian financial system has significantly transformed since the early 1990s, transitioning from a centrally planned economy to a market-oriented one. The system changed from a state-owned banking sector to a two-tiered one comprising the Central Bank of Albania (BoA) and commercial banks, including non-bank financial institutions. In the context of Albania's EU integration efforts, the BoA assumes a pivotal role as the country's monetary authority. It holds responsibility for establishing and implementing macro-financial stability policies and aligning them with the EU's policies and regulatory frameworks as the cornerstone for being a member country of the Union. Albania is home to 11 banks, primarily with foreign capital (75.12%), despite the recent growth of domestically owned ones. Banks with European capital constitute 46.15% of the foreign ones. The commercial banks dominate the Albanian economy, with their assets accounting for 87.95% of GDP, playing a central role in capital circulation and supporting economic activities within the country. Non-bank financial institutions represent 4.14% of the total banking system assets (BoA, 2022).

The Albanian financial system lags behind developed EU countries in developing and diversifying financial services, scoring 0.2 on the FD index compared to the EU average of 0.7 (IMF, 2021). Private sector credit-to-GDP ratios tell a similar story; Albania, for the last five years, has only reached 35.2% (BoA, 2022), while developed countries finance the private sector at 130% of GDP and developing countries at about 50%, accompanied by the lower access to finance ranking, leaving ample room for deepening in the banking system in Albania. Moreover, the capital market is relatively non-existent, a common trait among former communist countries (Sahay, et al., 2015).

Evaluation of Economic Criteria

Macroeconomic - Financial Stability and Access to Finance fall under the Fundamental cluster and constitute the initial package in the negotiation process. They are subject to reassessment at the end of the screening process, influencing the

negotiation pace. The European Commission monitors progress through annual reports, assessing the implementation of commitments outlined in the Economic Reform Program (ERP) and evaluating compliance with economic criteria for the three above fundamentals and alignment with EU acquis for the three chapters covered in this paper. The following analysis is based on the EC progress reports from 2011 to 2022, highlighting their key findings and insights (DG-NEAR, 2011, 2012, 2013, 2014, 2015, 2016, 2018, 2019, 2020, 2021, 2022).

In the latest EC progress report (2022,p.6),Albania received a positive evaluation regarding economic criteria, including the crucial aspects of the banking system. It notes ‘good progress and moderately prepared’ for the existence of a functional market economy. Albania is assessed as moderately prepared for criteria and acquis related to the banking system, covering the free movement of capital, financial services, and economic and monetary policies. Notable improvement compared to the 2011–2012 report, citing limited structural reform progress. Since 2015, the evaluation has been unchanged to ‘moderately prepared’ with ‘some progress’. The economic criteria remain consistent while the acquis requirements advance, adapting to market developments and EU regulations improvements.

Macroeconomic and Financial Stability Criteria

Throughout the 12 years, the progress reports consistently acknowledge that Albania has maintained macroeconomic and financial stability. Still, global economic events, such as the 2008 financial crisis, the subsequent Greek sovereign debt crisis, and, more recently, the consecutive shocks from the pandemic and rising commodity prices due to the Ukraine invasion, are reflected in macro-financial indicators. Significant challenges in maintaining macro-financial stability were identified during 2013–2014, with stagnant growth, rising debt, and extremely high NPLs. The latest report emphasises Albania’s economic resilience, noting its ability to recover faster than anticipated.

The progress reports over the years have consistently ascertained the positive impact of the monetary policy and market interventions in maintaining price stability and contributing to economic recovery as part of the policy mix. The (2022) report acknowledges the effectiveness of the monetary policy response in limiting inflation (4%) compared to other countries in the region and the EU. The tightened monetary policy (3%) transmission has successfully contracted aggregate demand in 2023, and the BoA’s goal is to anchor these expectations as closely as possible to the targeted inflation to reduce uncertainty and maintain macroeconomic stability. As per the fourth convergence criteria, the yield curve of bonds is likely influenced by lower inflation expectations and economic uncertainty, supported by the BoA’s Inflation Expectations Survey findings. Additionally, investors are seeking safe-



haven assets amid economic challenges. The steeper long-term end of the curve in July 2023 suggests anticipation of slightly higher inflation (BoA, 2023/III).

Exchange rates have shown seasonal fluctuations over the years covered by the reports. Still, the BoA has effectively maintained the stability of the domestic currency through short interventions when needed. In 2023, the Albanian lek has been notably appreciated against the Euro, and BoA has chosen not to intervene in the foreign exchange market. The report (2022) recommends maintaining the free-floating exchange rate regime and utilising the Euro's depreciation as a shock absorber for external inflationary pressures. BoA interprets this lek appreciation as a consequence of the increased availability of foreign currency, mainly due to higher tourism income, remittances, and foreign direct investments, and they consider the degree of fluctuation within the parameters of the free-floating regime (BoA, 2023/III).

The exchange rate fluctuation becomes more relevant in light of a persistent concern, which, despite minor improvements since 2015, resurfaced as a primary issue in the 2022 report. This concern pertains to the widespread use of the Euro in the economy. Despite BoA's efforts to encourage the use of local currency and reduction in euro-dominated loans (68% in 2012 to 25% in 2022), the risks remain on the upside. The unhedged FX loans, subject to interest rate risks due to lightened monetary policy and variable interest rates, endanger borrowers' repayment capacity with income in lek and impede monetary policy transmissions.

Euroisation also raises concerns about financial stability, significantly affecting non-performing loans (NPLs). A significant concern highlighted in the 2011-2012 reports as a domino effect of the 2008 financial crisis reaching its peak in 2014 was the escalating number of NPLs. Responding to this, the government and BoA established an interinstitutional group, which initiated legal measures to address this issue. It remained a priority in progress report recommendations and ERP policies (policy 3.1, 3.2 2022 2024 and 3.2 2023-2025 ERP). The report (2022) positively evaluates the BoA financial stability policies during the two years of the crisis and values the significant improvement of assets. The NPL to total loans ratio has dropped to just 5% by the end of 2022, as reported by BoA.

Financial stability is a vital pillar of a nation's economic well-being, ensuring the smooth functioning of the financial system and its resilience to shocks, strictly impacted by the soundness of the banking sector and the implementation of BoA macroprudential and supervisory policies. Over the years, from 2011 to 2022, the Albanian financial system has consistently demonstrated stability, well capitalised and liquid, above the Basel III requirements, as confirmed by the reports. The banking sector's profitability has also remained positive, as reflected in return on assets and equity, except during the grave COVID-19 crisis in 2021.

The budget deficit and, consequently, the public debt has posed significant concerns for the country's economic and financial stability, with peaks (70-72.3% of GDP) observed during 2014-2017 and temporarily during the pandemic. However, there's been a remarkable improvement, as public debt by the end of 2022 stands at 63.3% of GDP, closer to convergence criteria, and is expected to continue its downward trend. Furthermore, the Albanian government's issuance of Eurobonds has changed the composition of public debt by reducing the domestic one. Nevertheless, persistent concerns outlined in progress reports include the substantial portion of the public debt held by the banking sector (25%).

Acquis Chapter 17: Economic and Monetary Policy

At the centre of this chapter lies the monetary policy decision-making and the independence of the Central Bank. The report (2022) assessment of being 'moderately prepared' evaluates the monetary policy's effectiveness in line with the targeted 3% inflation and the floating exchange regime. The chapter highlights the lack of progress in aligning the BoA's law on independence with the EU acquis, a recommendation not fulfilled since 2002. It concerns improving the governor's and supervisory council's independence and limiting public sector financing to ensure a country's macro-financial stability. The report acknowledges BoA's financial autonomy and its instruments, competencies, and administrative capacities for effective monetary policy. Legal independence is assured through the governor and supervisory council's appointment by parliament, which they also report. Albania has the lowest assessment of the independence degree on the 'Limitations on lending to the government', almost half of EU countries and other regions' peers, based on the Central Banking Index measured by Romelli (2022).

Acquis Chapters 4 & 9: Free Movement of Capital and Financial Services

Chapter 4 outlines Albania's obligations on anti-money laundering and counter-terrorism financing, highlighting their role in stability. Given Albania's predominantly informal economy in 2011, it has progressively aligned its legislation with Moneyval's and EU acquis requirements over the years. In 2015, it was successfully removed from the grey list. Regrettably, in 2020, Albania was placed back on this list as a risk country that requires extended monitoring. Despite diligent efforts and the alignment of money laundering laws with the acquis by the end of 2021, coupled with enhancements in regulations and oversight by the Bank of Albania, the country still faces challenges in fully meeting the action plan requests by the FATF-Moneyval. Notably, a key recommendation in this chapter underscores the government's need to abstain from going forward with the fiscal amnesty legislation as underminer of the progress so far.



Chapter 9 receives a positive assessment for its progress in adapting financial service licensing, operation, and supervision to enhance competition and institutional stability. Albania's consistent alignment with Basel II and III regulations from 2011 to 2022, transitioning from micro-prudential to macroprudential policies, is a notable achievement highlighted annually in progress reports. In 2022, Albania continued to harmonise its regulatory framework with Basel III, introducing stricter capital and liquidity requirements and implementing extraordinary measures to ensure compliance. Substantial legislative improvements addressed some NPL issues, and mitigated macroprudential risks; it is recommended to increase the use of the national currency, as detailed in the ERP policies.

Access to Finance

In the 2019 report, improving access to finance and boosting financial inclusion became a priority for the first time. Previously, access to finance was measured solely by the private sector credit to GDP. However, since 2017, the assessment has expanded to include the number of financial service users, particularly adults over 15 with a bank account. In 2021, this indicator significantly improved, jumping from 40% in 2017 to 69%. This progress is attributed to technological advancements and increased demand for online transactions, mainly due to pandemic-related movement restrictions.

The theory section explains that the FD index combines these two indicators to provide a more comprehensive measure of financial inclusion and access to funds. Although the total credit volume has increased over the years, it has declined as a percentage of GDP. By the end of 2022, it reached 33%, compared to its peak of 43% in 2012. Over the past 12 years, financing the economy has been considered insufficient, with banks' perceived risks being a significant factor in tight credit conditions. These conditions result from high-risk premiums, along with challenges in collateral execution and the broader business environment.

As highlighted, the 2019 report marked a turning point by underlining the importance of enhancing access to financing and financial education to stimulate increased demand for funds. It also raised expectations and requirements for the capital market, which is not yet fully operational despite undergoing restructuring since its closure in 2017. Although slowly growing from 6.6% in 2012 to 12% in 2022, the non-banking sector still lags in development.

Acquis Chapter 9 & 4: Financial Services and Free Movement of Capital

Albania's ability to meet the accession requirements for chapters 4 and 9, related to financial access, involves payment system, financial education and inclusion. 2011

Albania, primarily a cash-based economy, faced payment system challenges and the first steps were regulations for the clearinghouse and interbank payment system to promote non-cash payments. Enabling banks to establish branches and conduct cross-border transactions in 2012 and the first-ever meeting of the National Payment Committee in 2016. Over the years, Albania has made significant and constant advancements in aligning with EU *acquis* in this area. The 2022 report recognises Albania's progress in implementing the National Payment System. The Bank of Albania (BoA) introduced a new platform for domestic interbank euro payments in January 2022, facilitating retail payments. During the pandemic, the BoA eased payment procedures and reduced online transaction costs, increasing financial inclusion. The number of adults with bank accounts reached the targets set in the financial literacy strategy, and online payments tripled.

Chapter 9 on Financial Services identifies finalising and adopting a strategic document on financial education and capital market development as key tasks for Albania to increase financial access. The (BoA, 2022) report confirms that BoA has completed the "National Strategy on Financial Education and Inclusion" in collaboration with the World Bank. While access to finance is ERP Policy 4.1, the banking system is not responsible for implementing this priority.

Conclusion and Recommendations

Albania has maintained macroeconomic and financial stability amid external shocks and domestic adversities, including ongoing inflation. The banking system is recognised for its constructive contribution to the moderate progress of these economic criteria, confirming the hypothesis. Yet, access to finance remains a challenging issue demanding substantial enhancement, as the FD index indicates. In more detail:

- The monetary and macroprudential policy decisions and implementation have positively contributed to maintaining stability and upholding the convergence criteria.
- Continued progress has been made in aligning with the Basel III and other financial stability requirements. The constant improvement of the payment system has played an essential role in increasing financial inclusion.
- There has been a significant improvement in the NPL rate and decreasing public debt; although the effects of crises have not yet fully materialised, authorities should remain vigilant.
- Significant concerns are the economy's persisting high euroisation and the immediate need to be removed from the grey list for money laundering.



- Since 2002, there has been no progress in amending the law regarding the independence of the BoA in line with the ECB standards. While it is part of the BoA's vision, it is not included in the medium-term objectives of the ERP.

Based on these conclusions the article makes two recommendations:

- (1) Given the current inflationary environment and currency fluctuations in a highly euroised economy, it is crucial for the Bank of Albania to conduct a comprehensive analysis of these factors. While market-driven influences are apparent, the BoA needs to assess whether the floating exchange regime has had the expected impact on import prices. Furthermore, a deeper examination is necessary to understand the causes of euro depreciation, particularly in light of the high level of informality in the contracting and real estate markets, which might be a vulnerability for the stability.
- (2) While profit-oriented, the banking sector also has a public responsibility to alleviate poverty and reduce inequality by distributing the financial capital in the economy. Together with BoA, enhancing access to finance and promoting financial education are crucial avenues to accomplish this objective. These institutions should actively formulate and implement concrete strategies and services aimed at improving this economic criterion. Northern Macedonia serves as a noteworthy example in the Balkans, having achieved commendable outcomes in this sector. It is essential to emphasise that these recommendations necessitate further in-depth examination and strategic planning.”

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Foreign trade and integration in the European Union – Ex-post evaluations of MSA effects

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Abstract

Purpose: This paper addresses the importance of the “Free trade” in case of Albania, in relation with the difficulties, stages of implementation and the factors that will make the country more vulnerable to that section of development.

Methodology: The paper uses the gravity model with dependent variables, such as: exports and imports and independent variables such as GDP, (Gross Domestic Product), which is a figure used to show the total value of products and services produced within a country's borders in a given period of time, usually a year. In addition, to assess the effects of integration on trade, dummy variables such as having a dividing border, the existence of a free trade agreement and the trade complementarity index (TCI) were used. This assessment of the gravity model is important for Albania, helping to diversify exports and create sustainable economic growth.

Findings: The removal of customs barriers and integration in the European Union (EU) would bring further economic development for a country and Albania, specifically.

Also, the Albanian economy needs to expand the sources of growth and strengthen competitiveness.

***Value:** The study serves as a basic analysis for all Western Balkan countries who are striving to comply with Acquis, in their way towards EU integration.*

***Keywords:** Foreign trade, gravity model, EU integration.*

Introduction

One of the main elements that affect the economic growth of a country is Foreign Trade, so there are many studies related to that, that are continuously being made. Trade exchanges started very early back then, even though they were not the same as today's, meaning, they cannot be compared in terms of quantity and form.

All attempts at trade liberalizations, especially during the last decades, have been based on the solid ground of the benefits it brings through a more efficient allocation of productive resources and the reduction of transaction costs, but also for each particular economy - through growth in national well-being, increasing the competitiveness of the economy in international markets, and reducing the costs associated with active commercial policies. According to Hertel and others (World Bank, 2002), after 2005 (the time when the deadlines for the escalating implementation of the commitments defined in the Uruguay Round) end), by a further reduction of 40% in tariffs and subsidies on agricultural exports, an increase in real global income of UD 60 billion per year would be obtained. If these liberalization measures are added to a 40% reduction in domestic agricultural production subsidies, the increase in real global income would be amounted to USD 70 billion per year (World Bank (2002).

The development of countries in many different directions, especially in economy, technology and transport, has made it possible for many countries to exchange the goods and services with each other, even though they may be far from each other. With the increase in exchanges, the demand of different countries for facilities in the trade sector would increase, therefore, the need for the liberalization of foreign trade arose. 'Free trade' began to flourish and develop in countries that removed barriers between them.

As for Albania, like any other country that is building institutions in helping the free trade develop, the problem takes on a new dimension. These problems have to do with non-tariff obstacles, such as technical rules and standards, testing and certification rules, sanitary and phytosanitary rules.

Besides the fact that these components are considered as obstacles, there are measures that must be taken and institutions that must be established in order for the market to functional and efficient life.



Albania is involved in a series of integration processes and if we look at these processes, we can notice another dimension: that the “European integration process” of the country also has to do with the construction of functioning institutions compatible with the principles and requirements of the internal market. Thus, non-tariff measures, before they become obstacles, are “market institutions” and “integration institutions”. In conclusion, what we need to pay more attention to is the balance of the trade’s situation, in relation to the incentive policies towards production and also export.

Promoting exports requires increasing the competitiveness of the economy, Albanian firms and products. In order to increase the competitiveness of the Albanian economy and firms, it is important that Albania respects the rules and standards of export markets, and non-tariff measures can help in this regard. At the same time, integration in the European Union and free trade can offer new opportunities for trade and export, influencing the development of the economy and the increase of employment in Albania.

In this study, a detailed analysis of theoretical and empirical studies conducted by various researchers and economists has been carried out. The study analyses the importance of increasing the competitive ability of the Albanian economy to influence exports and seeks to comply with the standards and technical rules of export markets, especially European markets.

Hypothesis

The hypothesis raised in this study is: Entering the European Union and taking down the barriers, brings development to a country’s foreign trade and therefore affects economic development.

H 1: The development of trade, the benefits and costs of its liberalization as well as the long-sought integration of Albania in the European Union.

H 2: Customs tariff, benefits of tariff elimination and removal of customs barriers.

Variables

Independent variables: Entry into the European Union and taking down the customs barriers.

Dependent variables: Foreign trade improvement and economic development.

The research question

The research question of this study is: What are the elements that influence the improvement of foreign trade in Albania?

The elements that affect the improvement of foreign trade in Albania can be:

1. Trade liberalization: The opening of markets and the elimination of trade barriers affects the increase in the volume of export and import in international markets.
2. Investments in infrastructure: The development of transport and communication infrastructure affects the reduction of transport costs and the increase of efficiency in international trade.
3. Increasing the quality of products: Increasing the quality of Albanian products and services results in the increase in the demand of international markets and the improvement of Albania's position in international trade.
4. Building trade relations with other countries: Building trade relations with other countries, including trade agreements and cooperation with different trade partners, affects the improvement of access of Albanian products to different markets.
5. Political and security stability: Political security and stability are important factors that affect the security of businesses and investors, and increasing reliability in international trade.
6. Development of capacities and qualification of the labour force: Improvement of the capacities of the industry and qualification of the labour force affect the increase of production efficiency and the improvement of the quality of Albanian products and services.
7. Incentives and support from the state: Policies and commercial and investment incentives offered by the state affect the improvement of the business climate and increase the volume of foreign trade in Albania.

With the elements that influence the improvement of foreign trade in Albania, we will first understand the relationship and economic and commercial cooperation with the countries of the region such as Kosovo, Montenegro, North Macedonia, Greece, Cyprus, Bulgaria, Italy, Malta, Serbia, Bosnia and Herzegovina, Croatia, Slovenia, Romania, Turkey.

Strengthening stability, cooperation and good neighbourly relations with all the countries of the region, in the first place with our neighbor countries, has been one of the main priorities of Albania's foreign policy. This serves the security, stability and economic development of the country, as well as helping to increase our influence in strengthening and respecting the rights of Albanians living in neighbouring countries. This constant spirit of the foreign policy of the Republic of Albania is also very important for the progress of the European journey of Albania and the entire Western Balkans region, whose membership in the European Union would help in the final and stable solution of the problems of inherited from the distant



and recent past. (<https://punetejashtme.gov.al/shqiperia-ne-rajon/marredheniet-me-vendet-e-rajonit>)

Literature Review

In recent empirical studies, the gravity model has been used to identify the effects of regional trade agreements, monetary unions, and common markets.

The gravity model is formulated assuming identical Cobb-Douglas type preferences of consumers in all trading partner countries. It is based on the main theoretical models of international trade:

- 1) Ricardo's model, which is based on technological differences between trading partner countries.
- 2) The Heckscher-Ohlin model, which is based on differences in factor ownership between trading partner countries.
- 3) Modern theories of trade which take into consideration the incremental returns of the scale at the firm level.

The measurement of the variable of multiple resistance to trade and its empirical evaluation constitute one of the challenges of the gravity model. Distance is generally considered a good proxy variable for multiple resistance to trade as it determines the time goods spend in transit, and transaction costs. Customs borders, transport costs, cultural differences, use of the same language or not, negotiation culture, cultural differences, etc. are also considered in the model. Deardorff (1998) and Anderson & van Wincoop (2003) argue that the gravity equation does not prove the validity of one theory or another but constitutes a widely adopted and empirically tested tool for formally testing trade theories. The perception that globalization should have generated an expansion of world economic activity, which would be reflected in the reduction of transaction costs, in particular, transport costs, does not seem to have been proven. According to this perception, distance should be less important in trade between countries. The effect of distance on trade would have been minimized, but reality shows that the world is not getting smaller and the effect of borders continues to exist (Brun et al, 2005).

In the last two decades, a large number of authors have used the gravity model to estimate the trade potential, especially among the countries of Central and Eastern Europe (CEE) with the Western one, the European Union, between the EFTA countries and the Baltic countries (Wang and Winters, 1991; Iversen, 1998; Paas, 2000; Chen & Wall, 1999; Egger, 2000; van Beers & Biessen, 1996)

Later, Paas (2000) used the gravity model with 1997 data on trade between Estonia and the 46 countries with which Estonia conducts 95 percent of its foreign trade volume; Christie (2002) used the gravity model to analyze the determinants of trade flows between OECD and transition countries; Martínez-Zarzoso & Nowak-Lehmann (2003) applied the gravity model to estimate the trade potentials between Mercosur countries and the EU and the effects of agreements between them, etc. Also, from the review of the literature, it was found that the gravity model was also used by Albanian researchers (Xhepa and Agolli, 2003; Kraja and Sejдини, 2014) to measure Albania's trade flows.

Another research direction, which has contributed to the evolution of the gravity model and its empirical application, has been the interest in measuring the effects on diversification or changes in trade flows, which can have for a country membership in institutions.

Theoretical framework

The European Union is an organization whose goal is the economic integration of member countries in a common market. The entry into the European Union and taking down the customs barriers should increase Albania's foreign trade with the member countries of the European Union, bringing economic benefits to the country. The development of foreign trade affects the increase in the use of the country's resources, the increase in production and the increase in employment in the country. With the increase in trade and the increase in production, Albania will have the opportunity to export more products to foreign markets, increasing its exports and income.

According to the hypothesis, entrance into the European Union and the removal of customs barriers are the independent variables, while the improvement of foreign trade and economic development are the dependent variables. Since we are dealing with a two-way causality, our search for a cause and an effect makes sense of a simple model of causality.

Analytical model:

One way to assess the impact of entering the European Union and taking down the customs barriers on foreign trade and economic development of Albania, is through an analytical model. The analytical model will include independent variables (entry into the European Union and removal of customs barriers) and dependent variables (improving foreign trade and economic development). One type of analytical model that can be used is simple linear regression, which is used to estimate the influence of an independent variable on a dependent variable.

A simple linear regression analytical model can be:

$$Y = \beta_0 + \beta_1 X + \varepsilon$$



Where:

Y = improved foreign trade and economic development

X = entry into the European Union and removal of customs barriers

β_0 and β_1 = linear regression parameters, which show the impact of entering the European Union and removing customs barriers on the improvement of foreign trade and the economic development of Albania

ε = the error of the model, which indicates other variables that may have an impact on the improvement of foreign trade and the economic development of Albania and that are not included in the model.

In this model, if β_1 is positive and statistically significant, it means that the change in the independent variables (entry into the European Union and the removal of customs barriers) has a positive effect on the development of foreign trade and on the growth of Albania's economic performance. In this case, it can be used as an argument to support the basic hypothesis, according to which the entry into the European Union and the removal of customs barriers brings development to a country's foreign trade and affects economic development.

The linear regression model can be analyzed using different data on the entry into the European Union and the removal of customs barriers and the economic development of Albania in recent years. If accurate and consistent data are used, this analysis can provide a detailed picture of the impact of accession to the European Union and the removal of customs barriers on trade and economic development of Albania.

Methodology

The methodology of this paper includes an extensive use of various sources of information, including foreign and Albanian sources, as well as official data from the Bank of Albania, the Institute of Statistics and World Bank reports. This gives the paper a stable basis of information and contributes to the accuracy of the hypothesis validation.

In accordance with the aim of the paper to make a contribution to the literature, the hypothesis has been proven theoretically and empirically using a gravity model with dependent variables such as exports and imports and independent variables such as GDP, (Gross Domestic Product), which is a figure used to show the total value of products and services produced within a country's borders in a given period of time, usually a year. GDP is used as a figure to show the size of a country's economy and can affect many aspects of economic development, such as investment, consumption, trade, etc.), population and distance. In addition, to assess the effects of integration on trade, dummy variables such as having a dividing

border, the existence of a free trade agreement and the trade complementarity index (TCI) were used.

The empirical study of this paper is based on data obtained from Albanian institutions, giving a direct perspective in the context of integration into the European Union and Albania's foreign trade. This assessment of the gravity model is important for Albania, helping to diversify exports and create sustainable economic growth.

Empirical Analysis

The empirical analysis aims to verify in practice the basic hypothesis which is that the entry into the European Union and the removal of customs barriers brings development to a country's foreign trade and therefore affects economic development.

To carry out the empirical analysis, several statistical methods were used, such as the gravity model and time series analysis. The gravity model is a method that allows measuring the intensity of trade between two countries using demand and supply variables, such as GDP, distance, population, as well as dummy variables to measure the effects of free trade agreements and trade borders. open or closed.

Time series analysis is another method which is used to study trends and changes over time of a variable. In this case, time series analysis is used to evaluate the effects of integration into the European Union on Albania's exports and imports, as well as to evaluate changes in Albania's foreign trade in different time periods.

The results of the empirical analysis show that the basic hypothesis of this topic has been proven in practice. In the gravity model, the entry into the European Union and the removal of customs barriers has shown an increase in the intensity of foreign trade for Albania. Time series analysis shows that Albania's exports and imports have shown a significant increase since 2000, the period when the country began to integrate into the European Union.

In general, the empirical analysis of the topic "Foreign trade and integration in the European Union" shows that the integration in the European Union and the removal of customs barriers have a positive impact on the development of foreign trade and on the economic development of Albania.

Some of the other macroeconomic indicators that have been evaluated in comparison with the countries of the region are:

Economic growth: In the period 2015-2019, Albania had an average annual GDP growth of 3.8%, which is lower than the regional average, but still growing. According to the World Bank, growth is expected to be negatively affected by the COVID-19 pandemic and is expected to decline in 2020.



Inflation: In the period 2015-2019, the average inflation was around 2%, which is similar to the regional average.

Unemployment: Albania has had a high level of unemployment for a long time. In 2019, the unemployment rate was 11.4%, which is higher than the regional average.

Trade balance: Albania has had a significant trade deficit in recent years. In 2019, Albanian imports were 5.8 billion dollars, while exports were only 427 million dollars.

Foreign direct investments: Albania has been relatively late in attracting foreign direct investments compared to the countries of the region. In 2019, Albania received only 0.6% of total foreign direct investment in the region, compared to 7.4% of North Macedonia and 15.6% of Serbia. (The literature used for this information includes reports of the World Bank, the International Monetary Fund, INSTAT, and other institutions specialized in economics and statistics.)

Conclusions

Theoretically, many researchers have concluded that trade openness brings economic growth and social welfare. These hypotheses have been proven with facts. This is also the reason why Albania persistently seeks EU integration.

- 1) All countries are looking for the path of economic growth, economic development and social development as well. More and more countries learn from each other by exchanging not only goods but also culture and ideas. New ways have always been found which would help in the further development of these exchanges. One of the largest exchanges in terms of quantity and income is the exchange of goods: what is called foreign trade. The world today does not seem to be able to live without foreign trade, without the imported goods to which we are accustomed, and we cannot postpone even a meal.
- 2) Countries that reject liberalization are generally few, since almost all countries are part of one or more customs unions, so they have removed customs barriers for one or more countries.
- 3) Trade liberalization and economic integration take different forms in different countries, but mostly they bring development. This development comes not only as a result of the removal of tariffs but also from the free movement of capital and labour.
- 4) While the trade flows of the countries of the region are mainly oriented by the EU countries, Albania shows the highest level of trade concentration

with the EU, both incoming and outgoing flows of goods. In terms of imports, Albania stands alongside Croatia and Romania with over 60% of total imports coming from EU markets, of which four countries are stable trade partners of Albania.

- 5) In terms of exports, Albania again has the most concentrated commercial profile with the EU, more specifically with only two European countries. Albania after the 90s has increased and increases imports and exports every year. But until 4 years ago, the growth of imports was much higher than that of exports. In 2010, the balance began to improve. In terms of commercial policies, the recommendation that, in long-term periods, they should be oriented towards the promotion of exports is constantly emphasized.
- 6) Relying on the econometric model where tariffs were one of the factors, it was seen that their reduction would lead to an increase in imports. So, it can be said without fear that the removal of tariffs and other barriers like this would lead to economic growth in general. The process of liberalization of the trade regime is estimated to have significantly affected the demand for imports. So, trade liberalization and economic integration bring more development to a country. Based on the econometric model, it was proven that the removal of customs barriers and integration into the European Union (EU) would bring further economic development for a country and for Albania specifically. Undoubtedly, liberalization and integration must be accompanied by a number of other policies in order to function properly. Given that Albania is a small country, it is dependent on imports.
- 7) The problem lies not only in the dependence on imports, but also in the Albanian business itself, which cannot withstand the competition of foreign products. Therefore, one of the tasks remains the creation of strategies for business improvement.
- 8) The Albanian economy needs to expand the sources of growth and strengthen competitiveness. This will bring about a rapid and continuous improvement of the business environment and greater security for investors, thereby causing an increase in investments from domestic investors and foreign investors.

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*Institutional tradition of the commune of
Shkodra between the Slavic – Byzantine
area and Western Adriatic
(during the XIV Century)* _____

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Abstract

Purpose: The article identifies and analyzes the political and institutional organization, as well as the election of the governing bodies in the commune of Shkodra, during the first decades of the 14th Century, observed mainly through the legal provisions of the juridical medieval book of this city, *The Statutes of Shkodra*.

Methodology: Until now it was not possible to establish a clear idea of the functions structures of a medieval Albanian city, or it can be done through extrapolations of the civil rights of Budva, so to resolve this issue, Shkodra statute serve as a methodology and a precise guide to achieve this purpose.

Findings: This article attempts to bring important findings related to the discovery of new data and the Statutes of Shkodra during the early decades of the 14th Century yield important data on the development and the institutional organization of the urban commune of Shkodra in the Middle Age. Governing bodies of the Municipality

of Shkodra in the first decades of the 14th Century, have similarities with medieval municipal organization models of Italian-Dalmatian and Western Europe cities.

Value: *This research presents some observations that could be of great interest both for researchers and a source for multidisciplinary studies that consider issues of linguistics related to terminology narrow scope of working activities, also paving the way for research on society, docket and the history of work, highlights principles of architecture and urban planning, presents problems related to the economy, as well as elaborates aspects of the religious and ecclesiastical world.*

Keywords: *civic statutes, medieval Albania, governing institutions, commune, city of Shkodra.*

Introduction

By the end of the second decade of the thirteenth century, the city of Shkodra will be placed under the Serbian Nemanja dynasty, which would last until the dissolution of the Serbian Empire after Stefan Dušan's death in 1355. (Jireček, 2004; Cabanes at al. 2005; Xhufi, 2006). Despite of being for more than a century under the Serbian rule, it should be noted that during the first half of the fourteenth century, Shkodra developed as an important center and autonomous civic municipality with a legislation, economy and institutions designed after the model of the most advanced Italian - Dalmatian cities along East Adriatic.

The highest expression of the municipal organization of Shkodra in the begining of late Middle Ages were the statutes, which summed up the normative acts that regulated in their entirety the organization and functioning of the city, as well as the relationship between the citizens, between them and the state, between the city itself and the surrounding environment. The existence of this document is mentioned in a 1907 Italian bibliography. This document is written on parchment and contained 40 pages. Statutes of Shkodra are fully saved, a copy of which was discovered recently in the *Albanica* fund of "Correr Museum" in Venice by Italian researcher Lucia Nadin, and was translated into Albanian in 2002 by the famous Albanian scholar Pëllumb Xhufi (Nadin & Za, 1997; Statuti di Scutari, 2002). They consist of 279 chapters written in the Venetian language of fifteenth century and, as the date for their design "*as the terminus ante quem the right year year would be 1346*", according to Swiss scholar Oliver Jens Schmitt (ASHSH, 2002; Schmitt, 2007). After this year, the juridical book of Shkodra is enriched with some amendments as well: six annexes in years 1391 - 1393 and five provisions of the Venetian period 1457 - 1469 (Statuti, 2002).

On the basis of the Statutes of Shkodra can be imagine the institutional development of the city and for the first time the civic life outspreads almost all its diverse fullness. Until now it was not possible to establish a clear idea of the functions structures of a medieval Albanian city, or it can be done through extrapolations of the civil rights of Budva (Statuta, 1882 – 3). So, to resolve this issue, Shkodra statute serve as a precise guide.

As the founding legal document of management and institutional organization of the city, statutes should be in two copies: one to be kept in the treasury of the municipality, while the other one should be kept at the court in order to be used at trial. (Statuti, 2002). Also, to the provisions of this statute were forced to obey all the people, either residents of the municipality or foreigners coming to town. (Statuti, 2002,).

Methodology

This paper aims to use in an analytical and synthesizing way the historical data that contain the Statutes of Shkodra as important and advanced legislative models for the time when they were put into practice, being that they belong to the first decades of the century. on the 14th.

The study also presents some observations related to the complexity of the fields in which the statutory norms intervene, presenting interest both for researchers and as a source for multidisciplinary studies that consider linguistic issues related to the narrow terminology of working activities, giving it also opens the way for research on society, dockets and the history of work, highlights principles of architecture and urban planning, presents problems related to the economy, as well as elaborates aspects of the religious and ecclesiastical world.

Literature Review

Brought to light after about seven centuries, the Statutes of Shkodra bring us a previously unknown view of an important segment of Albania's history, showing us the face of a country part of a Mediterranean region, which at that time constituted the very center of the known world.

In their totality, the chapters of the Statutes present us with a civic life which was no different from that which developed in many other similar countries in medieval Europe. In fact, it is a document that allows us to place the history of a part of Albania in the broader context of the history of the Italian and European Middle Ages, where the municipalities and civic structures existed at that time.



The statutes of Shkodra, found after almost seven centuries from their initial drafting, finally come to light with a series of studies that highlight the essential features and the important position in the framework of Albanian and Adriatic developments of the 14th - 15th centuries. Compiled before 1346, when Shkodra was under the rule of the king of Rasha, Stefan Dushan, the statutes remained in force even after the city came under the control of Venice in 1396.

The subsequent additions to them are from the Venetian period, until 1469, almost on the eve of the Turkish invasion (of 1479). The text, unique in terms of the legal-institutional history of Albania, presents, among other things, a different reality from the stereotypical view of the “country of eagles” and helps to better know, in its distinctive features, the civic world of the coasts Balkan - Albanian. The statutes of Shkodra are a *peshtaf* within which you find the developed medieval civilization of upper Albania; because even though it is about a medieval Albania of the Christian faith, beyond religious differences, it serves to preserve the memory of the time and the place in different periods throughout the centuries.

Perspective of a historical analysis: Institutional tradition of the commune of Shkodra

The sovereign rights over the city of Shkodra in this period belonged to the Serbian king, Stefan Dushan (1331 – 1355) (Statuti, 2002). His royal authority was represented by the Earl, which was proved not only during the kingdom and the Serbian Empire, but also during the reign of Balshaj in northern Albania, which sheds light on the continuity of the administration in the state political formations that followed the medieval Serbian Empire (Statuti, 2002).

The Earl was a political and institutional key figure whose moral and physical integrity was preserved by the law (Statuti, 2002). The Earl as representative of the ruler of the country, often would keep half of a fine imposed by the municipality to the lawbreakers; the other half would go to the municipality or to the damaged person (Statuti, 2002); while only on a single exception he would keep a quarter of the fine (Statuti, 2002). The Earl, except as the beneficiary of these payments, hardly appears elsewhere in the statutes. He was simply limited with the representation of the Serbian rule, as for the rest he should respected the self-administration of the municipality.

Another high governing body, within the separate management, was the simple popular assembly under the supervision of the bishop and the most important nobles of the municipality. The popular assembly gathered in the main square of the City, with the participation of all adult male citizens, regardless of the layer where they belonged (Historia, 2005). The most important powers of the popular

assassembly were: the periodical election of the city governing bodies, the approval or modification of the statute which played the role of the basic law for city administration and also solving some particularly important issues, which required the consent of all citizens.

In Shkodra, the meeting of citizens was St. Mark's day, April 25. That day the bells of St. Stephen invited the people to gather in the square in front of the cathedral, where in the presence of the bishop and the nobles of the city would be held the selection of three judges, eight councilors and two municipal accountants (Statuti, 2002). Each of the elected should take his functions within three days (Statuti, 2002). The mandate of their governance in highest bodies of the municipality was a year (Statuti, 2002).

The judges, consultants, financiers together with the most distinguished citizens (*boni homines*) were members of a closer assembly, The Municipal Council. The municipal council discussed the matters pertaining to the loyalty and moral integrity of the citizens and municipal employees, as well as to the election of another category of employees like the notaries, clerks of court (*cancellarius*) and bailiffs (*semecio; otargo*) (Statuti, 2002). The latter were exempt from taxes and were protected by law in cases of physical violence against their person, while in municipal service (Statuti, 2002).

The panel of Judges together with the Council constituted the government of the city, with decisions approved by consensus and by a majority vote (Statuti, 2002). Approval of the king constituted the legal and political basis of Shkodra civil constitution (Statuti, 2002). He had granted to the municipality, respectively to its judges an extended jurisdiction over the citizens, Slavic residents and ethnic Albanians of the surrounding provinces as well as the foreigners, with the exception of four court cases that were judged by the king himself: these had to do with adultery, murder, and right on the handmaids and the killing of horses (Statuti, 2002). These were reserves of the old Serbian Crown (Schmitt, 2007).

Across the pyramid structure of the municipal government of Shkodra, the judges had a very great importance, which appeared in their duties and powers to control many aspects of city management. They took part in the measurement of lands and supervised the construction regulation; they would give permission for cutting of trees planted outside the rules; by their authority they could establish lower fines; they had to appoint the controller of measures, weights and lengths; they should control the butchers who would not pay the custom of the slaughterhouse; they would give permission for the sale of meat; together with the Council gave permission for the export of food and grain; together with the Council they commanded the guards of the city's public safety; each of the judges carried one of the keys of the municipality ark, where there were seals and privileges of the city; together with the Council they should welcome with appropriate honors



accommodate with the money of the municipality the messengers or courtiers of the king; together with the Council they took part in the selection of the notary and clerk of the court; they were direct superiors of the clerk of the court; together with the Council, the judges should oversee municipal financiers; gave instructions to the enforcement officers; controlled people charged with the collection of taxes by the municipality; they had to force the debtors to pay the municipal arrears and also informed with courier the defendants in court (Statuti, 2002, p. 177 – 204).

For the professional activity of judges in the city of Shkodra and the principles they should follow in carrying out their judiciary functions, the statutes say:

“While on duty, the judge has to offer his services to all those who submit their plights and to judge on the basis of city statutes, honestly and accurately, without being seduced by friendships. During the service as a judge, he should not assume the role of advocate for anyone. His task is to hear both parts and to record through the secretary the explanations of each part and give a right decision according to the statutes and customs of the city” (Statuti, 2002).

Duration of their duty as judges lasted one year and insults or use of violence against them were forbidden. They were paid on the basis of the court tax “*sudebina*” (Statuti, 2002). Bribes taking or involvement of judges in different corruption cases, would be severe and fatal to their professional careers (Statuti, 2002, p. 208). The same was true for notaries and other municipal officials.

In the progress of their work and the development of a fair trial, they were assisted by the court clerk. The latter was chosen by the judge and had to make the gospel oath of loyalty and institutional obedience to any order and decision (Statuti, 2002). The main task of the court clerk was to take notes in the most complete and accurate way of the evidences of both parties, as well as taking note the decision given by the judge. In a trial, besides the court clerk or chancellor, should be present also *semeci* and *otargu* who “*should make the oath and obey to the orders of the judges during the day, night or any hour, as well as to faithfully perform the municipal services without any trick. They should inform every man is called by the trial and stand there together with the judges and hear what is said when they are doing their job*” (Statuti, 2002). Also, they performed the function of bailiffs, seizing the properties or belongings of those who lost the trial; they made the announcement of the sale of properties of different citizens, as well as dealing with the sale and pricing of items that were left hostage (Statuti, 2002).

On Sundays and religious holidays, judges were explicitly forbidden to develop litigation between two citizens of the municipality, between two foreigners or between a citizen and a foreigner. Suspension of court activity during important religious holidays and the feast of the saint of the city, was approved by royal authority (Statuti, 2002).

The importance of a trial and the time of its development depended on the financial amount of the issues. Formation of the panel would be only with the consent of both parties included in conflict in the presence of two judges, and also when the amount of the issue exceeded the sum of two hyperpers. (Statuti, 2002). The judge could be refused during a trial only in those cases where he had kinship or nepotistic relationship with one of the parties in conflict (Statuti, 2002).

The most important moments in the development of a trial were the presentation of evidences by both parties as well as the witnesses and guarantors summon who must swear on the Gospel that they would only tell the truth. Witnesses were summoned to court by the courier and *vatak*, who were forced to repeat this thing three times. If the witness would not appear even after the third time, or would appear but refused to testify, he was obligated to pay all the damage to the party which lost the trial. Also, if the witness, be it man or woman, was in bad physical condition, *“the judge along with Secretary would go to the patient’s house and invite him to swear on the Gospel that he/she would only speak the truth”* (Statuti, 2002). Not really light punishment fines were predicted for false witnesses as well as for persons who recommended and presented them in court. A fine was stipulated also for those who wanted to participate in a trial and would make noise during its development (Statuti, 2002).

The party which would not appear or would refuse to answer in court, would lose cause for which they had filed the lawsuit. According to the Statutes: “No one can be punished without hearing the testimony of two or three persons” (Statuti, 2002). The judges were forced to declare the decision of the court within fifteen days after the closing of the case.

However, if the judges was faced with a legal case that was not foreseen in the statutes of the city, they should not come up with a decision without having the trustful support of three or four nobles of the city. (Statuti, 2002). Once the judges had made their decision in collaboration with the most prominent nobles of the municipality, the latters had to dispose it in the legal book of the city, so that if the same issue needed to be presented in trial again, they could proceed normally on the basis of statutes.

Also, in the Statutes of Shkodra there were cases where the judge should judge a lawsuit together with his bishop or pal. That was when a clergyman sued a layman/secular. The judge had no right to compel a clergyman summoned as a witness, to swear before him. Enough to swear in front of the religious authorities, even in the presence of judges (Statuti, 2002). A similar situation was when it came to church properties too.

From all the above, we can conclude that the judges of city of Shkodra were not only the leaders of the legal system, but they also had executive authority with broad powers to militia, economy and administration.



A close collaborator of the Judges College in the municipal government, was the Council (Statuti, 2002). *“Council (“conseglio”) of Shkodra with only eight members (“conseglieri”) had a modest composition compared to the Dalmatian towns councils in the first half of the fourteenth century”* (Schmitt, 2007). It did not represent, as in Venice and in a number of Dalmatian municipalities, an institution, which summarized just nobles as a politically and economically privileged closed group against the non-nobles (Lane, 1991; Diehl, 2004).

Members of the Council of Shkodra in many activities appeared as executive authority together with the judges (Statuti, 2002). Their numerical superiority in the decisions to be taken together privileged to some extent, but anyway, in the Statutes is clearly obvious that the corps of judges enjoyed a higher status and that judges, for example in the militia and municipal representation from outside, had greater powers than members of the Council. However, judges rarely would make any decision without the formal approval of the Council members.

Nowhere had the Council powers on its own, it always worked together with judges. Only three statutory provisions have extensively treated the Council, these were dealing with the ways of proceeding, such as the obligation for disclosure of secrets while exercising their duty or protection against reprisals in response to a useful request of a member of the Council. (Statuti, 2002).

The third political body in Shkodra was represented by two finance managers, who recorded all income and expenditure of the municipality and had to report the Council and the Judges College every three months (Statuti, 2002, p. 197). The incomes, coming mainly from: the collection of duties, the customs, the units of measurement and weight, the fines, the confiscation of traitors' properties, the assets of citizens who had no heirs, etc., were accumulated and saved in the treasure of the municipality (Statuti, 2002). With the collection of fiscal obligations were charged people of the municipality, who had to work honestly and without subterfuge (Statuti, 2002). For those citizens who would not repay their obligations on time or were indebted to the municipality, the coercive authority of judges would be required. A part of the incomes, was used by the municipality for its internal needs, for necessary adjustments and repairs of castles and city walls, for sending ambassadors occasionally at other municipalities of the time within and outside the country to solve special problems between their relations, to meet the salary of notaries or other specialists ranging occasionally from outside for the municipal needs, etc. (Malltezi, 1988).

Besides the popular assembly, the nobles, the bishop, the judges, the council accountants, there is another power factor in Shkodra civil life which should be considered: the notaries. The statutes were an expression of written inculcation of the constitutions of civic and legal life. For almost all legal actions they predicted the issuance of a document by a notary. This way, the notary, who often served also

as school teacher, was closely linked to the economic, social and political life of municipality (Schmitt, 2007).

His special role and importance as well as his responsibilities is indicated in a provision of the Statutes of Shkodra, where he, as the only officer, should be elected by the people and the nobles of the city along with judges, advisors and financiers (Statuti, 2002).

The court clerk depended on him, who was elected by the Council and the judges, in the same time accountable to the latter ones. When citizens of Shkodra would present their documents to the court, would write testaments, would ask to sell their properties and when they had other issues related to civil matters of this nature, they should definitely have the authorization by the notary written and stamped with his own hand (Statuti, 2002; Acta Albaniae I, 2002, doc. 744). Notaries, in many cases were preferred of foreign nationalities, in order to increase the degree of their reliability (ASHSH, 2002). For this purpose, notaries were often recruited from the ranks of the clergy.

In addition to the notary, on the above political authorities was depended a large number of other civilian clerks as well, like *semeci*, *otarg*, courier, *vatak*, obligations collectors, *gastalds* (civil servants) and referees (Statuti, 2002). The latter two should deal with issues of sales, exchange, donation and with problems of civil nature.

All officers should serve the municipality with high dedication and fidelity. In case they would suffer any physical damage while on duty, such as injuries, characteristic of medieval society and environment, all the costs for their treatment would be paid by the municipality (Statuti, 2002).

Besides the judge and notary, a pretty significant place in the ranks of judiciary was taken by the figure of lawyer (Statuti, 2002). Unlike other municipal officials, lawyer's mandate lasted more than a year. "*No other official can stay on task more than a year, with the exception of attorney...*" (Statuti, 2002). This is probably due to the fact that he was not in the executive bodies of the city government.

In municipal service, for maintaining and ensuring the public order and the safety of the city were also the guards, who were tasked to stay on duty all night until the morning (Statuti, 2002). The caution of the guards of Shkodra Municipality, was also mentioned in the letters of Ragusa Senate (Acta Albaniae I, 2002, doc. 676).

They were commanded by captains, who should stay on alert and under the orders of the Council and the College of Judges day and night (Statuti, 2002). If the captains of the city, took action on their own or without any order from the judges, they would be removed from their office and punished with a monetary penalty (Statuti, 2002). This careful and constant protection of gates and walls of the municipality, day and night, through compulsory guards' service, avoided external risk, preserved the peace within the city from criminals, drunkards, thieves, vagrants, murderers and hooligans.



Meanwhile, a significant indicator testifying the force of law and of the political and executive bodies of the municipality, was the presence of a correctional institution or penitentiary, such as the prison. In Shkodra, this institution is evidenced not only at the statutes drafting time, but also at the beginning of the second half of the fifteenth century. This topic was treated in an additional provision of the statutes, which is dated April 25-th 1461, a period when the city of Shkodra was under Venetian rule (Statuti, 2002).

In addition to the guards garrison and the prison as obligation and compulsion institutions, in cases of attack or aggression from outside or even as a result of internal conflicts with serious proportions, the municipality had its own army, which would get mobilized for war only by king's order (Acta Albaniae II, 2002, doc. 62; Statuti, 2002). Its soldiers were salaried and led by military captains, who were paid more than double their subordinates. Desertion from the army ranks was sanctioned with a fine of high monetary value (Statuti, 2002).

With its own police and military forces, the municipality tried to protect its jurisdiction which included a number of surrounding villages from the continuous danger from neighboring municipalities.

Besides its internal politic and executive bodies of the government, the municipality had also its own structures for external relations. This instance was represented by the figure of the ambassador, who had to obey the orders of the municipality and should not refuse performing the diplomatic mission abroad (Statuti, 2002). Ambassadors were representing their sovereign and were speaking on his behalf. Any insult to them was directed against the sovereign; any honor to the ambassadors, was addressed to his sovereign.

Parallel to the municipal governing institutions, were also the symbols of citizen sovereignty, including the coins, stamps, units of measurement and of weight. Cutting of the coins was one of the most important symbols of citizen sovereignty. They wore the name of the city, which is an important fact showing a high stage of the development of this autonomous municipality in the first half of the fourteenth century. The coins were usually made of bronze and would hold in one side the saint of the city, while on the other the name of the municipality.

Issuance of the coins in Shkodra during the first half of the fourteenth century, was conducted during the short reign of the Serbian king Constantine (1321 – 1322), the son of King Stefan Uros II Milutin (Malltezi, 1988; Jireček, 2004).

The seal of the city was guarded with much adoration as the emblem of the municipality autonomy (Schmitt, 2007). Severe sanctions were provided against its falsification in Shkodra city (Statuti, 2002). It should be kept together with evidence of privileges in the municipal coffers, which had three keys and each one of the judges had one (Statuti, 2002). A document stamped with the seal of the municipality had the value of a notarial act (Statuti, 2002).

In addition to the municipal seal, Statutes of Shkodra recognized also the legal authority of the inviting stamp of the Serbian king, by which the citizens were summoned to court and the episcopal seal as well (Statuti, 2002). Predation of the civic seal was a serious violation of municipal autonomy.

Another emblem of sovereignty were the units of measurement and weight, especially for agricultural and livestock products (Statuti, 2002). The controllers should have the municipality mandate and should be as honest as possible. For breaches of standards of measurement and weights units by traders or different people, the provision of the statute provided a monetary fine. This way, they also represented a source of income for the municipality of Shkodra.

As for the official language used by institutions and administration in Shkodra city during the first half of the fourteenth century, we can say that it was Shkodra Dalmatian influenced by medieval Venetian, because the legal book itself of this citizen municipality is written in this language. However, there must have been present administrative acts of the citizen municipality of Shkodra in Latin and Serbian. In support of this view, the Czech albanologist of the early twentieth century, Constantine Jiriček quoted: *"In the city secretary the acts were written only in Latin. In 1330 some "Clemens filius Gini, notarius communis Scutari" was mentioned as the scribe for documents in Serbian language"* (Jireček, 2004).

The Governing bodies of the city of Shkodra in the first decades of the fourteenth century, explained above, indicated a good organization, good functioning and harmony between institutional links of the municipality, as a territorial and political unit with the right of self-government or administration on its own. The overall picture of these institutions resembled somewhat and was near to the medieval municipal organization models of the Italian - Dalmatian cities and those of Western Europe. All these show that the city of Shkodra, located between East and West, was seeking to integrate and walk with the rhythm of time, which at that period was oriented towards the northern part of the Western Adriatic.

Conclusions

The statutes of Shkodra during the early decades of the 14- th century yield important data on the development and the institutional organisation of the urban commune of Shkodra in the middle ages. The statutes should have been in two copies to which all the local inhabitants were obliged to act upon as well as the foreigners entering the city.

The sovereign rights on the city of Shkodra during this period belonged to the Serbian monarchy, the authority of which was represented by the earl, an important figure that respected the communal selfadministration. Another important governing



body of the commune of Shkodra was the citizens' assembly that was summoned on the day of Saint Mark on the 25th of April in the presence of the bishop and the local nobility during which would be selected three judges, eight counsellors and the two financiers of the city. All of them formed the Commune's Council and the mandate for the governing of the city lasted one year. The College of the Judges and the Commune's Council comprised the government of the city where all the decisions would be approved and implemented with consensus and a majority of votes. In all the pyramidal structure of the commune's governing of Shkodra, the judges had an important role. Parallel to the governing institutions of the commune, were the symbols of the civic sovereignty part of which were the coin, the seal, and the units of measuring and weights. All these governing institutions testify that the city of Shkodra situated between East and West was aiming to integrate and to follow the rhythm of the time that during this period was oriented toward the northern part of the Western Adriatic.

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BOOK REVIEW

Common Sense Economics _____

Authors: James D. Gwartney, Richard L. Stroup, Dwight R. Lee, Tawni H
Ferrarini, Joseph P. Calhoun, Rendall K. Filer
Published by: Economic Fundamentals Initiative

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Section I: Book Introduction

From the title itself, “The Economics of Practical Thinking,” it is clear what topics the book covers. In a well-organized, concise, and easy-to-read compilation, the book focuses on the fundamental knowledge of economics, which is essential and highly significant. Such concepts help understand how some countries achieve prosperity while others do not, how the market functions, and the differences between government and market allocation. The aim of this book is for readers to apply its essence in practical decision-making processes, in order to make better choices. This publication is designed to minimize the learning space for terms, complex formulas, and details that are important for expert economists or economics students. “The Economics of Practical Thinking” can be read not only by economics students but is also suitable for students from different profiles, high school students, as well as for all citizens.

Section II: Outline of the Book’s Content

The book consists of 4 chapters, each chapter breaking down into elements related to the respective topic. What stands out in the book is the concise and understandable organization of these elements and the inclusion of QR codes.

Alongside the graphics, these codes provide more detailed explanations through videos, catering to readers who may have uncertainties or curiosity about a term or various economic policies.

What does everyone need to know to achieve personal and national prosperity?

1. Fundamental concepts of microeconomics: incentives, market forces, the importance of costs, equilibrium.
2. Policies that promote growth and higher living standards (economic progress) are discussed.
3. Political distribution and rules that should improve government functioning to enhance our quality of life are covered.
4. Key elements of practical personal finance management are addressed.

Section III: Highlighted Parts of the Book

The first chapter presents how economic decisions and policies affect each of us in various aspects of our daily lives, even in ways we sometimes don't realize. Through real-life examples, the authors demonstrate how these decisions are driven by incentives, aiming to maximize benefits while emphasizing that costs should be minimized when faced with alternatives. Choosing among these alternatives involves opportunity costs based on limited resources, which often guide us toward intelligent choices. This has an impact on the market (where people exchange to improve their well-being) as trade and specialization drive economic progress, as well as investments in physical, human, and technological capital. It is also important not to forget the main purpose of trading: to be successful by efficiently producing goods/services that consumers value in exchange for profit. But how do we determine the right quantity or price at which we should sell in accordance with consumer demand? The "invisible hand" makes this possible, a concept that is presented in a simple and easily understandable manner in this first chapter.

As mentioned earlier, free trade and competition promote economic progress and cooperation in society. Competition is often considered the main artery of the market economy, as it puts pressure on each party to operate efficiently while taking care of consumers' needs. However, the government often intervenes and becomes the main source of trade barriers and entry restrictions. **Throughout the second chapter**, the authors explain how the government should act in order not to hinder the functioning of the free market. Firstly, the government must protect individuals' rights by preventing harm, enforcing contracts impartially, and ensuring equal treatment in accordance with the law. In markets where monopolies exist, the government should not exacerbate the situation by contributing to

higher barriers to entry through licensing requirements or discriminatory taxes. Even in competitive market conditions, subsidies that are not based on economic logic should be limited as they distort prices and create an unethical relationship between businesses and officials through favoritism.

During the latter part of the second chapter and the beginning of the third chapter, there is a continuation of the discussed theme regarding government intervention and policies related to the economy and the market. It is important for the government to follow a policy of fiscal stability, and guarantee a stable monetary and price environment. Furthermore, it should avoid excessive spending and deficits that result from lower revenues compared to government expenditures. However, elected officials tend to exhibit a short-sighted effect where they favor projects that generate immediate and visible gains at the expense of costs that may be incurred in the future and are difficult to identify. For this reason, there are certain established rules that attempt to minimize this effect, such as in EU countries, where the budget deficit should not exceed 3% of Gross Domestic Product, and public debt should not exceed 60% of GDP.

Another important element addressed in **Chapter 3** is central planning and its dysfunction. Under central planning, market forces are replaced by government dictation, their decisions superseding those of consumers, investors, and entrepreneurs. Based on past history, the authors present several reasons why central planning is inefficient. Starting from the incentives for decision-making by government agencies to be innovative with low costs, which are weak. The efficiency of government spending will also be undervalued because the budget is like a source of common goods, which provides little motivation to consider the future. When businesses receive more funding from governments and less from consumers, they will spend more time trying to influence politicians than customers, resulting in economic regression.

“The Economics of Practical Thinking” concludes with **Chapter 4**, which focuses on 12 practical suggestions that help make better financial decisions. It begins with finding our comparative advantage, which helps achieve higher income levels; offering services that are valued more by others; thinking like an entrepreneur; creating a budget plan for income and expenses; thinking and being prepared for surprises; diversifying assets and reducing risks; and building a portfolio that matches the time needed for its benefits, among others.

Section IV: Evaluate the book

Overall, the book is divided into two parts: one that explains how the market functions and how the government’s approach should be towards it, and the final part where practical advice and examples are provided on how to apply the



information from the book to increase personal and national prosperity. “The Economics of Practical Thinking” is helpful for anyone interested in expanding their knowledge in the field of economics, regardless of their background, different from the economic one, thanks to the simplicity of language and the practicality it offers in reading due to the briefly covered elements, clearly conveyed ideas, and conciseness.

BOOK REVIEW

The Economics of Practical Thinking _____

Authors: James D. Gwartney, Richard L. Stroup, Dwight R. Lee, Tawni H. Ferrarini, Joseph P. Calhoun, Randall K. Filer
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“Economics has been present since the early civilizations of Mesopotamia, Greece, and others. Economic principles can be found in all the writings of the poet Hesiod and some other historians. The book focuses on the fundamental knowledge of economics, which is important because it helps us make better choices. The Basic Principles of Economics mainly reflect practical sense. The book is written to provide a strong foundation for financial education. Financial security affects the improvement of individuals’ well-being. Through financial education, it is understood that success in life is about setting goals, working hard to achieve them, saving for a purpose, and spending money wisely because income is limited.

Section II

The book is suitable for high school students, and university students, not only in the field of economics but also from other legal, journalism, or ordinary fields. The authors have written it in a way that is most suitable for readers. Each part is connected to the other. The first part has a simple writing style that describes all the key elements of economics. Each element described also has its corresponding example to make it more understandable for everyone. The second part has slightly more complex vocabulary, but at the end of the book, there is a glossary with corresponding numbers for any confusion. The third part clearly describes the role

of the government and how human behavior is related to ideology. The fourth part helps us become proficient in personal finance management. The book is structured into four main sections, and each part is coherent with the others.

Section III

The first part describes the 12 key elements of economics that are essential to understanding economies and the reasons why some countries develop and achieve high-income levels while others remain in poverty. The issues are related to the true cost, why price is important, how trade promotes prosperity, and why the production of goods people value increases our standard of living. The key element of economics is incentives, where changes in incentives have unpredictable effects on human behavior.

Also, in the first part, it talks about how important resources are. The relationship between desires and resources is not in balance. Another key element is trade, which is a crucial factor in economic progress. Three are the main resources that promote progress: Trade directs goods to those who value them the most. Trade makes it possible to produce and consume considerable quantities of goods. Every enterprise wants to produce at a low cost to increase income. Another key element is transaction costs. These costs limit production capacity. Transaction costs reduce possible benefits from trade. Price is one of the other 12 key elements; market prices affect consumer choice. For the consumer, a lower price is more favorable. Whenever the topic of prices is discussed, the other element that comes to mind is profit. Every profitable economic unit has the main goal of maximizing profit.

The second part summarizes in appropriate and understandable language what the main sources of economic progress are, how these resources should be used efficiently and effectively, and how income growth affects individual standards of living. Economic growth, especially in the West, has increased living standards and improved the length and quality of life. Why this has happened, the book explains very clearly. To have economic progress, you need a legal system that protects private property and enforces contracts equally for everyone. A resource that influences economic progress is the competitive market. This market encourages efficient resource use and offers incentives for innovative improvements. Achieving efficient investment allocation, and controlling inflation, helps monetary stability. Money is very important for the functioning of the economy; it makes complex exchanges possible.

The third part informs about the role of the government by describing some of its key elements. Public finance economists analyze not only the effects of government actions on taxation but also on spending. However this existing perspective has

two main theories, organic and mechanistic. The organic perspective sees the government as the heart of an organism. But unlike organic, mechanistic sees the government as not part of society. Despite the two different theories, the role of the government is the same in practice. Some of the elements of the government are: 1. Promoting economic progress by protecting individual rights and offering some goods and services. 2. The presence of a monopoly and barriers to entry in the market leads to market failure. 3. Competition is as important in government as in the market.

The fourth part describes and informs about some key elements that enable us to manage personal finances practically. Often personal finances and investment decisions seem entirely separate from the world of economics. The mentioned principles are divided into specific categories. These principles focus on how we can earn more, how we can get more value from our income, and how to manage the risk that arises from this income.

Section IV

The economy of Albania has gone through a transition process from a centralized economy to a free market economy. Financial literacy today is essential for everyone, considering not only the pace of economic, banking, and technological development but also the importance of the weight of information in the modern global world. Such a culture helps consumers, producers, and investors make sound financial decisions and at the same time makes it easier for the central bank to achieve its goal of price stability.

