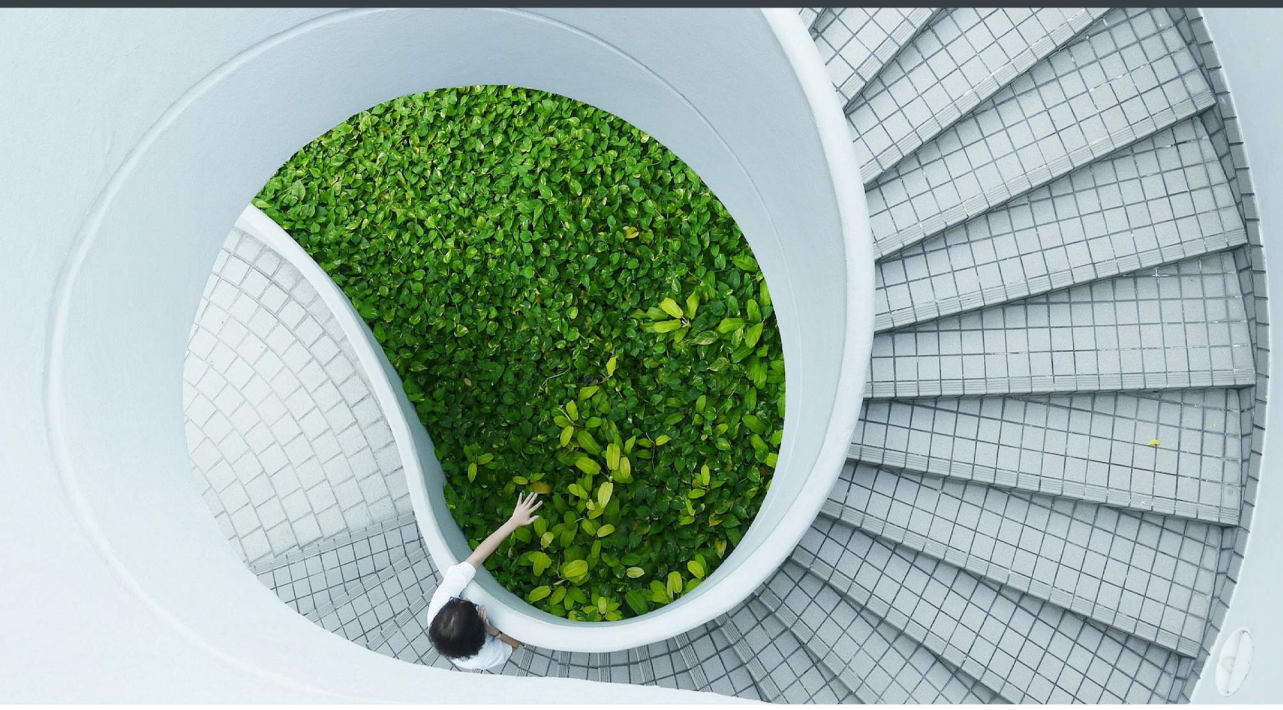
ECONOMICUS 23 ISSUE 1

Editor-in-Chief: Prof. Asoc. Dr. Ermela Kripa / Scientific Journal of the Faculty of Economics, Business and Development / No. 23, issue 1/ 2024

ISSN: 2223-6295



SUSTAINABLE FINANCE AND MANAGEMENT

Challenges for Achieving Sustainable Finance & Management for Businesses

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UETPRESS

ECONOMICUS No. 23/ issue 1, 2024

SCIENTIFC JOURNAL / FACULTY OF
ECONOMICS, BUSINESS AND DEVELOPMENT

ISSN: 2223-6295

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
European University of Tirana / Tirana
www.uet.edu.al/economicus@uet.edu.al
www.uet.edu.al/economicus

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UETPRESS Published April (Spring 2023)

Published under the series "ACADEMIC JOURNALS".

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

UETPRESS

Published by:
EUROPEAN UNIVERSITY OF TIRANA / ALBANIA

Content

EDITORIAL

Sustainable Finance and Management

Challenges for Achieving Sustainable Finance & Management for Businesses

Prof. Asoc. Dr. Ermela KRIPA[1]

Business and Sustainable Finance have taken a prominent place in the global political agenda in recent years. This is due to the alarming "turbulence" that the global economy is experiencing because of climate change, the Covid-19 pandemic, the Russia-Ukraine war, and the recent Israel-Palestine conflict.

These rapid changes have made companies and organizations increasingly aware of their responsibility to society regarding the utilization of resources and the environment to generate economic prosperity.

Sustainable financing has become a key concept in the global financial environment, transforming the way businesses and institutions conceive and act in relation to investment and capital distribution. This financing is nothing more than an approach that seeks to balance financial objectives with environmental, social, and governance considerations. This is a completely different approach from traditional finance, where profit maximization was the primary goal of every decision-making process. Currently, sustainable financing encompasses a perfect coordination between financial prosperity, social well-being, and environmental protection.

According to United Nations summit for the adoption of the post-2015 development agenda, 2015[2], the 17 Sustainable Development Goals seek to build on the Millennium Development Goals and complete what they did not achieve.

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

[2] UN (2015), Transforming our world: the 2030 Agenda for Sustainable Development. https://documents.un.org/doc/undoc/gen/n15/291/89/pdf/n1529189.pdf?token=NRVo7Uipe377TSp4gy&fe=true

"*They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental. The Goals and targets will stimulate action over the next 15 years in areas of critical importance for humanity and the planet*".

The acronym ESG (Environmental, Social, and Governance) stands for environmental, social, and governance criteria and refers to the factors that make a company sustainable through its social, environmental, and good governance commitments, without neglecting financial aspects. ESG serves as a guiding framework for sustainable financing. ESG criteria are used to assess the performance of a company or entity in terms of sustainability and corporate responsibility. These criteria are used by investors, analysts, and other interested parties to assess a company's impact on the environment, society, and its governance structure.

ESG determines how business should act to adapt and shape regulatory initiatives, transform supply chains, and work with innovative actors to understand how climate change will change business and finance in the future. Albania, as a developing country, is still in the early stages of finding ways and factors to implement ESG standards and explore their impact at different levels in the disciplines of management, accounting, and finance.

Given that the world is facing increasingly urgent challenges such as climate change, social inequality, and lack of transparency in business practices, the implementation of these criteria affects not only the environment in which we live but also has a direct impact on the profit and reputation of companies.

On the other hand, ESG criteria can encourage innovation and efficiency within companies. By adopting sustainable practices, companies can discover new ways to reduce costs, improve energy efficiency, optimize resource use, and strengthen their competitive position in the market.

The potentials and opportunities of circular economy in Albania

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Abstract

Purpose: *This paper explores the potential and opportunities of implementing a Circular Economy model in Albania. The Circular Economy framework aims to maximize resource efficiency, minimize waste generation, and promote sustainable production and consumption patterns.*

The study examines the current opportunities of the Albanian economy and identifies potentials where Circular Economy principles can be effectively implemented. It also assesses the potential benefits that a transition to a Circular Economy model can bring, such as job creation, cost savings, and environmental protection.

The paper highlights the challenges and barriers that Albania may face in adopting Circular Economy practices and provides recommendations for policymakers, businesses, and other stakeholders to accelerate the shift towards a more sustainable economic model.

Methodology: *Secondary research was conducted using different databases of some international organizations and some public and private organizations in Albania.*

Findings: *Results obtained from this research methodology show that improving recycling infrastructure and implementing more efficient waste management practices can help reduce the amount of waste sent to landfills, while also creating new job opportunities and supporting the development of a green economy.*

Among others, developing circular economy practices can help reduce the country's reliance on imported raw materials, promoting domestic resource production and helping to build resilience in the face of global supply chain disruptions.

Value*: As per recommendation, based on these findings, Albania should implement specific strategies for the development of a circular economy model as it has the potential to drive sustainable economic growth, innovation, and job creation.*

Keywords*: Circular economy, Economic growth, green economy, Innovation.*

Introduction

Circular economy appears to have been coined in the 20th century (Pearce & Turner, 1990). The authors created a new "circular" that uses thermodynamic rules and sharply criticized the outdated linear economic model methodology, arguing that "everything could be an input to everything else." The circular model, which includes the fundamental economic roles of ecosystems - resource provider, waste assimilator, and source of utility - prominently displays the shared interactions between the economy and the environment (Rizos et al., 2017).

Below is an overview of global trends in the development of the circular economy:

Government Initiatives: A growing number of governments are realizing how critical it is to shift to a circular economy model. To encourage resource efficiency, waste reduction, and sustainable production and consumption practices, they are putting policies and regulations into place.

Corporate Engagement: To cut expenses, minimize waste, and improve their reputation, companies are adopting the concepts of the circular economy. To increase the lifespan of goods and materials, several businesses are implementing strategies including recycling, remanufacturing, and product redesign.

Innovation and Technology: In the circular economy, innovation is being propelled by technological advancements. This covers advancements in waste-to-energy techniques, digital platforms for material tracking and resource sharing, and recycling technology.

Collaborative Initiatives: It's becoming increasingly typical for stakeholders, including governments, corporations, non-governmental organizations, and research institutes, to work together. Through information exchange, collaborative

projects, and resource sharing, these partnerships seek to address systemic issues and expedite the shift to a circular economy.

Consumer Behaviour and Awareness: Consumers are becoming more conscious of how their consumption habits affect the environment. Due to the rising demand for environmentally friendly goods and services, businesses are being forced to implement circular business models and give more accurate information on the lifetime of their goods.

Designing products with circularity: To make goods that are simpler to recycle, reuse, or repair, designers are taking durability, end-of-life alternatives, and material selection into consideration more and more. Professionals are being trained in the concepts and practices of the circular economy through the emergence of educational initiatives.

Hubs and Networks for the Circular Economy: To encourage cooperation, exchange best practices, and stimulate innovation at the local and regional levels, cities, regions, and organizations are setting up hubs and networks for the circular economy.

Opportunities and Challenges: Notwithstanding the advancements made thus far, obstacles like disjointed supply chains, inadequate facilities for recycling and garbage disposal, and regulatory constraints must be addressed. Nonetheless, these obstacles also offer chances for investment, innovation, and the development of jobs in industries associated with the circular economy.

The Economic and Investment Plan (EIP) for the Western Balkans by the European Commission supports the shift to a circular economy, which is a component of the Green Agenda for the region. With funding for investment flagships in the areas of energy, transportation, the green economy, and digital transformation up to EUR 9 billion, the EIP seeks to promote sustainable and inclusive growth as well as the long-term recovery of the region.

These documents emphasize how important it is to connect more sustainable production and consumption patterns with economic growth and new business opportunities in the Western Balkans region. This can be achieved by promoting waste prevention, reuse, and recycling, lowering waste production, raising resource productivity, and lowering pollution (such as plastic pollution).

Recognizing the importance of circular economy transition, Western Balkan economies have prepared or are in the process of developing strategic frameworks. Serbia and Montenegro have already adopted circular economy roadmaps in 2020 and 2022 respectively, Kosovo launched its circular economy roadmap in March 2023 and Bosnia and Herzegovina is currently in the process of developing it. Circular economic developments in Albania and North Macedonia are at an early stage.

The level of knowledge and awareness of the circular economy among all stakeholders is still at a low level in Albania. Around 70% of the population does not know what elements circular economy consists of, while only 7% defined it as encompassing recycling of products and waste (RCC, 2022).

Moreover, only 20% of businesses believe that their business models allow for a shift towards a circular economy, with added costs and the lack of government subsidies being the most significant impediments in this regard (RCC, 2022). According to a study conducted in 2020, 24% of the public and half of small and medium-sized enterprises (SMEs) interviewed declared to be familiar with the concept of circular economy. Nevertheless, only 15% of the public and 44% of SMEs had correct knowledge of its concept (EnvNet, 2021).

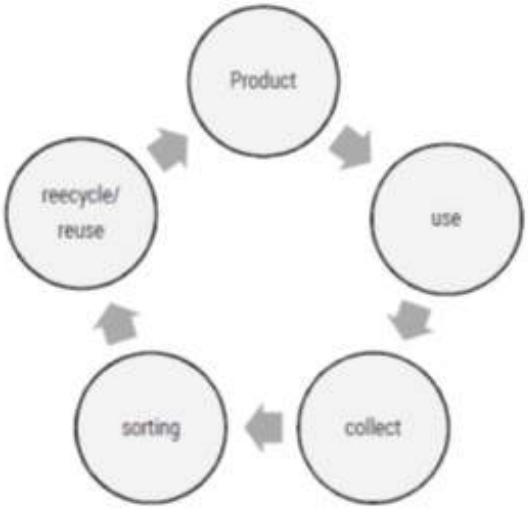
Numerous parties have participated in various initiatives and activities relating to the circular economy in Albania. They concentrate on several circular economy-related topics, but mostly waste management and awareness-raising initiatives. Nonetheless, there is still room for improvement in terms of coordination and the creation of synergies between them.

Literature review

The circular economy is a type of economics that emphasizes the use of business models to recover, recycle, reduce, and reuse materials at various points during the production and usage of goods. For the benefit of the current and future generations, the primary objective is to achieve sustainable development, which entails establishing an atmosphere with high standards, economic prosperity, and social equality (Rashid & Hussain, 2023).

Specifically, businesses profit from low costs by exchanging large quantities of inexpensive goods. There is a different option. Figure 1 below illustrates how a "circular economy" would minimize waste and close loops in industrial ecosystems by repurposing products that have reached the end of their useful lives. It would rewrite economic logic to substitute sufficiency for production, recycling what cannot be recycled, repairing what breaks, and remanufacturing what cannot be repaired.

FIGURE 1. The circular economy concept illustration (Ezeudu and Ezeudu, 2019).



Also, businesses play a crucial role in the transition to a circular economy. They can implement circular economy concepts and practices to decrease their environmental effect, increase resource efficiency, and provide new economic opportunities (Carter and Rogers, 2016). However, envisioning and implementing circular economy programs at the corporate level is fraught with numerous challenges and complexities (Johnson and Roberts, 2019). Understanding how businesses perceive and understand the circular economy is essential for its successful implementation and integration (Lee and Chen, 2017).

"Circular economy is an effective approach that would transform the function of resources in the economy," according to definitions provided by various scholars (Preston, 2012). Existing technology, for instance, makes it possible to use waste from one business as a material input for a subsequent operation at another (cradle to cradle) since items can be updated, repaired, or repurposed after their life cycle rather than being thrown away. (Rizos et al, 2017).

Reducing energy-intensive operations, raw material, and water consumption, as well as air pollution and waste, is one of CE's goals. We can accomplish that goal by taking a proactive approach with a cleaner production philosophy. Additionally, eco-efficiency, a concept that emphasizes both the economic and environmental aspects, can be useful. Its main objectives are to decrease resource use and boost production. Green innovation plays a major role in promoting eco-efficiency (Cainelli & Mazzanti, 2013) by enabling businesses to consider all environmental harm created during a product's or process' life cycle (Kemp & Pearson, 2007).

The circular economy is supported more than ever before since it increases the degree of sustainable production, allows raw materials to be maintained longer in production cycles and be used again, and reduces waste generation.

To reduce resource consumption and achieve significant economic prospects, a circular economy model must be implemented. However, a lot of work is needed, especially from a range of stakeholders, with a focus on small and medium-sized enterprises (SMEs). The world economy depends heavily on small and medium-sized businesses since they not only drive economic activity but also have a big impact on society and the environment (Hoffmann et al., 2023).

By virtue of its name, it implies that resources be retained in the economy for as long as feasible, supporting the utilization of trash as a product and raw material for other sectors.

Research methodology

This study is exploratory research, having started with a review and analysis of the literature to bolster the solution to the given issue. To better understand the topics mentioned, the research uses a desk research qualitative approach with a descriptive objective. It looks at the possibilities and potential of implementing a circular economy model in Albania as well as the significance of environmental policies in the implementation of the circular economy (CE) based on its impact.

The exploratory methodology of desk research, sometimes referred to as secondary research, is compiling already available data, literature, and material that is pertinent to a given topic or research question. This methodology does not directly involve primary data collection methods like surveys or experiments; instead, it uses sources like books, journals, papers, internet, and databases.

The main themes of the research, "Circular Economy," "Economic growth," "Innovation," and "Waste Management," were searched for using the Scopus and Scholar Google databases. The research started in October 2023, and its primary goal was to locate publications that discussed actions and practical activities involving the Circular Economy theme and their implications, identifying them in the abstracts and key words as well as in the body of the scientific article or book/e-book.

The World Bank, United Nations, Eurostat, World Economic Forum, European Environment Agency, and other sources provided the data that were used.

Desk research has several limitations because it is unpredictable. There can be no assurance as to what the desk research will turn up and what gaps will remain, at least not for the inexperienced or in cases where the subject matter is new.

Results and discussion

The OECD Competitiveness Outlook 2021 and the OECD SME Policy Index 2022 demonstrate that the circular economy, a concept built on the ideas of designing out waste and pollution, keeping products and materials in use for longer, and regenerating natural systems, is still in its infancy in the Western Balkans.

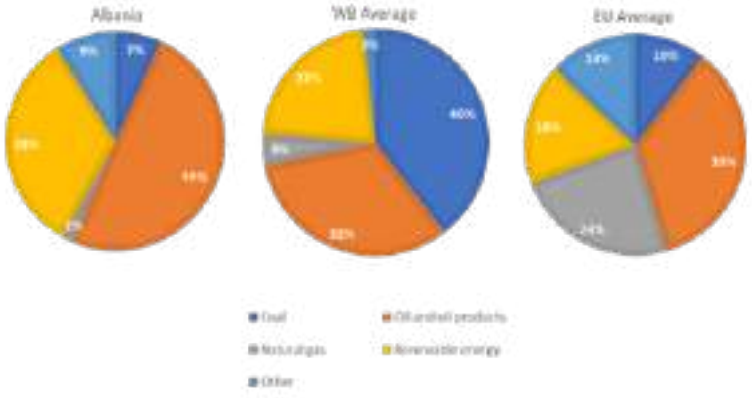
Recent developments relevant to the circular economy

Albania has the greatest percentage of oil and oil products in the Western Balkans, accounting for about half of the country's energy supply. Albania is one of the few economies in the region that produces crude oil. Nevertheless, most of the crude oil produced is shipped to be refined overseas, rendering it a low-value product (Altax, 2019).

About 35% of Albania's energy comes from renewable sources, which is a larger percentage than that of its regional counterparts. Almost all this energy comes from hydropower (Eurostat, 2022). Albania's electricity supply is likewise largely derived from hydropower.

Although this gives it an advantage in decarbonizing its electricity sector, it also makes it extremely vulnerable to climate change. The economy must import electricity most years due to significant annual fluctuations caused by hydrological changes (Albania imported approximately 9% of its energy in 2020) (World Bank, 2022).

FIGURE 2. Energy mix in Albania, the WB6 and the EU (% of total energy), 2020. (Eurostat 2022)



Albania's energy industry will only be sustainable in the long run if water resources are better managed to support the country's ongoing reliance on hydropower, if the energy mix is diversified to include other renewable sources, and if demand growth is restrained by energy-saving measures.

Hydropower plants and dams can create greater value, such as helping to clean rivers with equipped trash racks and cleaning machines or improving water management services with water tracking devices for better climate forecasting. By incorporating circular economy strategies into hydropower generation, this could ensure its sustainability.

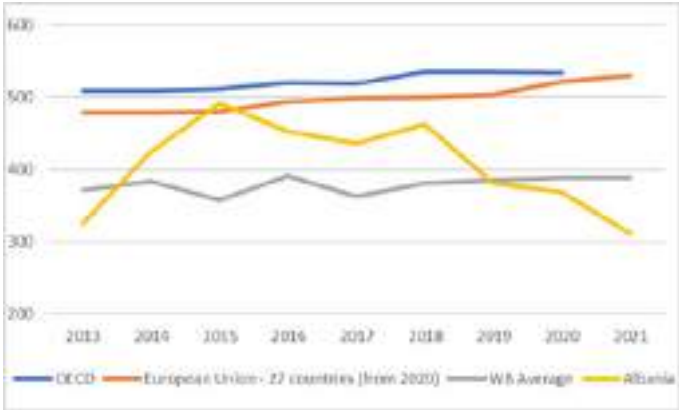
Long-term low-carbon electricity can be significantly impacted by the design of robust, easily disassembled, and recyclable hydropower plants (whose lifespan can exceed 100 years), provided that environmental protection is guaranteed for hydro production investments.

The acquisition of resources needed for investments in alternative renewable sources (wind and solar power), specifically rare earths, cobalt, and lithium, through mining alone, poses problems to energy security and sustainability (World Economic Forum, 2022). Thus, recycling renewable resources and utilizing secondary low-carbon commodities will be essential to facilitating the shift to clean energy.

Waste management

When compared to neighbouring economies, Albania's level of municipal garbage creation is in the middle, with a little downward trend in recent years (Figure 3). From 1.4 million tons in 2015, or 491 kilograms per capita, to 0.9 million tons in 2021, or 311 kg per capita, was the decrease in the amount of municipal garbage generated (Eurostat, 2021).

FIGURE 3. Municipal garbage generation (kg/capita), 2013–2021 (Eurostat, 2021)



Nevertheless, this decline is explained by the years-long improvement in waste reporting, therefore it is not possible to identify a decline in general. Though reports and data are based on estimates made by recycling companies and municipalities, except for the few that send their waste to sanitary landfills or incinerators with weighing equipment, the data are still not thought to be of high quality because there are no precise statistics for waste generation (European Environment Agency, 2021).

Organic garbage accounted for 58.6% of Albania's municipal waste production in 2021, with plastic waste coming in second at 8.7% and paper waste at 8.5% (European Environment Agency, 2022). Regarding plastic garbage, Albania has one of the highest rates of untreated plastic waste in the Mediterranean amounting to 73% (WWF, 2019), and the situation is further compounded by litter from shipping and fishing in the Adriatic Sea (European Commission, 2020).

Albania's policy environment for the circular economy

The Ministry of Finance and Economy, the Ministry of Infrastructure and Energy, the Ministry of Tourism and Environment (especially the recently formed Circular Economy Directorate), and the National Agency of Environment are the Albanian institutions most pertinent to the development and execution of circular economy policies.

The national legislation, strategic papers, action plans, and other legal and policy frameworks that are in place do not offer a strong foundation for the shift to a circular economy. Nonetheless, approaches from a variety of subject areas are thought to be pertinent in the context of the circular economy.

As required by the Energy Community, Albania is one of the two Western Balkan economies (together with North Macedonia) that has enacted a National Energy and Climate Plan by 2021. However, significant adjustments are required to guarantee that the strategy is effectively guiding the economy toward meeting the 2030 climate targets. The plan is deficient in ambition when it comes to decreasing greenhouse gas emissions, and many of the proposed policies lack an operationalization strategy with specific financing sources and timetables (Climate Action Network Europe, 2022).

General findings from the study analysis

Albania's energy sector is not as sustainable as it may be due to its strong reliance on oil for transportation and its hydropower, which is susceptible to climate change.

Since 2016, Albania's domestic material consumption has been declining, and in 2021, its resource productivity hit a record high of 0.75 EUR/kg, although being significantly less than the EU average of 2.1 EUR/kg.

Albania is heavily dependent on imports, and as a result, the amount of metal ores and fossil energy carriers and materials consumed domestically has increased recently.

Municipal trash management is difficult since much of it is landfilled (80% of waste in Albania, compared to 23% in the EU). The amount of trash generated, both industrial and municipal (mostly organic, plastic, and mining), that is recovered and recycled is quite low.

Albania's current legislative and policy structures don't offer a strong foundation for the country's transformation to a circular economy. However, industry policy frameworks and waste management policies lately established also incorporate the circular economy notion.

In Albania, all stakeholders' understanding, and awareness of the circular economy are still lacking.

Conclusions

The development of the circular economy in Albania holds significant potential for various sectors of the economy. By transitioning towards a circular economy model, Albania can reduce waste production, promote resource efficiency, and create opportunities for sustainable growth.

One key area of potential lies in the recycling and waste management sector. Improving recycling infrastructure and implementing more efficient waste management practices can help reduce the amount of waste sent to landfills, while also creating new job opportunities and supporting the development of a green economy.

The circular economy also offers opportunities for innovation and the development of new business models. By promoting the reuse and recycling of materials, Albania can encourage the growth of a circular economy sector that focuses on producing goods and services more sustainably.

Furthermore, developing circular economy practices can help reduce the country's reliance on imported raw materials, promoting domestic resource production and helping to build resilience in the face of global supply chain disruptions.

Overall, the development of a circular economy in Albania has the potential to drive sustainable economic growth, reduce waste production, and bring new opportunities regarding innovation and job creation.

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Industrial Symbiosis in the Circular Economy: A Review

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Abstract

Purpose*- This article provides an overview of industrial symbiosis in the context of a regenerative economy. As industrial symbiosis represents a novelty in sustainable development, this area has yet to be explored in depth. Despite the research interest in the circular economy, only some studies have considered the philosophy of industrial symbiosis. The primary purpose of this study is to analyse the current body of research to establish a framework that clarifies the connection between the ecological economy and industrial symbiosis and the variables that enable it.*

Design/methodology/approach*- A literature review examines and evaluates the knowledge background. A semi-systematic analysis was issued by employing an assessment synthesis approach. A thorough investigation and analysis of related and current published works was conducted by carefully choosing articles from diverse scholarly databases.*

Findings*- The interaction between the environment and industry is crucial for industrial enterprises' functioning, as the climate's consequences exert a constant and growing struggle against them. Implementing industrial symbiosis would encourage the cooperation and integration of socioeconomic and ecological systems in our society by developing a circular economy, which would also be a significant and forward-thinking step towards achieving eco-industrial development.*

Originality/value- *This investigation contributes to understanding how business organisations can support sustainable development and deal with environmental issues by implementing the industrial symbiosis agenda. Substantial contribution is offered to the subject of sustainable development by providing strategic insights into the future agenda for business organisations.*

Keywords: *Industrial symbiosis, circular economy, industrial ecology, sustainability*

Introduction

Background and objectives

The circular economy represents a visionary idea for a future significantly distinct from the current socio-technological landscape. Our societies have already faced the difficulty of reevaluating the conventional model in which resources are used to create added-value products and services. This difficulty is mainly rooted in the updated resource and waste management criteria. The environmental issues and the sustainability agenda define the new criteria. Linear models distribute resources unidirectionally, leading to the depletion of ecological assets and the buildup of waste items. Conversely, the circular economy is driven by the primary objective of minimising waste and prolonging the lifespans of products and materials (Leppänen et al. 2020).

Geissdoerfer et al. (2017) have observed a notable surge in scholarly attention towards the regenerative economy, with a specific emphasis on its theoretical framework and practical strategies for implementation. Scholars widely regard the shift to the circular economy as offering numerous benefits, including the mitigation of environmental harm, the reduction of resource depletion, the decrease in demand for new resources, and the smaller ecological imprint associated with economic activity (Leppänen et al. 2020).

Other academics underscore the advantages of advancing innovative sectors and employment opportunities, as using innovative strategies in business, infrastructure, and technologies is crucial for the journey towards a circular economy (Yadav et al. 2020). Gregson et al. (2015) explain that the philosophy of a circular economy aims to separate economic growth from the ongoing requirement for additional resources while simultaneously promoting the reduction or elimination of waste. Álvarez and Ruiz-Puente (2017) assert that adopting a circular economic model necessitates implementing strategies that foster the development of eco-efficiency and industrial symbiosis principles.

The foremost goal of this article is to provide a conceptual framework that enhances understanding of the concepts of the regenerative economy and industrial symbiosis. This will be achieved by delineating their distinctions, highlighting their shared objectives and obstacles, exploring their intersection, and proposing areas requiring attention and further investigation to promote sustainable development. The primary objectives of this paper encompass scrutinising the explanatory framework for the regenerative economy and industrial symbiosis derived from the extant literature, identifying a possible gap in addressing a holistic conceptualisation of both concepts, identifying the differences between them and the intersection between both approaches; distinguishing the contribution of both strategies in terms of their contribution toward sustainability and sustainable development; and finally, identifying promising future research agenda. The concerns included within the scope of this study are structured as follows: a description of the employed methodology, the conceptual foundations of the circular economy approach, the theoretical fundamentals associated with the conceptualization of circular symbiosis, and conclusions and recommendations for a prospective research agenda.

Method approach

A literature review was issued in this research, and a semi-systematic analysis of the literature was employed by employing an assessment synthesis approach. A thorough investigation and analysis of related and current published works by carefully choosing articles from diverse scholarly databases such as ScienceDirect, Emerald Insight, Taylor & Francis Group, Springer, Elsevier, ResearchGate, SAGE Publications, MDPI, etc. Keywords used are "circular economy", "sustainability", "industrial symbiosis", "industrial ecology", and "symbiosis network". The chosen publications were subjected to a thorough examination of their abstracts and core topics, with a particular focus on evaluating their relevance to this study. Most of the articles incorporated in this analysis were released during the last ten years. The journals cited in this study encompass Ecological Economics, Procedia Environmental Sciences, Journal of Industrial Ecology Special Feature on Industrial Symbiosis, Resources, Conservation and Recycling, Journal of Cleaner Production, Waste and Biomass Valorisation, Environmental Science and Technology, Journal of Industrial Ecology, Procedia Environmental Sciences, Metallurgical Research and Technology, Waste Management, Economy and Society, Sustainability, Sustainable Production and Consumption, Renewable and Sustainable Energy Reviews etc.

Review of the literature

Circular Economy as a Novel Approach to Achieving Sustainability

The notion of a circular economy prioritising, reducing, reusing, and recycling products and resources has recently garnered considerable interest (Geissdoerfer et al. 2017). The fundamental principle underlying the circular economy is to establish closed material looping, minimise input, and promote the reuse or recycling of products and trash to enhance resource efficiency and ultimately improve quality of life (Peters et al. 2007). Tukker (2015)Product Service Systems (PSS explains that one of the fundamental core concepts in which circular economy is instituted is a mutually beneficial relationship between a flourishing economy and a sustainable environment.

The historical origins of the regenerative economy, according to Winans et al. (2017), may be traced back to the 1970s, and its increasing significance within the realms of environmental preservation and sustainable development is underscored. Lieder and Rashid (2016) present a compelling perspective on the circular economy as a viable way to address issues such as limited resources and the generation of waste, and the need to sustain economic benefits, emphasising that the concept does not characterise a novelty relying on the argument that activities such as recycling, remanufacturing, and reuse have historically contributed to the knowledge of circular economy.

According to Birat (2015), the notion of an ecological economy represents a contemporary and extensively adopted concept that relates to the management of materials and resources in a sustainable way. As Yuan, Jun, and Moriguichi (2006) stated, a circular economy is intentionally designed to restore and regenerate goods, constituents, and materials to consistently maintain their utmost utility and value. It differentiates between technological cycles, which involve reusing and recycling materials, and biological cycles, which involve returning materials to the natural environment (Yuan, Jun, and Moriguichi, 2006).

Korhonen et al. (2018) explain the circular economy as an elaborate economic system that optimises the utilisation of materials and energy in a continuous loop, maximising the value generated from the production-consumption process. The authors elaborate that the objective is accomplished using cycled assets, renewable energy sources, and cascading energy flows. Furthermore, Korhonen et al. (2018) argue that achieving a thriving circular economy positively impacts all three pillars of sustainable development. The circular economy aims to limit the rate at which materials are transported to an environmentally sustainable level. This is achieved

by integrating ecological cycles into economic cycles while respecting the natural reproduction rates of these cycles.

Several scholars have described the philosophy of a circular economy by comparing and contrasting it with the traditional linear model "take-make-dispose" (Geissdoerfer et al. 2017; Geng et al. 2009; Pavel 2018). According to Pavel (2018), a circular economy focuses on the principles of circularity and integration across the value chain as a proponent of a generative system that operates on the principles of a take-make-dispose model. Furthermore, the author explains that the analysis of the circular value chain helps organisations achieve competitive advantages in an environmentally friendly way, and the circular value chain framework supports enterprises in understanding the circular business model and implementing advanced decision-making techniques (Pavel 2018). The circular economy notion underscores the necessity of reevaluating the traditional linear paradigm of manufacturing and consuming, commonly referred to as «take-make-dispose» (Geng et al. 2009). According to Kirchherr et al. (2017) the significance of comprehending the circular economy as a systemic and regenerative methodology is underscored, with the objective of redefining the conventional linear economic paradigm of «take, make, dispose» into one that is intentionally restorative and regenerative.

There are convergences between researchers regarding core values and guideline principles that lead to a circular economy. Kirchherr et al. (2017) have identified the terms reduce, reuse, recycle, systems perspective, economic prosperity, and environmental quality as the core concepts theorising circular economy. Pavel (2018) states that the primary objective of a circular economy is to decrease waste and optimise resource utilisation through the processes of restoring, recycling, reusing, distributing, and upgrading materials and goods. Morseletto (2020) comprehensively explains and analyses the concept of the circular economy by identifying and examining the specific objectives of the circular economy, which include rejecting, reevaluating, reducing, reusing, restoring, repairing, remaking, reusing, recycling, and recuperating. Also, Jiao and Boons (2014) assert that the circular economy is an all-encompassing concept that involves the decrease, reuse, and recycling of materials and resources throughout the many stages of production, transportation, and consumption.

As a research discipline, circular economy, according to scholars, encompasses three levels of analysis (Kirchherr et al. 2017; Nikolaou and Tsagarakis 2021). Nikolaou and Tsagarakis (2021), by scrutinizing the existing repository of knowledge, explain the circular economy concept under the framework of a triple level of analysis, specifically in a micro context, which includes the specific practices implemented within individual organisations, in a meso context, which includes the collaborative efforts between different firms to achieve circular

economy principles, and a macro context which deals with circular economy on a larger scale, when contemplating its execution at the regional, municipal, and national scales (Nikolaou and Tsagarakis 2021). The same analysis context is also delineated by Kirchherr et al. (2017) and Merli et al. (2018), who describe that the circular economy operations related to manufacturing, delivery and consumption encompass various levels, beginning from the micro view, including companies, products and consumers; the meso view including the eco-industrial parks; and the macro view that involve cities, regions, nations and beyond. Elia et al. (2017) endeavoured to assess the criteria pertaining to the contribution of the circular economy at the micro-level. They put forth an integrative methodology that encompasses the attainment of various criteria, including an augmented proportion of renewable and recyclable resources, diminished losses of valuable materials, decreased emissions, reduced extraction and utilisation of natural resources, and enhanced durability of products.

Researchers emphasize the concept of eco-industrial parks in terms of sustainability. Zhang et al. (2009)the Chinese government proposed the circular economy (CE assert that industrial symbiosis in eco-industrial parks (EIPs) is a vital component of the circular economy idea, which serves as a strategic framework for achieving sustainable development. The sustainable urban development was emphasized also by Winans et al. (2017) who explain that circular economy could be successfully applicable across different sectors such as agriculture, manufacturing, and urban development by being supported through innovative business models, innovative technologies, policies and regulatory issues, infrastructure investments, and consumer behaviour.

Also, Gregson et al. (2015) that industrial symbiosis in eco-industrial parks (EIPs) is a vital component of the circular economy idea, which serves as a strategic framework for achieving sustainable development. According to Ghisellini, Cialani, and Ulgiati (2016) a circular economy›s ultimate goal is to improve resource efficiency and establish a more optimal balance, synergy and collaboration between the environment, the economy, and society. Kirchherr et al. (2017) describes circular economy as an initiative that fosters sustainable development by advancing environmental preservation, economic advancement, and social fairness. Also, as an initiative undertaken to yield advantages for both the current and forthcoming generations and is facilitated by innovative firm concepts and conscientious consumers. Pavel (2018) emphasises the significance of circular economy in advancing sustainable consumption and manufacturing, minimising ecological footprint and generating novel commercial prospects.

Other research asserts that there is not a complete convergence between circular economy and its contribution with all the components of sustainability (Geissdoerfer et al. 2017; Merli, Preziosi, and Acampora 2018). Concretely,

Geissdoerfer et al. (2017) have analysed the convergence between sustainability and regenerative economy and identified as commonalities the fact that both concepts underline the obligations made within and between generations, driven by environmental risks. Both concepts commonly utilise multidisciplinary techniques to incorporate noneconomic factors into development effectively, and both notions consider collaboration among stakeholders not just as desirable but as essential to meet their expectations. However, Geissdoerfer et al. (2017) also delineate that the concepts differ in origin, objectives, motives, prioritisations, institutionalisations, beneficiaries, timescale, and perception of duty.

After thoroughly examining the existing literature, Merli et al. (2018) emphasise that CE is frequently discussed within the broader sustainability framework. Moreover, they argue that although the triple-bottom-line approach to sustainability provides a clear strategy for addressing environmental problems, it fails to adequately address social consequences and attain an optimal equilibrium among the three fundamental pillars of sustainability. Salvador et al. (2020) have analysed circular business models (CBMs) to identify their contribution to CE development. The authors distinguish in this frame several involvements, including reducing the rate at which resources are being used or consumed, terminating the movement of resources by extending the resource value and implementing industrial symbiosis, restricting the movement of resources, realising this way optimisation of resource use and system orientation issues (Salvador at al., 2020).

Researchers have also delineated the interdisciplinary nature of circular economy (Lieder and Rashid 2016). Lieder and Rashid (2016) suggest a conceptual framework and a pragmatic approach for the implementation of a regenerative economy and the preservation of the natural environment that integrates a broad range of research fields, including chemical engineering, ecology, industrial design, material science, waste management, education, mathematics, architecture, technology, information and communication, and applied physics, while also requires as a must the joint support and collaboration of all stakeholders. The authors have also delineated the multidisciplinary nature of CE so that to be applicable as a philosophy, it requires the interaction between areas such as business rationale and economic structures, remanufacturing and closed-loop supply chains, industrial ecology, and government initiatives (Lieder and Rashid 2016).

Kirchherr et al. (2017) discuss the role of various stakeholders, such as businesses, governments, and consumers, in driving the changeover toward a regenerative economy. Also, Winans et al. (2017) asserts that collaborative efforts between all stakeholders are crucial to realise the full potential of the circular economy. Lieder and Rashid (2016) have also emphasized that the joint support and collaboration of all the stakeholders is a must to enable the full synergy of circular economy.

Industrial Symbiosis

Gibbs (2008) highlighted the significance of industrial ecology in promoting sustainable development, the integration of environmental enhancement and economic progress through industrial symbiosis, and its contribution in restructuring the industrial production into an "industrial ecosystem". According to Nikolaou and Tsagarakis (2021), the meso-level of circular economy examines the collaborative efforts of enterprises in which one firm receives waste resources from another firm to use as raw materials. This level of analysis identifies the roots of industrial symbiosis in a circular economy, since the way how industrial firms interact with each other to use resources in a more appropriate way aiming to reduce waste corresponds to the conceptualisation of industrial symbiosis.

The predominant countries in industrial symbiosis, as shown by research, are China and the United States (Neves et al. 2020). In particular, the manufacturing sector exhibits the most significant potential to foster symbiotic partnerships. Quantitative assessment has been conducted to evaluate the economic and environmental advantages of industrial symbiosis in the context of Kalundborg, Denmark (Jacobsen 2006). The significance of industrial symbiosis is considerable, mainly influenced by factors such as diverse industries, close geographical proximity, and supportive laws (Neves et al. 2019).

According to Bichraoui et al. (2013),low carbon emissions, production efficiency, economic viability, and corporate social responsibility. Our existing socio-technical systems should transition or evolve towards achieving systems sustainability. This study aims to operationalize the notion of systems sustainability by developing an Agent-based Model (ABM industrial sustainability is achieved by effectively using resources, reducing carbon emissions, improving production efficiency, attaining economically sustainable development, and committing to corporate social responsibility. Chertow (2007) asserts that identifying preexisting symbiotic relationships has resulted in a more sustainable trajectory of industrial development than planning and constructing eco-industrial parks. Furthermore, according to Chertow (2007), there has been a notable focus on industrial symbiosis since 1989. This concept involves the exchange of resources, energy, water, and waste products across various clusters of firms.

Chertow and Ehrenfeld (2012) define industrial symbiosis as a collaborative approach where independent industrial facilities work together to create synergistic exchanges to achieve a collective competitive advantage by facilitating mutually beneficial interactions between industries. Schlüter et al. (2020) describe industrial symbiosis as a mechanism to effectively manage the closure of resources and

energy cycles among enterprises operating in historically fragmented industries. Furthermore, Schlüter et al. (2020) point out that the philosophy of cleaner production practices and initiatives could be fostered by interconnected industrial symbiosis networks leading this way to waste and pollution prevention.

Ferreira et al. (2019) posit that the notion of industrial symbiosis encompasses a range of practices that facilitate the establishment of linkages between regional industrial systems and industrial processes. These practices entail the reciprocal exchange of resources and the concurrent utilisation and commercialization of production waste, which can serve as additional materials for processing. By developing a case study that examines the network associated with the commercialisation of fluidised bed sands in the pulp and paper industry in Portugal, Ferreira et al. (2019) assert that effective communication between parties involved in industrial symbiosis, together with the expansion of knowledge, is vital for achieving success.

Arguments to emphasise the importance of industrial symbiosis are distinguished by Álvarez and Ruiz-Puente (2017) when considering the optimising of resource flow and the acquisition of additional value generated based on the logic of producing substantial collective industrial gains versus individual benefits that produce this way synergistic effect. Ferreira et al. (2019) explain the importance of an industrial symbiosis network by pointing out that this network enables actors' actions and the exchange of resources. According to Martin and Harris (2018), industrial symbiosis encompasses various techniques that integrate industries within a regional or local industrial system.

According to Song et al. (2018), a symbiotic relationship can be defined by considering all elements of the nodes, which are the stakeholders in the network. This includes the related attributes, such as the type of company or organisation, industry sector, physical location, and type of waste generated, as well as the links, which represent the nature of the relationship between the stakeholders. Another interesting view is proposed by Schlüter et al. (2020), who use the analogy with the processes that occur at the biological systems to propose and describe a conceptual model of industrial symbiosis network by highlighting the principal reproduction modes such as brooding, broadcast spawning, and budding. Schlüter et al. (2020) explain that the model of industrial symbiosis reproduction represents a valuable tool and brings new insights regarding developing industrial symbiosis networks that describe the dependencies and connections between new industrial symbiosis linkages and existing ones.

Researchers have analysed industrial symbiosis as a concept strictly related to circular economy (Boons, Spekkink, and Mouzakitis 2011). Martin et al. (2015) define industrial symbiosis as a concept corresponding to industrial ecology, focused on creating a network of symbiotic activities inter-firms, where the

industries that have historically been segregated collaborate in order to enhance the efficiency of material cycles and energy flows, analogous to the functioning of natural ecosystems. Other scholars, such as Kobayashi (2018), emphasise that the notion of industrial symbiosis encompasses more than just enhancing resource efficiency. It also comprises establishing mutually beneficial outcomes for all corporate entities engaged in the transactions.

Merli et al. (2018) identify industrial symbiosis as a CE component incorporated into business models supporting the circular economy. The changing patterns of industrial symbiosis were analysed by Boons et al. (2011) through the proposal of a conceptual framework that identifies the antecedents, such as sector number and size of companies, specific issues related to the location of actors that need to interact, specific issues related to businesses, precise stimuli for growth; mechanisms that enable the interaction including transmission mechanisms such as projects, government interest, imitation, coercion, training and professionalisation, and institutional capacity building. The authors explain that the final results are reflected and distributed in the ecological and social system (Boons et al. 2011).

Academics provide a theoretical structure for creating a facility-scale industrial symbiosis (Facility-IS) that tackles the difference between the technological and sociocultural aspects of industrial development (Mulrow et al. 2017)as a subfield of industrial ecology, is concerned with cooperation among industrial firms in managing resources, particularly by-products, such that the waste of one firm becomes the input of another. This "closed-loop" pattern also lies at the heart of the concept of the circular economy (CE. This framework delineates the necessary prerequisites for the planning, facilitation, and expansion of Facility-IS and three distinct approaches for its implementation: anchor manufacturer, project organiser, and business incubator. To address the necessity of circular economy and industrial symbiosis to bridge the gap between sociocultural and technical aspects of industrial development, Mulrow et al. (2017)as a subfield of industrial ecology, is concerned with cooperation among industrial firms in managing resources, particularly by-products, such that the waste of one firm becomes the input of another. This "closed-loop" pattern also lies at the heart of the concept of the circular economy (CE propose that the Facility-IS framework allows small-scale businesses to effectively adopt circular economy (CE) solutions by providing operational clarity.

With the progress in knowledge-based economics and management, Grant et al. (2010) have employed a knowledge-based framework in order to evaluate the prospect of information and communication technology (ICT) in developing industrial symbiosis, emphasising ICT's importance in supporting the industrial symbiosis revolution. Other scholars, such as Turken and Geda (2020), focused their investigation on examining self-organised and assisted industrial symbiosis

within the strategic and tactical levels of supply chains. The authors assert that the examination of a company's institutional capacity, which impacts the capability of businesses to get resolutions, is a pivotal focal point in scholarly investigations pertaining to symbiotic supply chains. (Turken and Geda 2020).

Liu et al. (2015) applied a three-level investigation approach, including individual firm, interfirm, and regional levels, to explain how incorporating cleaner production could lead to improvement opportunities in an industrial zone. Their research output found that companies that applied the audit of cleaner production achieved environmental and economic benefits, that a symbiotic network enabled the outputs, and that potential symbiotic links existed at both the interfirm and regional levels.

Cecelja et al. (2015) have pioneered the use of ontology engineering to bring a novel approach to industrial symbiosis. By combining implicit knowledge from experts in Industrial Symbiosis with explicit insights from participants in Industrial Symbiosis, semantics has been effectively linked with a system engineering methodology. The approach being proposed presents a well-organized framework that aims to support the investigation of innovative concepts and original solutions. Additionally, a comprehensive methodology has been developed to enhance industrial symbiosis networks. This methodology utilises a multilingual web service to facilitate the formation of industrial symbiosis communities and to incorporate small and medium-sized enterprises that are currently marginalised from development (Cecelja et al. 2015).

Conclusions and prospect research agenda

The adoption of a circular economy presents firms with the potential to fundamentally reshape their business model in accordance with the principles of renewable eco-industrial growth and the well-being of both human beings and the environment, specifically from an ecological standpoint (Leppänen et al. 2020). Effective management of scarce resources utilised by firms requires adopting a systems approach that recognises the significance of interconnectedness and holism. According to the resource-based concept, the circular economy signifies a shift from ownership-centric economic models to performance-oriented models. Resource-based theory, which centres on the administration and utilisation of limited resources, is integrally connected to the ideas of the circular economy (Desing et al. 2020). The circular economy seeks to decrease the consumption of primary resources, energy consumption, and trash generation by implementing the 3R principles: Reduce, reuse, and recycle. (Ünal, Urbinati, and Chiaroni 2019).

Industrial symbiosis endeavours in the conceptual framework of networks seek to establish connections between different sectors on a big scale and various firms on a small scale. The goal is to gain environmental and economic advantages by exchanging resources. It encompasses several elements, such as materials, water, energy, and by-products. As Lombardi et al. (2012) assert however, there is a growing body of academic literature on industrial symbiosis, and the European Commission (Domenech et al. 2019)despite having attracted less attention in the literature, have been significant, driven both by public and private initiative. This paper provides an updated overview of IS activity in Europe, with a mapping of key networks, and a study of prevailing typologies of networks, size, geographical distribution and main streams/ resources traded. The analysis is based on a combination of desk research, gathering of primary data from case studies, a survey to IS network facilitators (n = 22 has recently acknowledged industrial symbiosis as a crucial instrument for resource efficiency and green growth, significant work remains to be accomplished in order to enhance the theoretical framework and practical understanding of industrial symbiosis. Based on this logic, industrial symbiosis remains a priority research area within the circular economy framework, where further research needs to focus on both further analysis of the existing body of knowledge, case studies illustrating applications of industrial symbiosis in different contexts, and quantitative research oriented toward identifying indicators that measure the performance of industrial symbiosis models.

Comparative research would have a crucial contribution to expanding the extant literature because case studies represent a certain individual level of analysis by defining a contribution that relates to specific countries. Meanwhile, patterns of industrial symbiosis can be better and more deeply identified by distinguishing differences and similarities in different economic, institutional, and cultural contexts. Research areas about industrial symbiosis and circular economy in specified contexts encompass examining various factors. These factors include the importance of social trust, norms and networks, the influence of cultural attitudes and values, the incorporation of Industry 4.0 technology, the consequences of governmental policies and institutional frameworks, and the interconnection between human and social capital in environments with limited resources. Within the realm of social capital, a potential research field can focus on examining the importance of social trust, norms, and networks to establish industrial symbiosis and implement circular economy practices(Klapper, Upham, and Kurronen 2018).

An additional domain of inquiry could involve examining the influence of cultural attitudes and values on the acceptance of these activities and the possibility of behavioural modifications to facilitate their adoption (Klapper et al. 2018). Regarding technological improvements, a significant area of research could involve the use of Industry 4.0 technologies, including the Internet of Things (IoT)

and Artificial Intelligence (AI), to optimise the allocation of resources and improve the effectiveness of industrial symbiosis networks. This may also encompass an examination of the obstacles and prospects posed by these technologies within the framework of circular economy ideas.

Examining the governmental and institutional context constitutes a significant domain of investigation. It may be necessary to analyse the influence of policies and frameworks on the progress of industrial symbiosis and circular economy initiatives. Additionally, it could investigate the possibility of using public-private partnerships to promote these projects. Within the realm of social capital, a potential research domain might focus on the correlation between human and social capital, specifically about entrepreneurship and commercial operations in situations with limited resources. This may involve examining how social capital might be used to offset financial and manufactured capital constraints, specifically within the sustainable business framework.

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Exploring the Influence of Green HRM Practices on Employee Motivation and Sustainable Performance: A Focus on Organizations in the Service Industry in Tirana

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Abstract

***Purpose**: This research delves into exploring how conscious Human Resource Management (HRM) practices, employee motivation and sustainable business performance are interconnected. As companies increasingly adopt eco initiatives this study aims to investigate how Green HRM practices influence employee motivation and their role in driving business outcomes within the service industry in Tirana.*

***Methodology**: The study employs a qualitative analysis to explore the multifaceted dimensions of this relationship. By reviewing existing literature, the research consolidates knowledge on Green HRM practices, employee motivation theories and indicators of performance. Through interviews with HR professionals and employees, applying thematic analysis, the study aims to pinpoint the components of Green HRM practices that have an impact on motivating employees. Additionally, it seeks to uncover how motivated employees contribute to business practices by considering factors such as productivity, innovation and corporate social responsibility.*

Findings: *The results of this study add to the growing body of knowledge on HRM practices by highlighting the ways in which eco-friendly HRM initiatives affect the workforce and organizational sustainability.*

Value: *The implications of this research go beyond concepts offering insights for HR practitioners, business executives and policymakers looking to improve both employee involvement and sustainable business strategies. In today's world as companies maneuver through the realm of accountability Green HRM practices, employee motivation, and sustainable performance becomes imperative for fostering holistic and enduring success.*

Keywords: *Green HRM, Employee motivation, Sustainable performance.*

Introduction

In the contemporary landscape of business management, the intersection of environmental sustainability and human resource practices has emerged as a critical focal point. As the world becomes more aware of issues companies are realizing the importance of incorporating eco practices into their operations. Human Resource Management (HRM), as a strategic function within organizations, plays a pivotal role in encouraging employees to adopt sustainable practices. This research explores "The Influence of Green HRM Practices on Employee Drive and Sustainable Performance " aiming to uncover the relationships between conscious HRM practices, employee motivation and sustainable business outcomes.

How do we define motivation? Helliegel, Slocum and Woodman (1992) describe motivation as the driving force that leads individuals to engage in behaviors aimed at achieving goals (p.204). According to Reece and Brandt (1990) motivation is the underlying factor that motivates an individual's actions. In a work setting motivation serves as the fuel that ignites a passion for working (p.149). Lastly, Daft and Marcic (2004) explain that motivation involves external factors that inspire enthusiasm and persistence guiding individuals toward actions (p.444).

These viewpoints collectively highlight the connection between motivation and human behavior emphasizing its role as a driving force, a factor or the reason behind actions. Furthermore, these definitions indicate that individual motivations can differ based on needs. For managers this implies the importance of understanding. Recognizing these distinctions and needs creating appropriate strategies to motivate employees by addressing these unique needs in line with overarching organizational objectives.

As businesses strive to align their practices with principles the significance of HRM in nurturing a sustainable corporate culture becomes crucial. Green HRM strategies encompass a range of efforts from recruitment procedures to encouraging responsible conduct among staff members. Grasping how these strategies impact workforce motivation and consequently enhance business performance is essential for organizations aiming to tackle the complexities of business environments effectively. This study is driven by the need to bridge gaps in the comprehension of the links between Green HRM practices and the motivational factors that drive employee engagement. Through an examination this research aims to offer insights into how environmentally conscious HRM initiatives can motivate employees to actively contribute towards achieving sustainable business results.

The research goes beyond theory; it's meant to provide advice for HR professionals, business leaders and policymakers. With organizations trying to find a ground between success and environmental consciousness understanding how Green HRM practices affect employee motivation is crucial for building a sustainable socially aware and competitive business atmosphere. This study lays the groundwork for delving into the aspects that shape the link between Green HRM, employee drive and term organizational success.

Research questions

- How do Green HRM practices shape the organizational culture and contribute to a more sustainable workplace?
- What is the impact of integrating Green HRM practices into various HR processes on organizational sustainability?
- In what ways do environmentally friendly practices, especially Green HRM, enhance employee motivation and engagement?
- How does leadership involvement influence the successful implementation of Green HRM practices, and what role does ongoing leadership development play in sustaining commitment and satisfaction.

Literature review

The role of Human Resource Management (HRM) in the development of Environmental Management Policies is crucial. As highlighted by Lado and Wilson (1994) HRM encompasses a series of interconnected actions aimed at attracting nurturing and retaining a company's capital. Strategic HR practices are implemented to enhance capital in alignment with culture and business objectives leading to enhanced organizational performance and a competitive

edge (Boselie, 2001; Paauwe and Boselie 2003). It is essential to cultivate managerial competencies across all employees for the establishment of an environmentally friendly management system within a company (Daily et al., 2012). Companies striving for sustainability and competitive advantage prioritize the development of environmental management strategies and technologies (Lin et al., 2001). Establishing a groundwork necessitates sound HRM practices including recruitment policies (Grolleau et al., 2012) incentive structures that consider environmental factors as well as training and developmental programs (Unnikrishnan and Hedge 2007). These initiatives facilitate skill acquisition among employees, in companies. Scholars emphasize aligning an organization's environmental management objective with HRM principles for outcomes. Businesses implementation of environmental management systems (EMS) and policies is connected to the strength of their HR policies as indicated by Bohdanowicz et al. (2011).

Sustainability, in Action

Performance involves a strategy aimed at enhancing a company's eco-friendly efforts by hiring individuals who prioritize environmental awareness. This approach focuses on empowering and training these individuals, recognizing their importance to the organization's success and rewarding them for implementing initiatives (Lefebvre et al., 2003). To achieve goals, it is crucial for the organization to involve all its employees from departments encouraging them to independently embrace environmentally friendly initiatives. This inclusive approach does not empower employees significantly but also boosts their satisfaction levels.

Promoting Sustainability through Green HR Strategies

Building sustainability within organizations relies on involving employees in conscious policies and initiatives. The key emphasis on achieving this, highlights the adoption of Green Human Resource Management (HRM) practices, a concept outlined by Renwick et al. (2013). These forward-thinking practices focus on developing employees' green skills, awareness and behaviors fostering a culture of responsibility, within the organizational framework.

Green HRM requires organizations to commit to creating and executing HRM systems that effectively tackle environmental issues. To achieve this goal, organizations need to promote and back a range of HR practices, including recruitment, training, performance evaluations, incentives, teamwork, engagement, culture and empowerment as suggested by Zaid et al. (2018). Renwick et al. (2016).

Recent studies emphasize the role of green HR policies in not just motivating but also inspiring employees to fully support the company's overall environmental sustainability goals (Paillé et al., 2014). The reaching impact of Green HRM practices goes beyond motivation by significantly contributing to enhancing organizational environmental performance. This is done by shifting operations towards eco processes improving skills and knowledge reducing environmental footprint and optimizing resource usage, for better cost efficiency (Zaid et al., 2018). Additionally, Haddock Millar et al. insights highlight that integrating practices seamlessly into operations acts as a key driver in boosting financial performance through increased environmental responsibility.

In summary, the careful implementation of HR practices plays a crucial role in significantly improving a company's eco-friendly efforts in line with the broader goal of promoting sustainability (Arulrajah et al., 2015). This strategic approach does not strengthen organizations' ability to adapt to challenges but also drives them towards effectively balancing environmental stewardship and operational excellence.

Recruiting Eco Conscious Talent

Candidates who prioritize environmental concerns by recognizing the value of environmental dedication (Jabbour et al., 2008). Building on studies (Renwick et al., 2013) three key elements of eco-friendly recruitment and selection can be identified: candidates eco awareness, the company's eco-friendly image and green criteria.

Firstly, candidates eco consciousness involves traits that support environmental objectives, such as an affinity for green initiatives, conscientiousness and cooperativeness. Studies indicate that employees, with a focus actively enhance their understanding of ecological issues contributing to the company's overall environmental performance (Perron et al., 2006). Utilizing assessments to evaluate candidates eco awareness helps ensure a workforce that prioritizes considerations.

Secondly green employer branding encompasses how an organization is perceived in terms of its practices established through friendly HR strategies (Jackson et al., 2011).

This branding helps job seekers feel a connection to the organizations' values instilling a sense of pride in being part of a employer. Potential employees often view a company's practices as a factor in evaluating how they treat their staff, making eco-friendly initiatives an effective way to attract individuals who care about the environment.

Moreover, it is recommended to evaluate employees based on their awareness with job descriptions highlighting aspects. Including questions about knowledge,

values and beliefs in the hiring process can ensure that new hires are aligned with the organizations' goals (Renwick et al., 2013). Adopting talent acquisition practices is key to recruiting environmentally conscious staff members.

Green Training and Development: Fostering Environmental Competency

Green training and development encompass a range of initiatives designed to not teach but also motivate employees to learn environmental protection skills and prioritize environmental issues – a crucial aspect, for achieving environmental goals (Jabbour et al., 2008). This specialized training is carefully designed to enhance the awareness, knowledge and skills of employees in efforts emphasizing the need to involve all members of the organization beyond traditional boundaries associated only with environmental departments (Sammalisto & Brorson 2008).

The core of training programs lies in their significant role in raising awareness about pro environmental activities in the workplace. By educating employees on environmental control processes like waste data collection and identifying pollution sources these programs go beyond teaching by fostering a culture of environmental responsibility (Kjaerheim, 2005). Through this approach they empower employees from roles and functions to actively engage in the organizations' commitment to sustainability.

In summary, green training and development serve as drivers that do not provide individuals with necessary skills but also cultivate a collective mindset that goes beyond departmental boundaries.

This comprehensive approach enables companies to proactively address issues by uniting their employees around a shared dedication to environmental practices. By incorporating initiatives such as educating staff on environmental responsibility, raising awareness about environmental issues and enhancing their skills, organizations can promote responsible environmental conduct (Baumgartner and Winter 2014). Training serves as a tool for knowledge transfer empowering employees to engage in eco actions and adopt environmentally conscious behaviors. The integration of training programs, performance evaluations and incentives help cultivate eco behaviors by boosting awareness of issues fostering intrinsic motivation and instilling a strong commitment to preserving the environment (Dias-Sardinha & Reijnders, 2001).

In the context understanding of the environment and values plays a role in guiding employees towards environmentally friendly behaviors. This is facilitated through the adoption of green knowledge management strategies that primarily involve training sessions as highlighted by Sammalisto & Brorson (2008). For instance, employees can develop expertise in collecting waste data which contributes to enhancing their skills. The inclusive atmosphere created through

training encourages involvement from all staff members in various eco-friendly projects as emphasized by Kjaerheim (2005).

Renwick et al. (2013) indicated that there was a push for a training method that didn't just focus on programs but also made connections with evaluations and performance reviews. This holistic approach sought to cultivate a work environment to foster the bond between employee growth and environmental responsibility.

Green incentives: boosting job satisfaction and environmental performance

Green reward management plays a role in Green Human Resource Management (HRM) by impacting an organization's environmental sustainability. It motivates both managers and non-managers to support efforts making valuable contributions. This approach involves two types of rewards. Nonfinancial. Some companies choose incentives like bonuses and cash to acknowledge employees' outstanding work while others use non-financial methods such as awards or special recognition to appreciate notable environmental contributions.

According to Crosbie and Knight (1995) certain companies integrate factors into salary reviews to financially reward environmental performance and innovative ideas. In instances where financial rewards are limited, organizations like Monsanto, Dow Chemical, and ICI Americas Inc have established recognition rewards for environmental achievements. The effectiveness of these recognition programs depends on company acknowledgment, which boosts employee awareness of environmental achievements (Bhushan and Mackenzie 1994).

By implementing rewards and recognition linked to environmental performance organizations can enhance employee motivation towards participating in initiatives (Ramus, 2001).

Rewards serve to encourage and motivate employees to take responsibility, for actions fostering a sense of dedication (Daily and Huang 2001). A structured reward program can be strategically employed to inspire employees to exhibit the behaviors desired resulting in benefits for both the organization and its staff members (Daily and Huang 2001).

Green Performance Assessment

To achieve lasting environmental impacts, within a company Green Human Resource Management (HRM) involves assessing how well employees support environmentally friendly practices. This evaluation should be done

independently or as part of a broader performance review system to measure a company's efforts. For example, American companies such as Amoco have shown the significance of setting environmental performance standards through practices like audits, managing water use on site and reducing waste. Similarly, Union Carbide Corporation, a subsidiary of The Dow Chemical Company has implemented a program with field audits to address issues and gather essential data on past and future environmental performance (Milliman and Clair 1996).

While performance management systems and evaluations are tools, they alone cannot guarantee that a company will meet environmental standards or green performance goals across the board. The key lies in communicating information about initiatives, metrics and guidelines to all staff levels through the evaluation process. Creating a discussion throughout the organization about concerns is essential for achieving the desired level of environmental performance as emphasized by Renwick et al. (2008; 2013).

At the heart of this process lies the role that managers play, requiring them to establish goals, targets and duties, within their respective divisions or departments. Evaluation criteria should cover aspects, such as the frequency of friendly incidents the execution of eco-friendly initiatives and the clear communication of environmental policies within their operational scope as discussed by Renwick et al. (2008; 2013). This method ensures an integration of factors into the managerial sphere aligning each department with the broader organizational dedication to sustainable and eco conscious practices.

The Influence of Green HRM Practices on Employee Motivation and Sustainable Performance in Tirana: Research Gap

The research paper entitled "Exploring the Impact of Green HR Practices, on Employee Engagement and Sustainable Performance; A Case Study of Service Organizations in Tirana" fills a gap in academic literature. Interestingly previous studies have not delved into the setting of Tirana and its service sector specifically investigating how Green HR practices affect employee engagement and sustainable performance. This study aims to address this gap through research including interviews with HR managers and employees. By venturing into territory this research hopes to provide insights into the complexities of implementing environmentally conscious HR practices within Tirana's service industry. The expected results aim to enhance our understanding of the relationship between Green HR practices, employee engagement and sustainable performance laying a foundation for future studies and practical implications that are relevant to organizations, in similar situations.

Methodology

This study used an interview approach to delve into the viewpoints of resource (HR) managers and employees, on the adoption and effects of environmentally conscious Human Resource Management (Green HRM) practices in the company. The participant poll consisted of six individuals comprising three HR managers (HR1, HR2, HR3) and three employees (E1, E2, E3). To protect the privacy of all participants involved in the research their identities were kept confidential. Data saturation, which indicates that no new information or themes are emerging from interviews was set as the benchmark for concluding the data collection phase. The questions directed at HR managers focused on strategies, leadership commitment and how they perceived the impact of Green HRM practices. On the hand employees were asked about their observations, personal adjustments made and contributions to these initiatives. The goal of this study was to gain an understanding of how friendly HR practices are integrated from both management and employee viewpoints. Thematic analysis was employed to sift through the gathered data to spot recurring patterns, emerging themes and insightful stories that aid in interpreting the findings. Thematic analysis is a research technique that involves identifying, analyzing and elucidating patterns or themes, within data.

Structured interviews provide a comparable approach, for all participants making analysis an effective method to reveal patterns and insights, within the structured responses.

Results

The following section presents the individual interview questions posed to participants, along with their corresponding responses. This detailed exploration aims to illuminate the diverse perspectives and insights shared by the participants during the research study.

Can you share insights into the specific environmentally friendly HR practices your organization has implemented to foster a green corporate culture? How have these practices been integrated into your HR strategies?

HR1: At our organization, we have implemented several environmentally friendly HR practices to promote a green corporate culture. These include sustainable recruitment processes, eco-conscious onboarding materials, and ongoing employee training on environmentally responsible behavior.

HR2: In our organization, we've adopted Green HRM practices to align our human resource strategies with environmental sustainability. This involves incorporating eco-friendly elements into our recruitment processes, like digital onboarding materials and emphasizing environmental awareness during employee orientation.

HR3: In our organization, Green HRM practices form an integral part of our sustainability initiatives. This includes implementing eco-friendly recruitment processes, incorporating environmental training modules into our onboarding, and promoting green awareness throughout our employee lifecycle.

From your perspective, how do these Green HRM practices impact employee motivation within the organization? Have there been observable changes in employee engagement and commitment because of these initiatives?

HR1: The impact of these Green HRM practices on employee motivation has been quite positive. We've observed increased engagement levels and a sense of pride among employees who appreciate our commitment to sustainability. For instance, our green initiatives are often highlighted during orientation sessions, creating a sense of purpose and alignment with the company's environmental values.

HR2: The impact on employee motivation has been noteworthy. Employees appreciate our commitment to sustainability, and we've seen a positive shift in their attitudes. The integration of Green HRM practices into our culture has created a sense of shared purpose and responsibility, fostering higher motivation levels among our workforces.

HR3: The impact on employee motivation has been quite substantial. By integrating Green HRM practices, we've noticed increased employee satisfaction and a sense of pride in contributing to environmentally responsible work practices. The alignment of personal values with organizational initiatives has positively influenced motivation levels among our diverse workforces.

In what ways do you believe motivated employees, influenced by Green HRM practices, contribute to sustainable business outcomes? Are there specific examples or success stories that highlight the positive impact on organizational performance?

HR1: Motivated employees, influenced by Green HRM practices, contribute significantly to sustainable business outcomes. We've witnessed improved productivity and creativity as employees actively participate in eco-friendly initiatives. For example, our 'green teams' have initiated projects that reduce waste, promote energy efficiency, and contribute to our overall sustainability goals.

HR2: Motivated employees actively engage in initiatives like reducing paper usage, recycling programs, and participating in community environmental projects. These efforts contribute not only to our sustainability goals but also enhance the overall corporate social responsibility of the organization.

HR3: Motivated employees, influenced by our Green HRM practices, play a crucial role in contributing to sustainable business outcomes. We've witnessed innovative solutions arising from employee-led green initiatives, resulting in cost savings and improved operational efficiency. These sustainable contributions also enhance our corporate reputation and market competitiveness.

How do you address any potential challenges or resistance among employees when implementing environmentally conscious HR practices? Have you encountered any noteworthy lessons or best practices in overcoming such challenges?

HR1: Overcoming challenges or resistance is an ongoing process. Communication is key – we ensure that employees understand the rationale behind our Green HRM practices, emphasizing the positive impact on both the environment and their work experience. Sharing success stories and recognizing eco-friendly efforts help build a culture of support.

HR2: Overcoming resistance involves continuous communication and education. We address concerns by explaining the long-term benefits of our Green HRM practices and actively seeking employee input. Encouraging a culture of openness allows us to understand and address any challenges, ensuring a smoother transition to more sustainable work practices.

HR3: It involves a multifaceted approach. Open dialogue, showcasing the tangible benefits of Green HRM practices, and incorporating employee suggestions into our sustainability initiatives have proven effective. Tailoring our communication to address specific concerns helps build a more inclusive and collaborative approach to sustainability.

Can you elaborate on the leadership's commitment to environmental sustainability within the organization? How does this commitment manifest in the support and promotion of Green HRM practices, and what role does leadership play in driving these initiatives?

HR1: Leadership's commitment to environmental sustainability is evident in our policies and decision-making processes. Senior leaders actively champion green initiatives, demonstrating a commitment that permeates through the organization. Their support is crucial in driving awareness, garnering employee buy-in, and ensuring the successful implementation of Green HRM practices.

HR2: It is the driving force in our organization. Our leaders participate in green initiatives, demonstrating a genuine dedication to creating a sustainable workplace. This commitment is evident in decision-making processes, resource allocation, and their role as advocates for environmentally responsible practices throughout the organization.

HR3: Leadership's commitment is evident through their active involvement in environmental stewardship. Senior leaders champion green practices by

participating in sustainability programs, setting an example for others. This commitment has a trickle-down effect, creating a culture where every employee feels empowered to contribute to the organization's environmental goals.

From your experience, how do you measure and assess the effectiveness of Green HRM practices in achieving both employee motivation and sustainable business goals? Are there key performance indicators or metrics that you find particularly valuable in this context?

HR1: Measuring the effectiveness of Green HRM practices involves tracking various metrics. We assess employee satisfaction through regular surveys, monitor participation levels in sustainability programs, and quantify the impact on our overall environmental footprint. Key performance indicators include energy and resource consumption reduction, waste minimization, and employee feedback on the perceived value of our green initiatives.

HR2: To measure the effectiveness of Green HRM practices, we utilize a combination of quantitative and qualitative metrics. These include tracking energy consumption, waste reduction, employee engagement surveys focusing on sustainability, and assessing the success of specific eco-friendly programs. Regular feedback loops allow us to refine and improve our initiatives based on employee input and measurable outcomes.

HR3: Measuring the effectiveness of Green HRM practices is an ongoing process. We rely on both quantitative metrics, such as energy consumption reduction and waste diversion rates, and qualitative measures, including employee feedback on sustainability initiatives. This balanced approach helps us assess the tangible and intangible impacts of our Green HRM practices on employee motivation and overall business sustainability.

Can you share your observations and experiences regarding the implementation of environmentally friendly practices in our workplace? How have you noticed these practices influencing our daily work environment and culture?

E1: Certainly. I've observed a positive shift in our workplace culture since the introduction of environmentally friendly practices. For instance, the reduction in paper usage and the emphasis on recycling has become a common practice among colleagues. It's not just about compliance; there's a genuine awareness and commitment to being environmentally responsible.

E2: I've noticed a more conscious effort in our daily operations. From the use of eco-friendly materials in the office to increased awareness about energy consumption, it feels like we're collectively contributing to a greener workplace. The culture is evolving towards a shared responsibility for our environmental impact.

E3: Absolutely. The changes are visible, not just in the physical environment but also in how colleagues discuss and appreciate these initiatives. There's a sense of

pride associated with working for an organization that prioritizes environmental sustainability.

From your perspective, how have these environmentally friendly practices influenced your own work habits or behavior within the organization? Can you provide specific examples of any adjustments you've made?

E1: The emphasis on digital documentation has significantly changed how I manage my work. I've shifted towards electronic communication and file storage, minimizing the need for printed materials. Additionally, I'm more mindful of energy usage, ensuring devices are turned off when not in use.

E2: I've become more conscious of waste reduction. I've started using reusable alternatives like water bottles and lunch containers to minimize single-use plastics. It's a small change, but collectively, these efforts make a difference.

E3: I've incorporated eco-friendly practices into my daily routine, such as using public transportation or carpooling to reduce my carbon footprint during the commute. It's not just a workplace obligation; it has become a personal commitment to contribute to the larger goal of sustainability.

Have you noticed any impact on team dynamics or collaboration because of the organization's commitment to environmentally friendly practices? How do these initiatives foster a sense of shared responsibility among team members?

E1: Definitely. The green initiatives have become a bonding point within our team. We collectively participate in sustainability events and challenges, creating a sense of camaraderie. It's not just about individual efforts; we motivate each other to contribute to the organization's environmental goals.

E2: It has sparked conversations and collaborations that go beyond our usual work scope. For instance, our team organized a tree-planting activity outside of office hours. This shared commitment to environmental causes has strengthened our professional relationships.

E3: The shared responsibility for sustainability initiatives has created a collaborative spirit. We share tips and ideas on how to be more environmentally conscious both at work and in our personal lives. It's encouraging to see everyone actively engaged in making a positive impact.

Have you encountered any challenges or obstacles in adapting to these environmentally friendly practices? If so, how have you personally overcome them, and what support, if any, did you receive from the organization?

E1: The initial adjustment to digital documentation posed a challenge, especially for tasks that were traditionally paper based. However, the organization provided training sessions and resources to facilitate the transition. This support eased the adaptation process.

E2: One challenge was adjusting to changes in office supplies. However, the organization promptly provided alternatives and communicated the environmental benefits, making it easier for everyone to understand and adapt.

E3: Commuting sustainably initially posed a challenge due to the distance, but the organization introduced flexible working hours and remote options. This not only addressed my personal challenge but also supported a broader shift towards more sustainable commuting practices.

In your opinion, how do these environmentally friendly practices align with the organization's values and mission? How do they contribute to our overall corporate identity and reputation?

E1: These practices align perfectly with the organization's commitment to corporate responsibility. They showcase our dedication to not only delivering excellent services but doing so in a way that minimizes our environmental impact. It enhances our corporate identity as an organization with a conscience.

E2: It reinforces our mission of contributing positively to the community and the environment. By actively engaging in sustainable practices, we're not just talking about values; we're living them. This, in turn, enhances our reputation as a socially responsible organization.

E3: It's a clear demonstration of our commitment to long-term sustainability. In an era where environmental consciousness is a significant factor in decision-making, these practices contribute positively to our corporate image and reputation.

Looking forward, how do you envision the future integration and evolution of environmentally friendly practices within our workplace? What role do you think employees can play in shaping and driving these initiatives?

E1: I see a continuous evolution, with employees taking on more proactive roles. Engaging in feedback sessions and suggesting new green initiatives will be crucial. As employees, we can be ambassadors for sustainability, influencing others and contributing to the ongoing development of environmentally friendly practices.

E2: The future holds opportunities for innovation. Employees can actively participate in ideation sessions, bringing forth creative solutions to further reduce our environmental footprint. This collective effort will be instrumental in shaping the next phase of our sustainability journey.

E3: I believe employees will become even more integral to the process. As we become more environmentally conscious, our ideas and suggestions will play a vital role in shaping policies and practices. It's a collaborative effort where each employee contributes to the organization's ongoing commitment to sustainability.

Thematic analysis of interviews on green HRM practices:

Integration of Green HRM Practices

HR Manager Perspectives: All HR managers (HR1, HR2, HR3) highlighted the incorporation of environmentally friendly practices within recruitment processes, onboarding, and employee training. These practices included sustainable recruitment, eco-conscious onboarding materials, and environmental training modules.

Employee Perspectives: Employees (E1, E2, E3) acknowledged a shift in workplace culture with observable changes, such as reduced paper usage and increased emphasis on recycling. The integration of these practices was seen as a collective effort to foster a green corporate culture.

Impact on Employee Motivation:

HR Manager Perspectives: HR managers noted a positive impact on employee motivation, emphasizing increased engagement levels and a sense of pride among employees due to the organization's commitment to sustainability.

Employee Perspectives: Employees expressed a notable shift in their attitudes, describing an enhanced sense of purpose and responsibility associated with contributing to environmentally responsible work practices.

Employee Contributions to Sustainable Business Outcomes:

HR Manager Perspectives: Motivated employees, influenced by Green HRM practices, were reported to contribute significantly to sustainable business outcomes. Examples included improved productivity, creativity, and the initiation of eco-friendly projects.

Employee Perspectives: Employees actively engaged in initiatives like waste reduction, recycling programs, and community environmental projects, showcasing their commitment to contributing beyond individual tasks.

Challenges and Overcoming Resistance:

HR Manager Perspectives: Overcoming challenges involved continuous communication and education, with a key emphasis on sharing success stories and recognizing eco-friendly efforts. Communication was identified as a crucial tool in addressing potential resistance.

Employee Perspectives: Challenges included adapting to digital documentation and changes in office supplies. However, the organization's support through training sessions, resource provision, and flexibility in working hours played a pivotal role in overcoming these challenges.

Leadership's Commitment and Decision-Making:

HR Manager Perspectives: Leadership's commitment to environmental sustainability was evident in policies, decision-making processes, and active

participation in green initiatives. This commitment influenced organizational decisions, such as investments in renewable energy sources.

Employee Perspectives: Leadership's involvement in environmental stewardship set an example, creating a culture where every employee felt empowered to contribute to the organization's environmental goals.

Measurement of Effectiveness:

HR Manager Perspectives: The effectiveness of Green HRM practices was measured through various metrics, including employee satisfaction surveys, participation levels in sustainability programs, and quantifying the impact on the overall environmental footprint.

Employee Perspectives: Employees acknowledged the organization's use of both quantitative and qualitative measures, such as tracking energy consumption, waste reduction, and employee feedback, to assess the tangible and intangible impacts of Green HRM practices.

Overall, the thematic analysis reflects a comprehensive understanding of the integration, impact, challenges, and measurement of environmentally friendly HR practices within the organization from both HR manager and employee perspectives. The findings suggest a synergistic relationship between organizational strategies, employee engagement, and the broader commitment to sustainability.

Discussion and implications

The thematic analysis of interviews on Green HRM practices has illuminated key insights into the organizational dynamics and the impact of environmentally friendly initiatives from both HR manager and employee perspectives. These findings hold significant implications for the organization, touching upon various aspects of culture, leadership, measurement practices, and the challenges associated with sustainable transitions.

Alignment of Organizational Culture: The integration of Green HRM practices throughout the employee lifecycle signifies a profound alignment with the organization's core values and mission. The observed shift in workplace culture towards sustainability reflects a shared commitment among employees. This alignment has implications for the strategic integration of Green HRM practices, emphasizing the need to embed sustainability into recruitment, onboarding, and ongoing training processes.

Motivation and Engagement: The positive impact on employee motivation and engagement resonates with current literature emphasizing the importance of

aligning personal values with organizational initiatives. Employees expressing a sense of purpose and pride indicate that Green HRM practices contribute to a more motivated and committed workforce. This has implications for leadership development programs that should incorporate sustainability components to further enhance leadership commitment and employee satisfaction.

Leadership Influence: The active involvement of leadership in environmental stewardship emerges as a critical factor shaping the organization's culture. The commitment of senior leaders not only influences decision-making processes but sets a standard for employees. The implications here suggest the need for ongoing leadership development initiatives that focus on sustainability, equipping leaders to effectively champion green practices and drive a culture of environmental responsibility.

Measuring Effectiveness: The use of both quantitative and qualitative metrics for measuring the effectiveness of Green HRM practices aligns with best practices in sustainability assessment. This balanced approach allows the organization to track tangible outcomes, such as energy consumption reduction, as well as intangible factors like employee satisfaction and engagement. The implications revolve around the enhancement of measurement practices in sustainability initiatives. This includes refining existing metrics, incorporating new indicators, and ensuring regular assessments for continuous improvement.

Challenges and Adaptations: Identified challenges, such as resistance to digital documentation and adjustments to changes in office supplies, underscore the importance of effective communication and change management. The organization's proactive approach in providing training sessions, resources, and flexibility showcases a commitment to supporting employees through transitions. The implications highlight the necessity for ongoing communication strategies and change management practices in sustainability initiatives. Learning from the challenges faced ensures a smoother transition during future implementations.

In conclusion, the discussion and implications drawn from the thematic analysis offer a roadmap for enhancing the organization's commitment to environmentally friendly HR practices. By strategically aligning these practices with organizational goals, empowering employees, and reinforcing leadership commitment, the organization can continue to foster a culture of sustainability and corporate responsibility. The identified challenges provide valuable lessons for future initiatives, emphasizing the importance of effective communication and change management strategies to facilitate sustainable transition.

Limitations of the study

Although this study has provided valuable insights into the phenomenon under investigation, its limitations should be acknowledged. The following limitations are present:

Limitations of the Data Collection Methods: Among the limitations of the data collection methods is the small sample size, which may limit the representation of the results.

Limitations of prior research: To provide a solid foundation for the research questions, the literature review for the thesis must cite and reference prior research studies, which form the basis of the literature review. These prior studies provide the theoretical background for the research. There was no prior research on this topic especially for the case of Tirana, but this limitation was viewed as a valuable opportunity to identify literature gaps and to present the need for further research. Despite these limitations, this study is valuable in providing insights into the phenomenon under investigation, and the researcher has taken steps to address and mitigate the limitations where possible.

Conclusion

Our organization's exploration of Human Resource Management (Green HRM) practices has given us a deep understanding of the impact, challenges and implications involved. The insights gathered from interviews with HR managers and employees shed light on our organization's stance on sustainability and offer suggestions for improvements. The incorporation of Green HRM practices plays a role in shaping our culture. By aligning these practices with our values and mission we create a workplace that's more sustainable and socially responsible. Going forward integrating these practices into HR processes, such as recruitment and training will further embed sustainability into the core of our organization. One promising outcome of our dedication to practices is the positive effect on employee motivation and engagement. The newfound sense of purpose and pride among employees highlights how Green HRM initiatives can enhance the employee experience. Nurturing this motivation is essential for ensuring success on our sustainability journey. The active participation of leadership in stewardship has been instrumental in implementing Green HRM practices. The commitment shown by leaders does not impact decision making but also sets a precedent for employees to follow suit. In the future it will be crucial to invest

in leadership development programs that prioritize sustainability to strengthen leaders' dedication and enhance employee contentment. Utilizing a combination of qualitative measures to evaluate the impact of friendly HR practices follows the recommended approach, for assessing sustainability. This rounded method enables tracking results like reduced energy consumption along with intangible aspects such as employee happiness and involvement. Improving measurement techniques in sustainability efforts is essential encompassing refining metrics, integrating indicators and conducting regular evaluations for continuous enhancement. Overcoming challenges related to adopting eco strategies underscores the significance of communication and change management. The organization's proactive stance in providing training sessions, resources and flexibility demonstrates a commitment to aiding employees during transitions. These findings emphasize the need for communication strategies. Change management procedures within sustainability projects. Drawing lessons from hurdles ensures transitions in future implementations.

In summary insights, from the analysis provide guidance on boosting the organizations dedication to eco HR practices. By aligning these practices with company objectives, empowering staff members and reinforcing leadership commitment the organization can nurture a culture of sustainability and corporate responsibility.

The obstacles we've pinpointed offer insights for projects highlighting the significance of clear communication and effective strategies for managing change to support lasting transitions. As we progress these learnings will shape our endeavors to establish a work environment that not just adopts eco practices but also advocates for a sustainable tomorrow.

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The importance of waste management: Some observations on Albania

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Abstract

Purpose: *We inhabit an epoch confronted by formidable challenges that imperil our collective well-being. The reliance of economies on fossil fuels, coupled with widespread deforestation, has exacerbated the greenhouse effect, resulting in the degradation of numerous ecosystems and the alteration of the global climate. Concurrently, there is a fervent pursuit of non-renewable resources, heralding a pivotal contest among major producers. The proliferation of production and consumption has engendered a staggering volume of waste, whose mismanagement risks precipitating extreme levels of pollution across land, water, and the atmosphere. These pressing concerns underscore the imperative for a transition from a linear to a circular economic model.*

The purpose of this article is to elucidate these challenges and conduct a comprehensive comparative analysis between the Waste Management Systems of Albania and those of Europe.

Methodology: *A qualitative research study was undertaken to analyse pertinent data, reports, and legislation. The paper draws upon secondary data sourced from*

various entities, including the World Bank, Eurostat, INSTAT Albania, EU legislation, and reports.

Findings: *The findings suggest that the primary waste management strategy in Albania involves landfilling, which is considered the least effective method for waste treatment and utilization. While Albania endeavors to align with the guidelines provided by the European Union, it still lacks a waste management system capable of meeting the established objectives.*

Value: *By delineating the challenges faced by Albania and juxtaposing them with those encountered by EU member states, this paper initiates a broader discourse on innovative strategies, emerging technologies, and cultural influences necessary to attain an effective waste management model.*

Key words: *waste management, circular economy, environment, Albania.*

Introduction

To comprehend the feasibility of constructing an economy capable of redefining our approach to waste, it is imperative to delve into historical antecedents and retrace our origins. The evolutionary trajectory of various civilizations elucidates the genesis of waste and its metamorphosis across epochs. The human presence on Earth, dating back 2 million years, initially manifested within small villages, fostering a symbiotic relationship with natural resources. Notably, there existed an epoch devoid of waste management concerns, where any discarded material served to replenish the soil and foster new resources. Unbeknownst to us, we were inherently enmeshed within a circular economic paradigm, self-sustaining and independent of human intervention.

However, the advent of industrialization precipitated a paradigm shift, marked by heightened urbanization. Sprawling cities emerged, accompanied by a surge in waste accumulation, rendering thoroughfares inundated with refuse sans proper disposal regulations. Concurrently, technological advancements introduced motorized transportation and unsustainable materials, facilitating the proliferation of disposable commodities and packaging. This inadvertent progression heralded the waning of recycling practices. After the aftermath of the Second World War, the inception of the "consumer civilization" ensued, catalyzing an exponential surge in waste production. Novel materials, notably plastics, and byproducts of chemical and steel industries exacerbated environmental degradation. Consequently, environmental exigencies have intensified, prompting a requisite paradigm shift in production, product utilization, and waste management practices.

Research Question: What is the status of waste management in Albania, and how does it compare to European standards?

Literature review

Various definitions of waste exist within scholarly literature. White, Franke, and Hindle (1995) characterize waste as the residual byproduct of human activities, containing identical substances to those found in the primary product, yet lacking utility. Conversely, the Organisation for Economic Co-operation and Development (OECD) defines waste as "*substances or objects, excluding radioactive materials covered by other international agreements, that are either disposed of, being recovered, intended for disposal or recovery, or legally mandated for disposal or recovery under national legislation*" (OECD, 2024). Moreover, Directive 2008/98/EC of the European Parliament and of the Council dated 19 November 2008 elucidates waste as "any substance or object that the holder discards or intends or is required to discard" (European Parliament, 2008).

The literature examining the evolution of waste definitions is extensive. A recurring theme in the afore mentioned definitions is the association of waste with substances slated for disposal. European waste-related legislation aims to safeguard public health and the environment. However, the lack of precision in the definition of waste leads to varying interpretations among European and non-EU countries. In Albania, waste is defined by *Law No.10463, dated 22.9.2011, on the Integrated Management of Solid Waste*. This legislation seeks to protect the environment and human health from pollution and harm caused by solid waste. It establishes regulations governing the environmental treatment of solid waste throughout its lifecycle, including creation, collection, separation, transportation, recycling, processing, and disposal. Additionally, the law aims to minimize waste generation and mitigate its hazardous and detrimental effects.

Waste management poses a complex and pressing challenge for all nations, given its significant environmental impact. The management process must consider various interconnected factors, including economic, regulatory, and technical aspects inherent to the process itself.

The European Union holds jurisdiction over all facets of environmental policy. The Union's environmental policy traces back to the European Council held in Paris in 1972, which underscored the necessity of a community environmental policy aligned with economic growth. This led to the formulation of a program of action aimed at achieving environmental sustainability and combating pollution through measures targeting harmful emissions and waste production. The pivotal Directive 98/2008/EC of the European Parliament and of the Council, issued in 2008, commonly known as the Framework Regulation on Waste, serves as the cornerstone of waste management within the EU. Its objective is to safeguard the

environment by reducing waste and promoting its reuse as a resource. The directive introduces novel elements, including the establishment of a hierarchical waste.

a) Prevention.
b) Preparation for reuse.
c) Recycling (material recovery).
d) other types of recovery, for example energy recovery.
e) Disposal.

FIGURE 2: Waste Framework Directive

https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en

Due to the intricate nature of waste management, each country devises and administers a system tailored to specific objectives. Waste management in Albania has evolved since the 1990s, commencing with the enactment of Law No. 8216, dated 13.5.1997, pertaining to the Republic of Albania's accession to the Basel Convention for the Control of Cross-Border Movements of Hazardous Waste and Their Disposal. Subsequent legislation, notably Law No. 10 463, dated 22.9.2011, on Integrated Waste Management, has furthered the country's waste management framework. The primary objectives of this legislation are to safeguard the environment and human health, facilitate proper waste management by a) preventing waste generation or minimizing its negative impacts through integrated waste management practices; b) enhancing resource efficiency; and c) mitigating overall adverse effects stemming from resource utilization.

The Strategic Policy Document serves as the principal planning instrument for municipal, non-municipal, and hazardous waste management in Albania, spanning the period 2020-2035. This strategic framework incorporates advancements in waste sector planning and infrastructure since 2011, reflecting the substantial engagement of both public and private entities, along with significant investments in waste collection, transfer, and treatment. The revised Strategic Policy Document

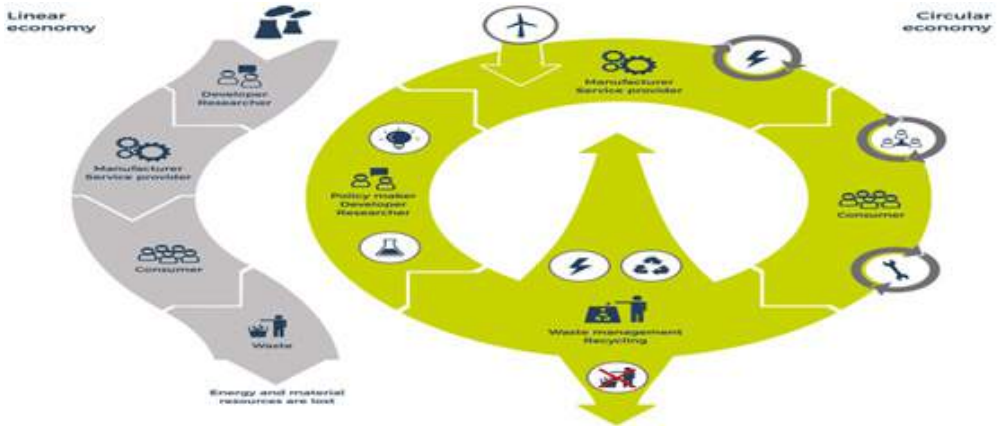
on Integrated Waste Management aligns with the concept of "zero waste," advocating for waste to be regarded as a resource and managed in accordance with principles of circular economies, prioritizing resource utilization and preservation. The Albanian government is actively engaged in waste management endeavors to fulfill obligations arising from revisions to EU Directives, including the ambitious objectives outlined in the Circular Economy Package. Achieving these objectives not only enhances environmental quality and public health but also catalyzes economic and social development, while paving the path towards European integration.

Transition from a linear economy to a circular economy

In contemporary discourse, distinguishing between linear and circular economies holds paramount significance, particularly for entrepreneurs seeking to initiate new production endeavors or optimize existing ones. While a linear economy conventionally generates waste during the production process, often leading to its non-utilization, a circular economy prioritizes waste elimination in favor of bolstering eco-sustainability throughout the production cycle. The prevailing economic growth paradigm over the past century and a half, termed the "linear economy," embodies an industrial, market-driven framework reliant on continuous extraction of raw materials, mass consumption, and waste generation upon product lifecycle completion, following a "take-produce-dispose" trajectory. During this era of economic expansion, concepts like recycling and reuse were scarcely considered, while environmental and social impacts remained peripheral concerns. It is evident that globally, the depletion of natural resources, coupled with escalating carbon emissions, persists unabated, alongside mounting waste accumulation and pollution (Velenturf & Purnell, 2017).

The transition to a circular economy represents a seminal paradigm shift and offers a tangible opportunity for restructuring production and consumption within the global economic framework, entailing a comprehensive reevaluation of market dynamics, consumer behavior, and resource utilization. Scholars such as De Pádua Pieroni et al. (2018) advocate for business model innovation as a cornerstone for effectuating this transition to a circular economy, emphasizing sustainability as a fundamental tenet. The European Parliament defines the circular economy as "A model of production and consumption that involves sharing, borrowing, reusing, repairing, refurbishing, and recycling existing materials and products for as long as possible." Central to this strategy are the "3 Rs": reduce, reuse, and recycle.

FIGURE 1: Linear Economy vs Circular Economy



https://www.circular-flooring.eu/circular-economy/

Waste valorization denotes the process of transforming materials derived from waste into more beneficial products, encompassing chemicals, materials, and fuels. This concept has garnered considerable significance considering escalating waste generation and landfilling globally, prompting the imperative for sustainable and economically viable waste management practices (D. Arancon, Ki Lin, Chan & Kwan, 2013).

The "Zero Waste" (ZW) concept originated in the 1970s with its introduction by Paul Palmer, who founded Zero Waste Systems, recognizing the propensity of companies to discard clean, valuable chemicals that could be repurposed. The definition of ZW was subsequently delineated by the Zero Waste International Alliance, describing it as "The conservation of all resources through responsible production, consumption, reuse, and recovery of products, packaging, and materials, without incineration and without discharges to land, water, or air posing threats to the environment or human health." Initially popularized in the United States, the ZW approach has since gained global traction. This paradigm advocates for product redesign to facilitate multiple reuses of raw materials over their lifecycle until reaching optimal consumption levels. Within this framework, materials are not squandered but repurposed as inputs, obviating the necessity for further extraction of natural resources, thereby preempting new waste creation and conserving Earth's finite reserves (Bogusz, M., Matysik-Pejas, R., Krasnodębski, A. & Dziekański, P., 2021). The subsequent section will provide a comprehensive overview of select issues pertinent to waste management.

Methodology and data collection

A qualitative research endeavour was undertaken to scrutinize pertinent data, reports, and legislative frameworks. The study draws upon secondary data derived from diverse sources, including the World Bank, Eurostat, Instat Albania, EU legislation, and various reports. The examination in this paper centres on the discussion of select scientific articles and the analysis and observation of pertinent data concerning waste management practices in Albania and European Union member states. Through the meticulous analysis and observation of this data corpus, the research endeavours to address the overarching inquiry: How does Albania's approach to waste management compare to the prevailing standards within the European Union?

Some facts on waste management

The global magnitude of municipal solid waste (MSW) production is staggering, amounting to 2.01 billion tonnes annually, with a significant portion—approximately 33%—not subject to environmentally sound management practices. On average, everyone generates 0.74 kilograms of waste per day worldwide. Despite comprising merely 16% of the global populace, high-income countries contribute a disproportionate share, accounting for roughly 34% or 683 million tonnes of global waste output. Projections indicate a trajectory of substantial growth, with global waste volume anticipated to surge to 3.40 billion tonnes by 2050, surpassing the rate of population expansion over the same period. A discernible pattern emerges, evidencing a positive correlation between income levels and waste generation. Daily per capita waste production in high-income nations is anticipated to escalate by 19% by 2050, in stark contrast to low- and middle-income countries, where an increase of approximately 40% or more is projected. Notably, the most rapid escalation in waste generation is anticipated in Sub-Saharan Africa, South Asia, the Middle East, and North Africa, with anticipated tripling, doubling, and doubling, respectively, of total waste output by 2050. In these regions, over half of the waste is presently disposed of through open dumping practices, accentuating the urgent need for remedial measures to avert deleterious environmental, health, and socio-economic consequences.

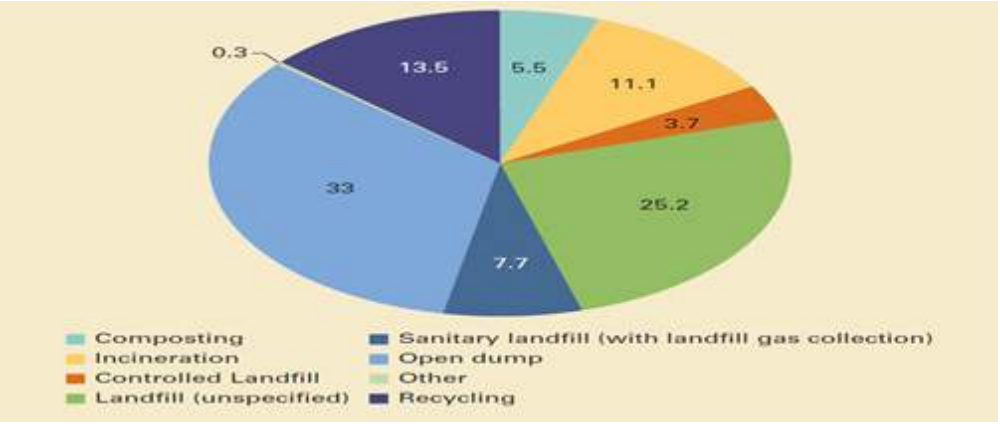
GRAPHIC 1: Projected waste generation by region (millions of tonnes/years)

https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html

Globally, the predominant method of waste disposal remains landfilling, with approximately 37% of waste being consigned to various forms of landfills. Of this, 8% is allocated to sanitary landfills equipped with landfill gas collection systems. Open landfills constitute approximately 31% of the total waste disposal, while 19% undergo recovery through recycling and composting processes, and 11% is incinerated for final disposal. Effective waste management practices, such as controlled landfills or rigorously managed facilities, are predominantly observed in high- and middle-income countries. However, landfilling is not deemed an optimal solution due to its significant adverse impact on soil, water, air quality, and public health, primarily attributed to landfill leachate. The composition of leachate is influenced by various factors, including waste density and composition, climate conditions, and the age of the landfill (Khoiron, Probandari, Setyaningsih, Kasjono, Setyobudi & Anne, 2020).

Low-income countries predominantly rely on open dumping practices, with 93% of waste being disposed of in this manner, compared to a mere 2% in high-income countries. Notably, three regions—namely, the Middle East and North Africa, sub-Saharan Africa, and South Asia—dispose of over half of their waste through open dumping. Among upper-middle income countries, landfilling accounts for the highest proportion of waste disposal, constituting 54%. This percentage diminishes to 39% in high-income countries, with 36% of waste diverted for recycling and composting purposes, and 22% incinerated. Incineration is chiefly practiced in high-capacity, high-income, and land-constrained nations.

GRAPHIC 2: global disposal and treatment (percentual)



https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html

Complications of the Albanian system

One of the paramount environmental challenges confronting Albania pertains to waste management. In 2011, the Albanian government formulated a national strategy aimed at addressing this issue, aligning it with European legislative frameworks, given Albania's aspirations for European Union membership. This strategic initiative underscores the imperative of safeguarding public health, preserving the environment, and fostering economic prosperity, with waste management emerging as a primary policy priority. The enactment of legislation governing concessions and partnerships between the public and private sectors, as delineated in Law No. 77 of 16.07.2015, authorizes the provision of works and services for the management of municipal solid waste (MSW), encompassing collection, treatment, transport, and disposal. This legislative framework endeavors to enhance the efficacy of waste management policies.

Persisting challenges that have eluded resolution demand concerted attention. Foremost among these challenges is the absence of an efficient system for waste collection and separation, precipitating complexities in subsequent treatment and disposal phases, often culminating in landfilling and incineration. Notably, many Albanian municipalities lack reliable data pertaining to waste collection standards, exacerbating the efficacy of waste management efforts. Additionally, municipalities grapple with financial constraints impeding the waste collection process, rendering them unable to engage private entities for waste management services. Such constraints undermine the motivation and impetus to implement effective waste management strategies. Presently, waste collection in 13% of municipalities is facilitated by private operators, while 43% of municipalities rely

on in-house staff for this purpose. However, the availability of equipment for waste collection, including containers and trucks, is predominantly insufficient and in suboptimal condition, further compromising waste management endeavors.

FIGURE 3: Forecast of waste generated in different prefectures in Albania

Qarku	Parashikimi i sasisë së mbetjeve të gjeneruara			
	2018	2022	2027	2032
	[t/vit]	[t/vit]	[t/vit]	[t/vit]
Berat	26,516	28,010	29,670	30,874
Dibër	15,212	16,627	18,158	19,263
Durrës	84,783	92,838	103,772	115,814
Elbasan	49,130	53,547	58,817	63,480
Fier	54,557	59,009	66,187	71,992
Gjirokastër	14,674	15,300	16,250	16,684
Korçë	42,391	45,418	48,881	51,808
Kukës	11,116	11,968	12,915	13,678
Lezhë	24,016	26,095	29,500	31,706
Shkodër	42,490	45,847	49,899	53,346
Tiranë	278,545	312,167	359,150	411,808
Vlorë	54,344	59,605	66,147	72,659
SHQIPËRI	697,681	767,713	859,428	953,196

https://www.infrastruktura.gov.al/wp-content/uploads/2020/07/PLANI-KOMBETAR-SEKTORIAL-PER-MENAXHIMIN-E-MBETJEVE-TE-NGURTA.pdf

In terms of waste composition, organic matter constitutes 50%, followed by paper at 14%, plastic at 13%, metals at 1%, glass at 6%, and miscellaneous materials at 16%. Data reports indicate that only one-third of the waste generated in Albania is amenable to recycling. Over the past few years, several recycling initiatives have been initiated. Notably, Eco Tirana, a recent establishment in the capital city, is jointly owned by AGSM Albania Holding (49%) and the Municipality of Tirana (51%). Moreover, an estimated 12,000 individuals across Albania are engaged in the collection of recyclable materials from waste. A portion of the recycled materials are procured by private enterprises, numbering approximately 60 nationwide, which subsequently vend these materials to manufacturing companies for integration into their production processes. Due to the historical absence of waste segregation practices, many recycling firms have resorted to importing recyclable materials from foreign nations, including Italy, Greece, Macedonia, Serbia, Kosovo, and Turkey.

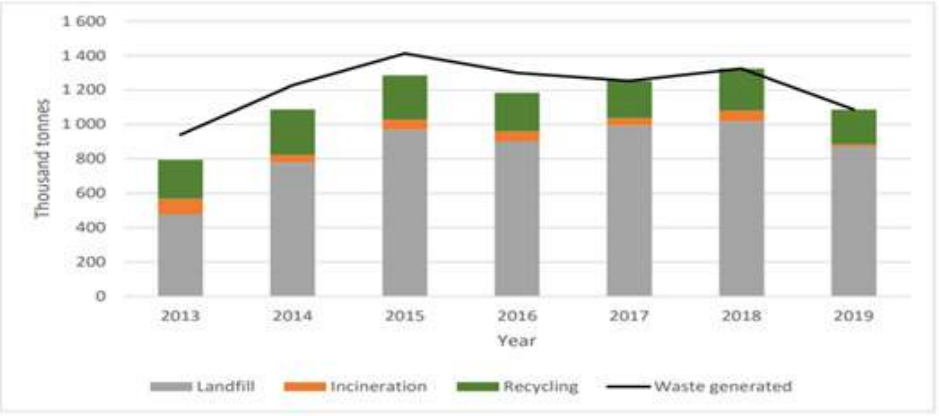
Furthermore, waste storage practices merit consideration. Efforts have been undertaken in recent years to establish specialized storage facilities that adhere to health and social standards, necessitating ongoing maintenance and monitoring to attain desired outcomes.

"Landfills and incinerators": the places that host waste in Albania

The existing waste management framework in Albania relies heavily on both legal and illicit landfill disposal methods. Efforts are underway to phase out illegal landfills and replace them with waste incinerators and sanitary landfills.

This transition entails the establishment of waste management zones, each equipped with at least one recycling facility and one residual municipal waste treatment plant. Presently, plans are in place to construct three incineration plants aimed at processing up to 30% of the total residual waste output. However, the implementation of these incineration facilities may give rise to logistical challenges and elevate waste management expenditures.

FIGURE 4: Generation of Municipal Solid Waste in tons and their treatment in Albania



Source: Eurostat (2021)

In Albania, several landfills exist, with the largest situated in the capital city of Tirana. The Sharre landfill spans an area of 22.5 hectares and boasts a capacity of 2,450,000 cubic meters, serving the urban centers of Tirana and Durres. Controversy surrounds this landfill, as many residents allege that the biogas emitted during decomposition contaminates water sources (particularly the Erzen river), soil, and permeates the air with unpleasant odors.

As part of its waste management strategy, the Albanian government has opted to pursue the construction of incineration facilities, with projected costs reaching up to 169 million euros. This substantial investment currently precludes consideration of alternative methodologies. Incineration presents a viable alternative to landfilling if implemented under suitable conditions and utilizing modern technologies. When efficiently managed, incinerators have the potential to generate electricity, which can be utilized in various processes. However, incomplete combustion during the waste incineration process poses the risk of releasing toxic and carcinogenic substances.

Presently, Albania hosts only one operational incinerator in the city of Elbasan, capable of processing approximately 120 tons of waste daily. However, incinerators in Tirana and Fier have yet to commence operations.

The role of environmental education

One of the most potent tools for fostering awareness and addressing environmental issues within communities is environmental education. Recognizing the interconnectedness of environmental, economic, and social dynamics has given rise to the broader concept of "education for sustainable development" (ESD). This approach not only addresses environmental concerns but also encompasses economic aspects such as poverty, consumption patterns, and inequalities, as well as social issues including peace, human rights, health, and cultural diversity. ESD encompasses all facets of life, promoting common values such as equity, respect for future generations, diversity, and the conservation of Earth's resources.

When examining Albania, a country rich in history and culture, it becomes evident that certain segments of the population remain entrenched in outdated mindsets that do not align with contemporary realities. As Albania undergoes rapid urbanization, it is imperative to instigate fundamental shifts in mentality towards sustainability.

Achieving this goal requires concerted efforts:

- Educational institutions at all levels play a pivotal role in promoting the values central to ESD. By expanding their mandate to include environmental education and incorporating robust environmental curricula, schools can equip future generations with the knowledge and skills needed to address environmental challenges effectively.
- Beyond educational institutions, various entities including businesses, organizations, and influential institutions should integrate educational programs and initiatives aimed at engaging the community in environmentally protective actions.
- Leveraging digital platforms, social media, and online spaces can ensure widespread dissemination of environmental awareness and education.

The overarching objective of these strategic actions is to embed environmental, social, and economic considerations into the daily activities of every citizen. Over time, this concerted effort will cultivate a culture that prioritizes the protection and sustainability of our planet and its inhabitants.

Conclusion

The impact of demographic growth and industrial advancement across centuries has led to a civilization characterized by rampant consumption, resulting in a rapid escalation of waste volume without proportional measures for its management. Hence, there arises a pressing need for transformative changes that prioritize both environmental sustainability and human well-being. It is imperative for each nation to adopt effective waste management strategies tailored to their actual waste output.

The European Union has been at the forefront of promoting sustainability, evident in its directives and initiatives aimed at transitioning towards a circular economy. This paradigm shift envisions a system with minimal resource extraction and waste elimination, where materials are efficiently separated and recycled. While many countries, including Albania, aspire to align with this vision, they still grapple with significant disparities in waste management compared to their EU counterparts.

Albania faces considerable challenges in achieving its waste management objectives. However, there are actionable solutions that could yield better outcomes:

- Raising public awareness through educational campaigns and initiatives.
- Implementing political frameworks that incentivize separate waste collection and consider waste composition.
- Exploring alternative waste disposal methods to reduce reliance on landfills.

While acknowledging the arduous journey ahead, it is crucial to recognize that there is still time to enact meaningful change. Despite the challenges, embracing adaptation and intervention can pave the way towards realizing a sustainable world that aligns with the aspirations of all individuals and fosters collective pride in the stewardship of our planet.

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Financial Development and Economic Growth: Evidence from Albania

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Abstract

Purpose: *This research paper explores the complex relationship between financial development and economic growth in Albania.*

Over the past few decades, Albania has undergone significant economic transformations, marked by transitions from a centrally planned economy to a market-oriented one. The role of the financial sector in fostering economic growth has become increasingly crucial in this context.

Methodology: *To assess the impact of financial development on economic growth, this study employs various quantitative methods, including econometric models and statistical analysis. The research utilizes time-series data (2002-2020) to examine the long-term relationship between financial indicators (such as credit availability, liquidity, and financial market depth) and key economic variables (such as GDP growth).*

Findings: *Preliminary findings suggest a positive correlation between financial development and economic growth in Albania.*

Value: *Also, the paper contributes to the existing literature on the relationship between financial development and economic growth, with a focus on the unique case of Albania. The findings have implications for policymakers and stakeholders seeking to strengthen the financial sector as a catalyst for sustained economic development.*

Key words: *financial development, economic growth, causality, liquidity, assets*

Introduction

Albania has undergone a remarkable economic transformation since the end of its communist era in the early 1990s. The shift from a centrally planned economy to a market-oriented one brought about substantial changes, influencing various facets of the country's economic landscape. One crucial aspect of this transformation is the role played by financial development in promoting economic growth. The relationship between financial development and economic growth is a complex and debated topic in economics. Generally, financial development refers to the improvement and efficiency of financial markets, institutions, and systems within an economy. Economic growth, on the other hand, is the increase in the production and consumption of goods and services in an economy over time.

Some key points regarding the relationship between financial development and economic growth are:

- *Access to Capital:* Financial development can facilitate economic growth by providing businesses and individuals with better access to capital. Well-functioning financial systems enable efficient mobilization and allocation of resources, allowing businesses to invest in productive activities.
- *Risk Management:* Financial markets and institutions help manage risks in the economy. When businesses have access to various financial instruments (e.g., insurance, derivatives), they can better cope with uncertainties, advancing economic growth.
- *Savings and Investment*: A developed financial system encourages savings and channels those savings into productive investments. Financial intermediaries, such as banks and capital markets, play a crucial role in connecting savers with investors, promoting capital formation and economic development.

It's important to note that the relationship between financial development and economic growth is context-dependent, and the impact can vary across

different countries and regions. Policymakers need to consider various factors, including institutional quality, regulatory frameworks, and the specific needs of their economies, when formulating policies related to financial development and economic growth. This study tries to provide a general overview of the finance-growth relationship, as well as particularly reflecting on the factors, causes, and opinions of various economists regarding this issue. This research aims to contribute to the research literature and finance field, hoping to bring added value in terms of deeper analysis into the causal relationship between financial development and economic growth. The aim of the paper is also to address an importance for the economic literature in understanding this phenomenon better for Albania.

Financial development and growth: theoretical background and evidence

A financial system involves financial institutions, such as commercial banks, and financial markets. A strong and effective financial system enhances economic growth by directing resources toward their most productive uses and promoting a more efficient allocation of resources. The improvement of the financial system contributes to higher growth by elevating the savings and investment rates, accelerating the accumulation of physical capital. Additionally, financial development promotes growth through increased competition and the stimulation of innovative activities that enhance dynamic efficiency. Different authors present varying perspectives on finance and economic growth. To illustrate further, *Schumpeter (1934)* and *Goldsmith (1996)* assert that finance is the most important element directly contributing to economic growth. However, throughout this study, it was observed that some other authors, such as *Robinson (1952)*, adhere to the argument that the development of the financial sector is only a small factor in economic growth, as many other factors are equally or more significant in achieving a country's economic growth. As articulated by *Demirgüç-Kunt and Levine (2008)*, the key role of a financial system is to diminish information and transaction costs that impede economic activity. In the empirical literature used *by* authors, during a comprehensive overview, four types of diverse studies were presented, which coincided in several techniques such as: regression of cross-country growth, panel techniques used for countries and time series data, various microeconomic studies exploring the channels through which finance can influence economic growth, and finally, an individual perspective of studies and cases. Regarding the first approach, its description coincides with the inclusion of applying cross-country regression growth, which aims to explain growth through standard explanatory variables such as physical

and human capital. The nature of these studies aggregates growth for long time periods, through which the relationship between long-term growth and various measures of financial development is examined. The second approach extensively includes panel data analyses. In the third approach, the firm and industry levels of data are used to assess the impact of financial development as beneficial for achieving economic growth. Regarding the last approach the authors used, it consisted of removing cross-country dimensions and further focusing on the growth of finance in a single country.

Despite their conclusions are controversial, different researchers have tried to analyze the relationship between financial development and economic growth. Initially, *Goldsmith's (1969)* examination encompassing 35 countries between 1860-1963, a positive correlation was established between financial development and GDP per capita. Also, in the research conducted by *De Gregorio and Guidotti (1995)*, employing cross-country data, they found a positive relationship between financial development (proxies by bank credit for the private sector to GDP) and economic growth. Their findings were deemed applicable across various contexts, except for Latin America, which exhibited a non-positive relationship based on the data. They attributed this difference to the influence of financial liberalism within a less regulated environment.

Another similar study was conducted by *Levine (1993)* with complementary dataset covering 80 countries from 1960 to 1989. His findings indicated a robust association between financial development, real GDP growth, the rate of physical capital, and the overall efficiency enhancements that economies derive from physical capital utilization. In this analysis, King and Levine conducted a detailed examination of the correlation between financial depth—again gauged by data on liquid liabilities—and various factors, demonstrating their substantial impact on economic growth. The variables derived from their study closely aligned with Gross Domestic Product per capita, liquid liabilities, and the growth of the capital per capita. The outcome of their investigation revealed a positive relationship between economic growth and financial depth.

Rajan and Zingales (1996) have also reached the same conclusion, but they emerged as proponents of the idea that financial markets enable economic growth. Another similar conclusion, obtained by *Khan and Senhadji (2000)*, showed with empirical evidence the relationship between financial development and economic growth, examining 159 countries over nearly 40 years, specifically from 1960 to 1999. They, like many others, stated that the effect of financial development on economic growth carries positivity. This effect varies due to various factors such as the evaluation methods used, data frequency, and the functional form that characterizes the relationship.

As Beck's study (2000) indicates, the positive and statistically significant correlation between growth and financial development is once again demonstrated.

In his study, he considered data from the years 1960 to 1995. The technique he used was the Generalized Method of Moments (GMM), through which he concluded that financial intermediaries can also improve resource allocation and simultaneously enable the increase of total factor productivity influencing economic growth.

Kristopulos and Tsionas (2004) investigated the relationship between financial deepening and economic growth. Their study focused on data derived from 10 developing countries. Following a thorough analysis by incorporating panel unit root and cointegration techniques, they confirmed that a unidirectional long-term causality exists between financial development and economic growth.

Utilizing data covering 286 Chinese cities between 2001 and 2006, *Zhang's (2012)* explores the connection between financial development and economic growth at the city level in China. The findings, derived from a combination of traditional cross-sectional regressions and dynamic panel data estimators using first differencing and system GMM techniques, indicate a positive association between most conventional indicators of financial development and economic growth. This outcome challenges the prevailing notion that an economy with a state-dominated banking sector, such as observed in China, impedes economic growth due to government-induced distortions.

Financial developments and economic growth in albania

Prior to the early 1990s, Albania operated under a centralized economic system where all banks were state-owned and controlled. The banking sector was tightly regulated, and financial activities were primarily directed by government authorities. With the collapse of communism in Albania in the early 1990s, the country embarked on a process of economic transition towards a market-based system. This included liberalization of the banking sector, privatization of state-owned banks, and introduction of market-based reforms. During the transition period, Albania saw the establishment of new commercial banks alongside the privatization of existing state-owned banks. Foreign banks also entered the market, bringing in expertise and capital. In the late 1990s the transition to a market economy was accompanied by challenges, including financial instability, inflation, and economic uncertainty. Weak regulation and governance contributed to the emergence of pyramid schemes, leading to a severe financial crisis in the late 1990s.

In the early 2000s, Albania implemented reforms to strengthen the banking sector and restore financial stability. This included enhanced regulation, supervision, and oversight by the central bank, as well as measures to address non-performing loans and improve governance.

In recent years, the Albanian banking sector has undergone modernization and embraced technological innovation. This includes the introduction of mobile banking, online payment systems, and other digital financial services to improve access and efficiency.

Currently, the Albanian financial system consists of 11 banks and 39 non-bank financial institutions. In Table 1 are shown some of the main statistics of the Albanian banking system during 2010-2022. From the table we can determine that the Albanian banking system is becoming larger in terms of assets and other indicators but more concentrated. This is explained by the reduction of the number of banks operating in Albania, going from 16 banks to 11 banks now day.

TABLE 1: The Albanian banking system (in thousands ALL)

	2010	2011	2012	2013	2014	2015
No. of banks	16	16	16	16	16	16
Assets	997982495	1140180588	1215400498	1266321029	1341054231	1347696982
Loans	484361004	561960041	576830270	565066286	582113749	584997180
Equity Capital	99893862	124827771	139509596	147444555	160764015	161560340
Deposits	821217685	927823304	997819053	1032621509	1105076991	1110550857

2016	2017	2018	2019	2020	2021	2022
16	16	14	12	12	12	11
1427415902	1457780833	1451176423	1487135032	1590830397	1777439125	1866682776
563689557	577304450	550633060	551412858	578904710	648563140	691839441
167415688	170579037	162400024	166928906	173492324	181282610	177485564
1163963772	1127529206	1187222075	1209752300	1312633154	1452370220	1551360409

Source: *Albanian Association of Banks, 2022*

In Albania, the banking system played a crucial role as a significant indicator contributing to the country's economic development. *Cani and Hadëri (2002)* emphasized several critical deficiencies that characterized the banks and the overall banking system during that period. These shortcomings encompassed a constrained level of financial intermediation, which manifested in limited offerings of products and services. Banks primarily served as data collectors for transactions between enterprises. Additionally, there was a notable absence of comprehensive experience in international and contemporary banking management practices.

Following the system change, Albania faced a complete opportunity for comprehensive transformation, encompassing both economic and social dimensions. Economically, state-owned enterprises held sway, necessitating

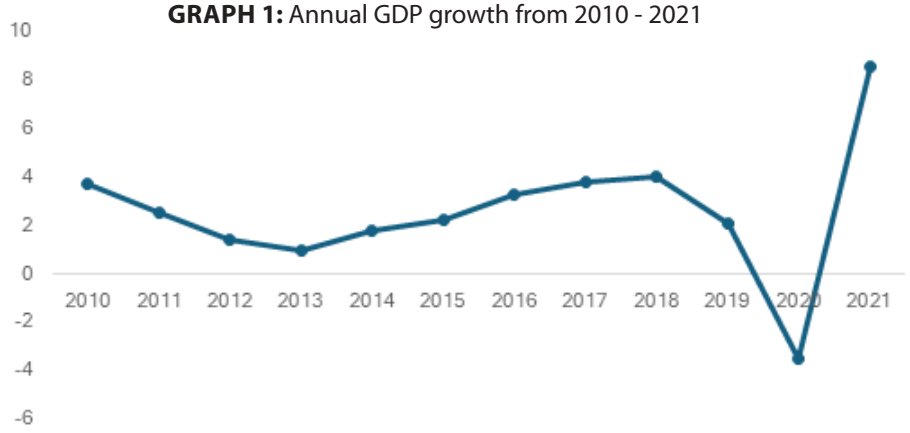
privatization to transition into family-run businesses, particularly emphasizing the commodity market. However, financial intermediation for transactions, investments, or operations was significantly lacking, to the extent of being deemed virtually nonexistent. Nevertheless, there was a gradual improvement over the years, marked by ongoing legislative reforms and the establishment of new banks, which served as a conduit between the public, financial sector, and overall financial development.

Despite the presence of these changes, there remained areas of economic instability and a lack of stability. To delineate our study, it is noteworthy to mention that inflation peaked at 240% during 1993-1997, coupled with an economic downturn of approximately 30%. This period was marked by significant emigration of Albanians to neighbouring countries and beyond. This phenomenon coincided with an economy driven by free-market principles, exacerbating unemployment rates, which saw a sharp increase due to the migration of the workforce. Consequently, rising prices were prevalent during this time, escalating at alarming rates. *(Monitor, 2018).*

After a few years, the economy rebounded with growth rates exceeding 6%, while inflation stabilized at 3% annually. It can be observed that the country embraced its capitalist facet. This period saw the commencement of the construction of the first highways, resulting in increased lending by banks. However, despite the economic recovery, the Albanian economy faced challenges from the 2008 crisis and non-performing loans, which led to a new economic trend with growth rates dipping below 2%. Over the past decade, the Albanian economy has settled into a new normalcy, characterized by an expected economic growth rate of 3-4%, despite the absence of a new development model being adopted.

Since Gross Domestic Product (GDP) is one of the key factors of economic growth, the following graph illustrates its growth trajectory over the past decade.

GRAPH 1: Annual GDP growth from 2010 - 2021



Source: World Bank, 2022

Over the past decade, Albania has experienced moderate economic growth, driven by sectors such as tourism, agriculture, energy, and services. This is confirmed by the trend of annual GDP growth during the period 2010-2021. Graph 1 shows that the annual GDP growth has been a positive number and upward trending. We can exclude the year 2020 when the growth was negative due to Covid-19, considering this an outlier. That's why we have excluded post pandemic years from our analysis to isolate the effects of Covid-19.

Methodology

In line with economic theory, we employed five proxies to measure financial development: the domestic credit sector by banks (DCSB), broad money to GDP ratio (BMGDP), bank capital to asset ratio (CBAR), bank credit to GDP ratio (CBGDP), and the banking deposits to GDP ratio (BDGDP). As a proxy for economic growth, we utilized the real GDP per capita (GDP/capita). The data are represented in logarithmic form. The data sources include the Bank of Albania and World Bank. The EViews Student Version is used to analysis the data.

The study employs econometric techniques, with a focus on regression analysis, to quantify the relationship between financial development and economic growth. In constructing the regression equation, the dependent variable (economic growth) will be expressed through GDP per capita, and it will also be accompanied by the independent variables (proxies for the financial development). The equation is estimated as follows:

$$log_{GDP} = C + log_{DCSB} + log_{DCPS} + log_{CBGDP} + log_{CBAR} + log_{GBMGDP} + log_{BDGDP}$$

First, we must test the data for unit roots with Augmented Dicky-Fuller test. After the data has reached stationary, we use Ordinary Least Squares (OLS) to examine the relationship between economic growth and financial development. By using more than one independent variable as proxies for financial development, we rely our analysis on multiple linear regression. Time series data is utilized to observe trends and patterns over an extended period, allowing for a dynamic analysis of how changes in financial development relate to fluctuations in economic growth. This approach aids in capturing the evolving nature of the relationship over time.

The aim of this paper is to investigate the relationship between financial development and economic growth in Albania. The assessment of a two-way connection between financial development and economic growth relies on the outcomes of the Granger-causality test. Pairwise Granger Causality tests are statistical tests used to determine whether one time series can predict another

time series. Granger causality is based on the idea that if a variable X "Granger causes" another variable Y, then past values of X should contain information that helps predict current values of Y, beyond what can be predicted from past values of Y alone. In the end, we conduct the Granger-causality test to determine this relationship in case of Albania.

Results

This paper aims to investigate the relationship between the development of the financial system and economic growth in Albania. To achieve this purpose, we are using Ordinary Least Squares (OLS) and Granger-causality test. Since many economic variables with robust trends are not stationary, a unit root test (Augmented Dicky-Fuller test) is employed to address non-stationarity in the data. Failing to correct for the non-stationarity of macro variables may result in spurious regression, leading to false relationships among the variables. When a series exhibits a unit root, it is customary to transform the variables to achieve stationarity, often through differencing. The ADF test is conducted on both the model with an intercept and trend component and the model without an intercept term and trend component.

TABLE 2: ADF Unit Root Test results

Time series	Level	Second difference
LOGGDP	0.0135	-
LOGDCSB	0.0039	-
LOGDCPS	0.1046	0.0231
LOGCBGDP	0.0832	0.0088
LOGCBAR	0.5178	0.0003
LOGBMGDP	0.6102	0.0477
LOGBDGDP	0.6198	0.0472

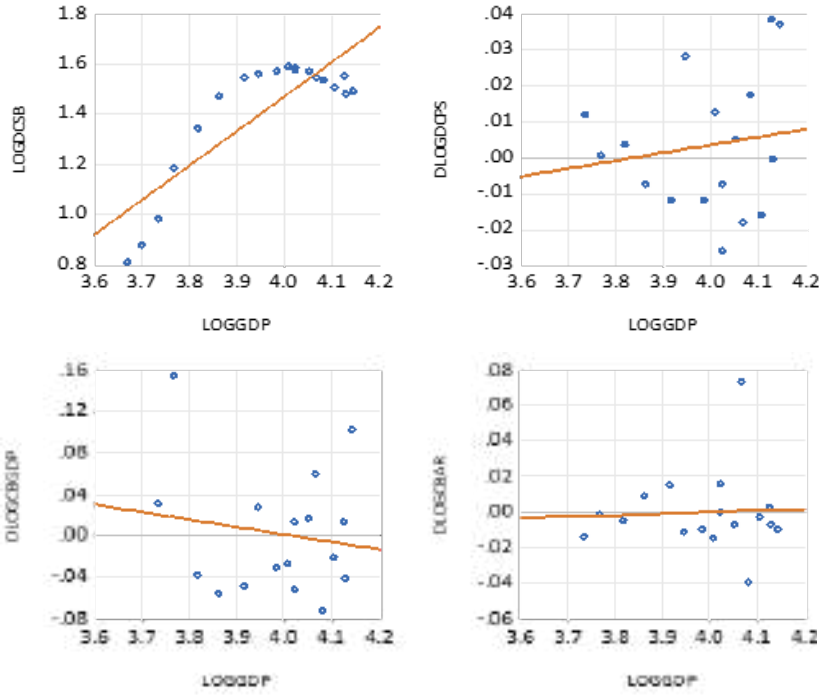
Source: Authors Calculations, 2022

GDP growth (LOGGDP) and domestic credit sector by banks (LOGDCSB) variables are found to be stationary and the rest of the variables are non-stationary for the 5 percent level of significance. The second difference of non-stationary variables transforms these series into stationary ones.

Based on the below graphs, regression lines have been plotted for each independent variable against GDP per capita as the dependent variable. It is noted

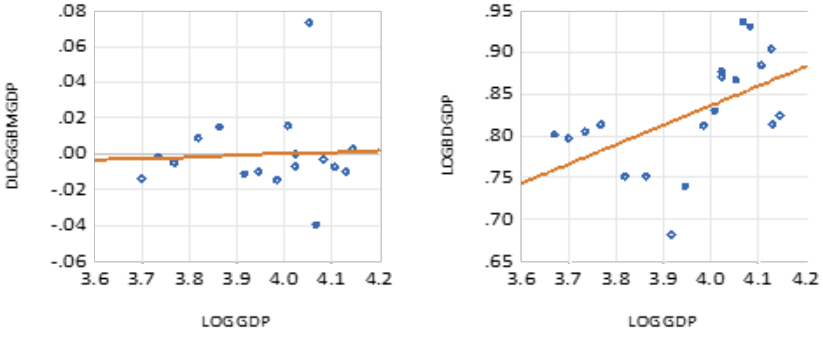
that while the data points in each graph generally approximate the regression line, a perfect fit is not achieved. Among the graphs, it is observed that domestic credit to the private sector stands out as the only case where the data points closely align with the regression line.

FIGURE 1: GDP per capita vs DCSB, DCPS, CBGDP, CBAR, BMGDP, BDGDP



Source: Authors Calculations, 2022

FIGURE 1: GDP per capita vs DCSB, DCPS, CBGDP, CBAR, BMGDP, BDGDP (cont.)



Source: Authors Calculations, 2022

TABLE 3: Regression Results for Economic Growth Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.520478	0.290151	8.686768	0.0000
LOGDCSB	0.534187	0.149266	3.578767	0.0059
DLOGDCPS	1.619815	1.768104	0.916131	0.3835
DLOGCBGDP	0.027470	0.465197	0.059050	0.0095
DLOGCBAR	-0.183336	1.402967	-0.130677	0.0498
DLOGGBMGDP	-0.537009	0.974071	-0.551304	0.5948
LOGBDGDP	0.810896	0.315416	2.570879	0.0301

R-squared	0.765275	Mean dependent var	3.979041
Adjusted R-squared	0.608793	S.D. dependent var	0.127654
S.E. of regression	0.079843	Akaike info criterion	-1.917873
Sum squared resid	0.057374	Schwarz criterion	-1.579865
Log likelihood	22.34298	Hannan-Quinn criter.	-1.900564
F-statistic	4.890472	Durbin-Watson stat	0.933596
Prob(F-statistic)	0.017194		

Source: Authors Calculations, 2022

Based on the specific Prob(F-statistic) result of 1.7% (< 5%), we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a). This suggests a significant relationship between economic growth and one of the independent variables considered. Only domestic credit to private sector and broad money as percentage of GDP variables are not significant at 5 %. The observed adjusted R-square value, around 61%, signifies that approximately 61% of the variability of economic growth is explained by the variability of all the variables in the analysis.

In the end, we conduct the Granger-causality test to determine the relationship between financial development and economic growth in Albania. The null hypothesis states that there is no Granger causality between the two variables, while the alternative hypothesis suggests that there is Granger causality. By conducting F-tests on the coefficients of the lagged values of one variable in the equation for the other variable, we have obtained the results shown in Table 4.

TABLE 4: Pairwise Granger Causality tests

Null Hypothesis:	Obs	F-Statistic	Prob.
LOGDCSB does not Granger Cause LOGGDP	18	5.58340	0.0321
LOGGDP does not Granger Cause LOGDCSB		3.27741	0.0903
DLOGDCPS does not Granger Cause LOGGDP	16	0.67431	0.4264
LOGGDP does not Granger Cause DLOGDCPS		1.03068	0.3285
DLOGCBGDP does not Granger Cause LOGGDP	16	3.98658	0.0672
LOGGDP does not Granger Cause DLOGCBGDP		0.09057	0.7682
DLOGCBAR does not Granger Cause LOGGDP	16	0.03416	0.8562
LOGGDP does not Granger Cause DLOGCBAR		0.00083	0.9775
DLOGGBMGDP does not Granger Cause LOGGDP	16	0.01827	0.8946
LOGGDP does not Granger Cause DLOGGBMGDP		0.00474	0.9462
LOGBDGDP does not Granger Cause LOGGDP	18	0.51678	0.4833
LOGGDP does not Granger Cause LOGBDGDP		2.90287	0.1090

Source: Authors Calculations, 2022

Based on the findings and a 5% level of confidence, there exists a positive correlation between indicators gauging financial development (FD) and economic growth (EG). However, this bidirectional relationship is confirmed only by one indicator: the ratio of domestic credit to total income (LDCGDP). Regarding the connection between economic growth and the other financial development indicators no bidirectional relationship is identified.

Conclusions

The aim of this paper was to investigate the relationship between financial development and economic growth in Albania. To determine this relationship and the impact of financial development, the research employs an empirical approach based on data set from Bank of Albania and Word Bank from period 2010-2020. The study excludes post pandemic effects. Several key conclusions emerge from the study:

- *Positive Relationship:* The study finds evidence supporting a positive relationship between financial development and economic growth in Albania. Increased financial development, as measured by various indicators, is associated with higher levels of economic growth.
- *Causal Linkages:* The empirical analysis suggests the existence of causal linkages between financial development and economic growth. Financial development not only responds to economic growth but also plays a proactive role in stimulating and sustaining economic expansion.
- *Specific Drivers:* The study identifies specific drivers within the realm of financial development that have a pronounced impact on economic growth in Albania. These may include improved access to credit, a robust and stable banking sector, and the efficiency of financial markets.

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Relationship between exchange rate and trade balance during the period 2002-2023 in Albania

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Abstract

Purpose: *The main objective of this paper is to empirically identify the impact of exchange rate volatility on the trade balance in Albania. This paper analyzes the relationship that exists between the trade balance and the exchange rate. In addition, other macroeconomic factors with an impact on the trade balance are analyzed, such as economic growth, the basic interest rate, foreign direct investments and remittances.*

Methodology: *The method used is the empirical method in presenting data and the performance of macroeconomic factors and the econometric method to study the relationship between the exchange rate and the trade balance. The study uses data obtained from INSTAT, the World Bank and other sources for the period 2002-2023. To estimate the regression results and estimation procedures for time series*

parameters, the VAR Model is used, using data on the trade balance, the euro/lek exchange rate, foreign direct investments, economic growth and remittances.

Findings: *The results of this study show that there is a weak relationship between the exchange rate and the trade balance.*

Value: *Also, the paper contributes to the existing literature on the relationship between exchange rate and trade balance during the period 2002-2023 in Albania. The findings can be used by businesses and stakeholders as a tool that helps them make the necessary assessments regarding the risks of the exchange rate and the impact on their businesses.*

Keywords: *exchange rate, trade balance, FDI, remittances, VAR model.*

Introduction

Just as other prices in the economy are determined by the interaction of buyers and sellers, exchange rates are determined by the interaction of consumption by households, businesses, and financial institutions that buy and sell foreign currencies to make international payments. (Krugman, P., Obstfeld, M., & Melitz, M. J. 2018).

The exchange rate reflects all transactions between economic agents, and directly affects the allocation of resources in an open economy, valuing or devaluing domestic goods in relation to another currency (in our case the European currency) and therefore affecting the trade balance. The purpose of this paper is to identify the role of the exchange rate in the trade balance of Albania.

In the first part of this paper, the authors analyze the latest macroeconomic developments in terms of the trade balance, as well as theoretical and empirical assessments of the relationship between the exchange rate and the trade balance. Then, it will be describing the progress of the trade balance in Albania in the last twenty years, an empirical summary of the data and the progress of the trade balance and other macroeconomic factors. The paper continues with the econometric model based on the VAR test, which aims to explain the relationship between the trade balance and the euro/lek exchange rate.

Literature review

Starting from the theoretical perspective that shows the relationship between the exchange rate and the trade balance, many studies have been done to analyze this impact through empirical studies.

A study in this field has analyzed the impact of movements in the real exchange rate relative to economic growth, based on five-year average data for a panel of over 150 countries in the post-Bretton Woods period. Unlike the previous literature, external instruments were used to assess the reverse causality of economic growth in relation to the real exchange rate. The country-specific instruments studied are (i) global capital interacted with the financial openness of individual countries and (ii) the growth rate of official reserves. The study finds that a real appreciation (devaluation) significantly lowers (raises) annual real GDP growth, more than previous estimates in the literature. However, the results of the study confirm this effect only for developing countries and for currencies pegged to another base currency. (Habib, Mileva &, Stracca, 2016).

In a paper by Martin Falk (2008) on the determinants of the trade balance using data for 32 industrialized and developing economies for the period 1990–2007, the results, based on fixed effects models and linear mixed models that allow coefficients of the random slope, show that the trade balance as a percentage of GDP is significantly positively related to the foreign real GDP per capita of the trading partners. Real domestic GDP per capita has a negative effect on the trade balance. A real depreciation of the real effective exchange rate leads to an improvement in the trade balance. However, in countries with a negative trade balance and/or a large positive net foreign direct investment position, the trade balance is much less sensitive to movements in the real effective exchange rate.

In their empirical findings Barkat, Jarallah & Alsamara, (2024) reveal that the currency depreciation, deteriorates the trade balance in the short run and improves it in the long run. Findings also prove that the trade balance's response to nominal effective exchange rate positive changes is greater compared to negative changes. The policy implication of these findings reveals that a nominal effective exchange rate is a useful tool to sustain the trade balance.

Safet (2017), in his study on the effect of the devaluation of the local currency exchange rate on the trade balance of Albania has concluded that there is a long-term co-integration between the real depreciation of the effective exchange rate and the trade balance. Concretely, the effective real

depreciation of the exchange rate positively affects Albania's trade balance in both the long and short term, indicating the weak presence of the J-curve effect.

Bernoth, K., & Herwartz, H (2021) in their study conclude that the 'financial channel' is more important in the transmission of exchange rate shocks to sovereign risk in comparison with the traditional 'net trade channel'. Moreover, we confirm the prime role of the currency mismatch of the non-public sector for the strength of the 'financial channel'.

Another paper (Tanku & Vika, 2020), which studied the sensitivity of the exchange rate to real and monetary shocks in Albania over the last 20 years,

provides useful information on whether the exchange rate acts as a shock absorber or as a source of instability in economics. The analysis uses a structural vector autoregression method with permanent and transitory shocks, along the lines of Ouliaris, Pagan, and Restrepo (2018). The model is based on Weber (1997) and includes employment, output, real exchange rate, money and prices. The first two variables aim to identify supply shocks; the third is identified as a real demand shock; while monetary indicators aim to capture nominal shocks, namely the effects of monetary demand and supply. The results suggest that monetary shocks account for about 28 percent of real exchange rate fluctuations in Albania.

In their study Djalo, M. U., Yusuf, M., & Pudjowati, J. (2023) find out that simultaneously, exports, imports, exchange rates and inflation, give effect simultaneously or simultaneously and significantly to foreign debt.

Many studies have been conducted in different countries to find out the relationship between the exchange rate and the trade balance and in many cases, they present different results. In 2023, a dramatic change occurred in the euro/lek exchange rate, valuing the local currency in relation to all foreign currencies. This paper aims to analyze the role of the real exchange rate in the trade balance of Albania in the last twenty years.

Macroeconomic factors in Albania

Since the change of the political system in the 90s, Albania has established a regime of fluctuating exchange rates. Under this regime, the price of currencies, i.e. the euro against the Albanian lek, is determined by the conditions of the foreign exchange market. Exchange rate fluctuations reflect the free movement of goods and monetary capital in Albania's commercial and financial exchanges with its trading partners.

Exchange rate

During the period 2002-2023, the volatility of the exchange rate can be divided into two sub-periods. In the first sub-period 2002-2015 there were some exchange rate fluctuations, starting with an interval between (129.9-132.06 ALL/euro) for the period 2002-2009 and then a more stable rate (138.8-139.8 ALL/euro) for the period 2010-2015. In the second sub-period 2016-2023, a rapid strengthening of the lek against the euro occurred in 2018 (the lek/euro exchange rate fell from 135 to 125), followed by the 2-year period of the pandemic, which marked exchange rate stability. The year 2022-2023 marks further strengthening of the lek not only against the euro (the lek/euro exchange rate falls from 125 to 112), but also against other main currencies in the domestic market. The highest

monthly decrease was reached in July 2022 (-2.5%), while the lowest historical rate in the domestic market was reached in April 2023 (111 ALL/euro), 3 weeks before the local elections. Fluctuations in the exchange rate of the lek against the euro are also reflected in the Albanian trade balance. Albania, like other South-Eastern European countries, recorded a negative trade balance in the period 2002-2023.

Trade balance

The trade balance to GDP ratio is an indicator of the importance of international trade in a country's economy. In Albania, it occupies a significant part of the GDP. From 2002-2023, the weight of the trade balance in relation to GDP has been improving from -24.578 percent of GDP in 2002 to about -18.701 percent of GDP in 2023.[1]

Foreign Direct Investment (FDI)

In Albania, FDIs appeared after the 1990s with the change of the political system and their level was low. But after the 2000s, their volume began to increase significantly as the country offered great opportunities for foreign investors, but also because the implemented political system followed the path of privatizations in the energy sectors. telecommunications, services, infrastructure, etc. In 2002, the presence of FDI in relation to GDP was 3.1048 percent, reaching a record level of 11.17 percent in 2009. Then the contribution of FDI in relation to GDP this level has suffered a steady decrease, ending at 8.43 percent in 2023[2].

Remittances

Remittances, according to the estimates of the Bank of Albania, constitute the largest incoming flow in the Albanian economy, leaving behind foreign direct investments and exports. They have been the most stable and safest financial flows in the Albanian economy, influencing over the years the improvement of the balance of payments and the level of economic development in the country. Since 2006, the level of remittances has been decreasing and their lowest level was during the years 2013-2014 because of the economic crisis that affected neighbouring countries such as Greece and Italy. In 2002, the contribution of remittances in relation to GDP was about 16.871 percent, while in 2013 the contribution of remittances in relation to GDP was about 10 percent, and after

[1] https://www.ceicdata.com/en/albania/trade-statistics/al-goods-trade--of-gdp
[2] https://www.ceicdata.com/en/indicator/albania/foreign-direct-investment--of-nominal-gdp

this year it has increased to the extent of 11.3 percent in 2015 then remittances have suffered a steady decline, ending at 9.94 percent in 2023[3].

The econometric model

This paper aims to determine the relationship that exists between trade balance, exchange rate, foreign direct investment, economic growth and remittances. The regression model was built based on the conceptual framework described and adapted only for Albania.

$$TB = \beta 0 + \beta ER + \beta FDI + \beta GDP + \beta REM + \varepsilon$$

TB– represents the trade balance as a percentage of GDP. It is an indicator of the relative importance of international trade in a country's economy. It is calculated by dividing the net value of imports and exports for a period by the GDP for the same period.

ER- represents the euro/lek exchange rate. The value of the lek against currencies is determined freely in the foreign exchange market. Exchange rate fluctuations reflect the free movement of goods and capital in Albania's commercial and financial exchanges with its trading partners.

FDI- Foreign direct investments as a percentage of GDP. It is a long-term interest-bearing investment in an economy other than the country of origin of the direct investor, expressed as a percentage of GDP.

GDP (Gross Domestic Product) - represents the total monetary value of all goods and services produced during a given period by domestic production and service units.

REM- remittances as a percentage of GDP. Remittances are defined as the sum of two components: income from work and personal transfers. Personal remittances taken as a share of GDP is the flow of personal remittances expressed as a percentage of Gross Domestic Product (GDP).

Descriptive analysis

TABLE 1: Descriptive statistics

	TB	FDI	ER	GDP	REM
Mean	-306.2283	101.7923	129.7835	1334.405	153.9276
Median	-320.2720	118.6434	128.7483	1341.450	157.0317

[3] https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=AL

Maximum	-162.8770	194.8763	140.5833	2311.700	229.7830
Minimum	-463.6000	20.57569	108.7500	662.7000	109.9315
Std. Dev.	82.56450	48.02096	8.727801	446.5299	26.87502
Skewness	0.124786	-0.428370	-0.418128	0.351580	0.767261
Kurtosis	2.567593	2.395452	2.485409	2.592810	4.378247
Jarque-Bera	0.228490	1.007857	0.883783	0.605219	3.899797
Probability	0.892039	0.604153	0.642819	0.738888	0.142288
Sum	-6737.023	2239.431	2855.237	29356.90	3386.408
Sum Sq. Dev.	143154.8	48426.27	1599.665	4187167.	15167.60
Observations	22	22	22	22	22

The results from the descriptive statistics table can help give a better idea of the variables. It can also be seen that the variables have values of skewness close to zero and kurtosis less than 3.

Dependent Variable: TB				
Method: Least Squares				
Date: 03/12/24 Time: 14:34				
Sample: 1 22				
Included observations: 22				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	93.90395	209.4457	0.448345	0.6596
FDI	-0.183573	0.483853	-0.379400	0.7091
ER	-0.520675	1.137991	-0.457539	0.6531
GDP	-0.084759	0.047014	-1.802843	0.0892
REM	-1.304301	0.752111	-1.734186	0.1010
R-squared	0.888134	Mean dependent var		-306.2283
Adjusted R-squared	0.861812	S.D. dependent var		82.56450
S.E. of regression	30.69222	Akaike info criterion		9.882612
Sum squared resid	16014.21	Schwarz criterion		10.13058
Log likelihood	-103.7087	Hannan-Quinn criter.		9.941025
F-statistic	33.74175	Durbin-Watson stat		1.307994
Prob(F-statistic)	0.000000			

The results from the table of methodological statistics can help give a better idea of the variables. The value of "Adjusted R-squared" is 0.86 which means that 86 percent of the behaviour of the trade balance (dependent variable) is explained by the behaviour (volatility) of the independent variables.

ADF Unit Root Test

Initially building an equation on the variables seems to provide a model of explanatory power with an adjusted R2 of 67.24 % and its overall high significance. However, time series data can often present unreliable results because of non-stationary data or otherwise called spurious regressions. This is why further testing is needed to create an accurate model that provides relationships between variables.

Null Hypothesis: TB has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on SIC, maxlag=4)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-1.157396	0.6724
Test critical values:	1% level		-3.788030	
	5% level		-3.012363	
	10% level		-2.646119	
*MacKinnon (1996) one-sided p-values.				
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(TB)				
Method: Least Squares				
Date: 03/12/24 Time: 14:55				
Sample (adjusted): 2 22				
Included observations: 21 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TB (-1)	-0.108267	0.093544	-1.157396	0.2615
C	-45.33421	29.00752	-1.562844	0.1346
R-squared	0.065860	Mean dependent var		-12.82967
Adjusted R-squared	0.016695	S.D. dependent var		33.55238
S.E. of regression	33.27113	Akaike info criterion		9.937650
Sum squared resid	21032.39	Schwarz criterion		10.03713
Log likelihood	-102.3453	Hannan-Quinn criter.		9.959239
F-statistic	1.339564	Durbin-Watson stat		1.841160
Prob(F-statistic)	0.261454			

To verify the stationarity of the data, the Augmented Dickey-Fuller test will be used. The null hypothesis in the ADF test is that the variable has a unit root, which means it is non-stationary.

Test Statistics: The ADF test statistic is -1.157396.

This value is compared to the critical values to determine the statistical significance of the test.

Critical values: Critical values are given at the 1%, 5% and 10% significance levels. These critical values represent the thresholds beyond which the null hypothesis can be rejected. In this case, the critical values at the 1%, 5% and 10% levels are -3.788030, -3.012363 and -2.646119, respectively.

P-values: The p-value associated with the test statistic is 0.6724. This p-value indicates the probability of observing the test statistic if the null hypothesis were true.

Coefficients: The coefficient of the lagged variable (TB (-1)) is -0.108267.

The coefficient of the constant (C) is -45.33421.

R-Square and Adjusted R-Square: These statistics measure the goodness of fit of the regression model. In this case, the R-squared is 0.065860 and the adjusted R-squared is 0.016695. These values suggest that the model explains a small portion of the variability in the data.

Additional information: Mean and standard deviation of the dependent variable.

Measures of regression model quality, such as the Akaike information criterion (AIC) and the Schwarz criterion. The F-statistic and its associated p-value test the overall significance of the regression model.

Interpretation: The ADF test statistic (-1.157396) is greater than the critical values at all significance levels. The p-value (0.6724) is greater than 0.05 (assuming a significance level of 5%). Based on these results, we fail to reject the null hypothesis that TB has a unit root.

This suggests that TB is likely to be non-stationary, meaning it exhibits trends or patterns over time that make it difficult to accurately model and forecast using standard time series techniques. In conclusion, the results show that TB is likely to be non-stationary, which has implications for modelling and forecasting purposes. Further analysis may be needed to address non-stationarity and make the time series data suitable for analysis.

VAR Model

VAR models are a popular method for multivariate time series, such as the one in this study. These results are from a Vector Autoregression (VAR) model, which is a type of time series model used to analyze dynamic relationships between multiple variables. Let's explain the main components of production:

a) Model specification: The VAR model includes five variables: TB, ER, GDP, REM and FDI. The lag length used in the model is 2.
b) Coefficients: Each variable has coefficients associated with its lagged values (e.g., TB (-1), TB (-2)), along with a constant term (C).

The coefficients represent the influence of the lagged values of each variable and constant on the actual values of the variables.

c) Standard errors and t-statistics: Standard errors are given in parentheses, and t-statistics are given in square brackets. These values are used to evaluate the significance of the coefficients. In general, larger t-statistics (with absolute values greater than 1.96, assuming a 5% significance level) indicate greater significance.

d) Model Fit: The R-squared and adjusted R-squared values measure the fit of the model. The F statistic tests the overall significance of the model.

Additional information: sum of squared residuals, standard error of the equation, Akaike information criterion (AIC), Schwarz criterion, and other model fit statistics. Mean and standard deviation of the dependent variables.

VAR Test

Vector Autoregression Estimates					
Date: 03/12/24 Time: 15:02					
Sample (adjusted): 3 22					
Included observations: 20 after adjustments					
Standard errors in ( ) & t-statistics in [ ]					
	TB	ER	GDP	REM	FDI
TB (-1)	0.525468	-0.056730	-0.452392	0.019700	-0.378616
	(0.46453)	(0.04598)	(0.99693)	(0.13723)	(0.19731)
	[1.13117]	[-1.23392]	[-0.45379]	[0.14356]	[-1.91893]
TB (-2)	-0.675965	-0.014354	0.428026	0.067777	-0.204266
	(0.46189)	(0.04571)	(0.99125)	(0.13645)	(0.19618)
	[-1.46348]	[-0.31400]	[0.43180]	[0.49673]	[-1.04121]
ER (-1)	0.121817	0.580968	4.905549	0.648960	1.640974
	(2.67099)	(0.26435)	(5.73218)	(0.78905)	(1.13447)
	[0.04561]	[2.19773]	[0.85579]	[0.82246]	[1.44646]
ER (-2)	2.509876	0.120699	-6.472608	-1.277940	-0.454662
	(2.25164)	(0.22285)	(4.83221)	(0.66517)	(0.95636)
	[1.11469]	[0.54163]	[-1.33947]	[-1.92124]	[-0.47541]
GDP (-1)	0.171073	-0.065691	1.082627	0.098405	-0.054773
	(0.23524)	(0.02328)	(0.50484)	(0.06949)	(0.09992)
	[0.72723]	[-2.82158]	[2.14448]	[1.41604]	[-0.54819]
GDP (-2)	-0.274774	0.036187	0.148298	-0.050809	0.109467
	(0.25140)	(0.02488)	(0.53952)	(0.07427)	(0.10678)
	[-1.09298]	[1.45439]	[0.27487]	[-0.68414]	[1.02518]

REM (-1)	-0.957319	0.125763	0.770903	0.463022	0.349406
	(1.60992)	(0.15933)	(3.45502)	(0.47559)	(0.68379)
	[-0.59464]	[0.78931]	[0.22313]	[0.97357]	[0.51098]
REM (-2)	-1.251006	-0.106139	-0.093263	-0.199196	-0.902839
	(1.48085)	(0.14656)	(3.17803)	(0.43746)	(0.62897)
	[-0.84479]	[-0.72420]	[-0.02935]	[-0.45534]	[-1.43542]
FDI (-1)	-0.311122	0.108424	-0.988907	0.228392	0.410231
	(0.65474)	(0.06480)	(1.40514)	(0.19342)	(0.27810)
	[-0.47518]	[1.67320]	[-0.70378]	[1.18080]	[1.47514]
FDI (-2)	0.270718	0.039098	-0.898623	-0.177559	-0.648122
	(0.86477)	(0.08559)	(1.85587)	(0.25547)	(0.36730)
	[0.31305]	[0.45682]	[-0.48420]	[-0.69504]	[-1.76455]
C	-248.4883	39.41473	62.94419	153.1163	-185.2521
	(373.183)	(36.9341)	(800.883)	(110.243)	(158.505)
	[-0.66586]	[1.06716]	[0.07859]	[1.38889]	[-1.16874]
R-squared	0.899165	0.935420	0.985582	0.920164	0.946453
Adj. R-squared	0.787127	0.863665	0.969562	0.831457	0.886957
Sum sq. resids	10142.54	99.34732	46713.27	885.1320	1829.745
S.E. equation	33.57006	3.322438	72.04418	9.917056	14.25850
F-statistic	8.025507	13.03625	61.52188	10.37306	15.90773
Log likelihood	-90.66638	-44.40767	-105.9393	-66.27882	-73.54076
Akaike AIC	10.16664	5.540767	11.69393	7.727882	8.454076
Schwarz SC	10.71429	6.088420	12.24158	8.275534	9.001729
Mean dependent	-320.1325	129.3952	1400.005	158.2335	109.8417
S.D. dependent	72.75984	8.998145	412.9434	24.15611	42.40838
Determinant resid covariance (dof adj.)		1.75E+11			
Determinant resid covariance		3.23E+09			
Log likelihood		-360.8465			
Akaike information criterion		41.58465			
Schwarz criterion		44.32291			
Number of coefficients		55			

R-squared values: They are high for all variables, indicating a good fit of the model. Coefficients: Interpretation should be done considering the sign, magnitude and statistical significance (t-statistics and p-values) of the coefficients.

Standard errors: These are used to assess the precision of estimates. Lower standard errors indicate more accurate estimates. F-statistic: It is significant for all variables, indicating that at least one of the independent variables has a significant effect on the dependent variable.

AIC and Schwarz SC: These criteria can be used to compare models, with lower values indicating a better fit. Number of coefficients: It is significant (55), suggesting a complex model with many predictors. Residual Covariance Determinant: It provides information about the multicollinearity of the model. If it is very close to zero, it suggests high multicollinearity.

In conclusion, this regression model appears to provide a good fit to the data, with high R-squared values and significant F-statistics. However, the interpretation of the coefficients should be done with caution, considering their magnitude and significance statistical.

Granger Causality

Granger causality is a test used to find one variable can be used for another. What shows the progress of the variables in the sense that it is one-sided or two-sided.

Null hypothesis: ER does not Granger cause TB

F-Statistic: 1.20735

p-value: 0.3264

Null hypothesis: TB does not Granger cause ER

F-Statistic: 0.07287

p-value: 0,9300

Interpretation: Based on the p-values, we fail to reject the null hypothesis in both directions, indicating that there is no Granger causality between TB and ER.

TB and GDP: Similar interpretation as above for TB and GDP.

TB and REM, TB and FDI: In both cases, the null hypothesis is rejected in one direction but not in the other, indicating asymmetric causality between TB and REM, and TB and FDI.

Other pairwise comparisons: Similar interpretation applies to other pairwise comparisons.

Pairwise Granger Causality Tests			
Date: 03/12/24 Time: 15:06			
Sample: 1 22			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
ER does not Granger Cause TB	20	1.20735	0.3264
TB does not Granger Cause ER		0.07287	0.9300
GDP does not Granger Cause TB	20	1.61907	0.2309
TB does not Granger Cause GDP		0.90681	0.4248
REM does not Granger Cause TB	20	0.36509	0.7001
TB does not Granger Cause REM		2.61229	0.1063
FDI does not Granger Cause TB	20	0.11254	0.8943

TB does not Granger Cause FDI		8.19517	0.0039
GDP does not Granger Cause ER	20	0.82219	0.4583
ER does not Granger Cause GDP		2.44756	0.1203
REM does not Granger Cause ER	20	0.25698	0.7767
ER does not Granger Cause REM		2.12248	0.1543
FDI does not Granger Cause ER	20	0.19590	0.8242
ER does not Granger Cause FDI		1.19038	0.3313
REM does not Granger Cause GDP	20	0.05385	0.9478
GDP does not Granger Cause REM		4.59421	0.0278
FDI does not Granger Cause GDP	20	1.26612	0.3104
GDP does not Granger Cause FDI		4.72612	0.0256
FDI does not Granger Cause REM	20	1.53409	0.2476
REM does not Granger Cause FDI		2.71686	0.0984

In some cases, there appears to be evidence of Granger causality in one direction but not the other, indicating possible asymmetric relationships between variables.

It is important to note that Granger causality tests have limitations and should be interpreted with caution, especially in the context of time series data. Furthermore, causality should not be inferred based on statistical significance alone.

Conclusions

This analysis was carried out by applying the VAR econometric approach and using data on the trade balance as a percentage of GDP, the euro/lek exchange rate, foreign direct investments, economic growth and remittances.

The period in which the study was carried out is 2002-2023 and the technique used was the VAR model to measure the long-term relationship of macroeconomic variables.

According to the VAR model there is no consistent relationship between the exchange rate and the trade balance. The coefficient associated with ER (-1) is negative (-0.056730), indicating that an increase in ER in the previous time is associated with a decrease in TB in the current period, holding other variables constant. However, the magnitude of this coefficient is relatively small compared to the others, and its statistical significance is not given (only the t-statistic is given, which would require the p-value for confirmation).

The delayed effect of ER on TB was also examined in the second time (ER (-2)). The coefficient for ER (-2) is not significant either.

The lack of statistical significance for the coefficients associated with ER (-1) and ER (-2) suggests that the impact of ER on TB may not be strong or consistent

across time periods. However, this conclusion needs to be confirmed by further analysis, including hypothesis testing for the significance of the coefficients.

While the coefficients provide insight into the relationship between ER and TB, it is essential that they be interpreted with caution and account for potential confounding factors or omitted variable biases that may affect the observed relationship.

Further analysis suggests that ER Granger causes TB: The p-value associated with the F-statistic is 0.3264, which is greater than the commonly used significance level of 0.05. Therefore, we fail to reject the null hypothesis. This suggests that there is insufficient evidence to conclude that past ER values significantly improve TB prediction.

To assess the relationship if TB Granger causes ER: The p-value associated with the F-statistic is 0.9300, which is much greater than 0.05. Therefore, we fail to reject the null hypothesis. This indicates that past TB values do not significantly improve the prediction of ER.

Based on these Granger causality test results, there is no significant evidence to suggest a causal relationship between ER and TB in both directions. These results imply that past ER values do not have a statistically significant impact on predicting future TB values, and vice versa.

However, it is important to note that Granger causality tests have limitations, and the absence of evidence of causality does not necessarily imply evidence of absence. Other factors or relationships not captured by the model may influence the observed dynamics between ER and TB.

In conclusion, the results of the Granger causality test suggest that there is no statistically significant causal relationship between ER and TB, indicating that past values of one variable do not significantly improve the prediction of future values of the other variable.

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The impact of social media on fashion marketing in our country

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Abstract

Today, social networks have become inseparable from business, with many companies using them to sell products and services. Each social network has its own characteristics and marketing tools, among which each company chooses, for the promotion and sale of the products and services it offers. In the case of fashion products, they are the social networks that have in their focus image promotion.

Purpose: *The problem studied in this paper deals with issues related to the degree of interaction between social media and fashion products. Social media is the medium where most consumers are found. In other words, we have a relationship between fashion products and the location of consumers, which is also the most important point of the problem addressed in this paper. This paper aims to highlight the role of social networks in the marketing of fashion products.*

Methodology: *Some of the methodological elements used in this study are the questionnaire is the research instrument; 284 respondents is the sample used; the EXCEL program is used to process the data.*

Findings: *Some of the most important findings of the study are Instagram is the most connected to, social network; the frequency of surfing the Internet is about 2 hours a day; advertisements for social networks, are frequently encountered by respondents; etc.*

Value: *This study is important because it serves as a guidance tool to managers, marketers, and researchers, by showing the role social media plays in the promotion and sale of fashion products.*

Key words: *fashion products, social networks, digital marketing, consumer purchasing decisions.*

Introduction

Social media platforms are diverse and some of the most prominent are Facebook, Twitter, Pinterest, LinkedIn, Instagram and WhatsApp. According to Charoennan and Huang (2018) *fashion businesses* use *social media* to influence *consumer purchasing decisions*, so social media has been deemed indispensable in the fashion industry.

Instagram has been described as the most suitable social media for the fashion industry and the social media that fits it best, because it includes all age groups and increases the contact of customers with fashion experts. Many fashion companies

have moved to Instagram to promote their brands. Facebook also, is used by fashion companies to increase contact with customers and promote their brands. Another social media such as Pinterest is used by fashion companies as a promoter of new fashion trends.

According to Muangmee (2021) social media is used by fashion companies to increase the number of followers and to distribute updated information about the target market. The fashion company Monki incorporated social media such as: Instagram, YouTube and Facebook, to mainly display the latest collections by applying the video format (Fashinza, 2022).

The biggest sales for fashion products are mostly done on the WEB, from the Instagram and Pininterest. According to Ma (2020) social media such as: Facebook, Instagram, Pinterest and LINE are the social networks that both consumers and fashion companies apply the most. According to the Electronic Transaction Development Agency report (Ma, 2020), sales of the fashion products in Thailand, using social media, have doubled from $10.9 billion in 2017 to $21.8 billion in 2019, and sales from social media accounted for 44% of e-commerce in 2019, where most of the products were bought on Instagram and Facebook (Reuter's, 2019).

Based on the study of Jansom & Pongsakornrungsilp (2021), purchases on social networks were influenced more by direct communication with the merchants. According to Sritanakorn & Nuangjamnong (2021) consumers of fashion products rely more on the social media to buy fashion products than on the shopping malls. For example, based on the Digital Advertising Association of Thailand (DAAT), in Thailand for 2020 there were about 52 million of people described as internet users, and a similar number described as social media users as well, where YouTube and Facebook were the social media that occupied 94% of internet users.

According to Chankoson & Thabhiranrak (2019) the growth of social media users is closely related to the growth of the role of marketing and the role of dominant social media like Facebook, Instagram and YouTube. According to Ananda et al. (2019), social media is inseparable from the fashion clothing industry, not only because it is a combination of many of the mostly used communication channels, but also because the interaction with information is of an extremely high frequency. Based on the study of Beig and Khan (2018), social media is used in the fashion industry, because it provides convenience and comfort to the consumer, and it also serves as a very good instrument that can influence consumer buying behaviour.

The rapid development of social media has brought a great impact on marketing and marketing communication elements that influence consumer attitudes and opinions. According to Jain et al. (2018), based on the value model, three important factors have been identified, which influence the evaluation of advertisements

in social media from the consumer's perspective: *information*, *credibility* and *entertainment*. In the fashion industry, for the consumer who belongs to the youth category, *personalization of preferences* is more important, and this element has a very large impact on the *perception of advertising* on social media. This fact is reinforced more by the study of Arora and Agarwal (2019), where it was found that the more informed a consumer feels from social media, the better they perceive advertising on social media.

Based on Al-Maatouk (2020) who conducted a study based on the model (TAM), it was found that the use of technology by young consumers has led them to be social media users, and this increases the level of satisfaction when they use the social media. This is an important element that affects their purchasing behavior. According to Gunasagaran (2019), fashion brands are applying in their advertisements the change of attitudes towards product purchases, being driven by advertisements on social networks. The effectiveness of this strategy lies in placing the right content on the right social media. Based on Jinarat's (2022) study, the attractiveness of social media content is influenced by information seeking, purchasing intent, and social media usage.

According to Daowd (2020), consumers have demand for products that come to them faster, cheaper and better, where the communication channel is intertwined with social media. It should also be emphasized, that technology has influenced the way consumers spend and make their purchasing decisions.

Social media

One of the elements of social media, is the creation of facilities for the exchange of information and ideas. There are many applications such as: Facebook, Instagram, Twitter, YouTube, etc. that allow their users to share content as well as interact with each other and create communities. It is estimated that there are 4.7 billion individuals who use social media, or in other words about 60% of the world's population.

At the beginning of 2023, it was found that 94.8% of users used applications more, followed by websites and social platforms. Search engines were the most popular with 81.8% of users. In its beginning, social media was seen as a way of collaboration between friends and family, but this approach quickly changed because it was also seen as a very good way of selling. The first social media was MySpace where in 2004 it had one million users, and later Facebook and Twitter were the social media that followed, where many businesses turned their attention to these social media.

According to the Global Web Index, 46% of Internet users are informed by social media. On a global scale in 2020, users spent an average of 2.24 hours every day on social networks, where the entirety of social media is included in this statistic, while for websites this statistic goes up to 40% of users. Generation Z and Millennials are more likely to get information from social media. It should be emphasized that social media has a very important role in the marketing strategies of businesses, taking into consideration the "time spent on social media" indicator. The dynamics of social media are high, and changes are very frequent.

Literature review

Today, social networks have become inseparable from business, with many companies using them to sell products and services. Each social network has its own characteristics and marketing tools, among which each company chooses, for the promotion and sale of the products and services it offers. In the case of fashion products, they are the social networks that have in their focus image promotion.

Marketing Through Social Media

The most important tool for digital marketing with social media is the Virtual Brand Community (VBC). This element can be conceived as a component of an interest group towards brands in the digital world. A *collection of individuals* who are *interested in a brand or a product or service* constitutes *a brand community*. Community creates a space of interest, where value is created and more understanding about a brand grows. The more consumers trust a particular brand, the more the brand loyalty grows. Numerous studies have shown that brand communities create new forms of brand relationships and new forms of interactions, as in the case of Electronic Consumer to Consumer Interaction (eCCI).

Opportunities to connect with other consumers form the basis of consumer experiences, and SNS (Social Networking Service or Social Networking Site) have become a new way for consumers to communicate between themselves and companies. eCCI has more impact on consumer decisions, than traditional marketing that many brands apply. The factors that affect the effectiveness of marketing based on eCCI are content, security, convenience, quality, atmosphere, and society. Examples of eCCI involve for example, posting questions about the fit or colour of a product displayed online and *consumers giving their opinions*. This type of conversation can lead to increased trust, compared to the situation when the company itself responds directly.

Consumers are more affected when there is an intermediary answering them, than when the company is part of the conversation directly. Personalized services should be based on customer feedback in social media communication strategies. The level of adaptation has to do with the customer's needs, and these be translated into a concrete service or product. Companies can represent brand personality by using social media, and thus they might have the opportunity to reinforce brand likability and increase brand loyalty.

In social media, the main aspect is the creation and distribution of content. Content created by users is an element that affects businesses, because consumers are targeted through algorithms, and through the content value is also created for the brand. With the development of social media, marketing strategies are not focused only on the company as an interested party, but also on the interaction of consumers between them. This allows companies to connect much more with the potential customer, so the level of connection also affects the creation of value.

These activities are considered as social capital, and this capital is influenced by 6 factors such as: affiliation, identity, information, advocacy, utility and conversation. This capital has at its core the customer and its management by the company. When the brand enters the consumer's life, the brand's interaction with the consumer increases, affecting the growth of social capital, an element that affects the increase of loyalty to the brand.

Consumer-Generated Advertising (CGA) is a form of advertising designed to persuade consumers to purchase products. Based on a study comparing CGA and Firm-Generated Advertising (FGA), it turned out that the reactions are different. In the case of FGA, the consumer was more aesthetically influenced towards social media, but consumers were in favour of CGA. This model encouraged more communication and response between individuals, creating a community and increasing trust. In this model, consumers received opinions and information on the experiences of other consumers regarding the purchase of products directly and indirectly from advertisements of companies, which in their focus had the sale of products. The factor that makes this model successful is 'fun'. Entertainment is more about the content and how interesting it is in the eyes of the consumer.

Sharing posts on social media has a lot to do with self-development behaviour. Consumers share the ad with other individuals if the match level is high with their identity. Consumers are more responsive to information generated by individual consumers, by word of mouth, than by companies. *The main essence of marketing through social media is communication with consumers.*

Companies are forced to create their accounts on many social media to create a communication space. Companies develop marketing strategies so that consumers create the identity and trend with the brand, and in addition to this they also develop analysis of user reactions and their posts on company blogs, to know the consumer and adapt the appropriate communication strategy with the customer's need.

Social media categories and tools

Types of categories and tools in social media

Facebook
It is the largest social network where the number of active users has reached about 1.59 billion. It was created on February 4, 2004, and in a period of 12 years it has received many monthly active users, an element that makes it the most effective medium for creating a connection between consumers and companies.

Twitter
Posts are limited to 140 characters in this social media, and this medium has about 320 million monthly active users. Companies also can use it. Businesses can use this social media to interact with potential customers, answering the dilemmas they have and providing information. They use this medium for advertising, to target potential customers. Twitter was founded on March 21, 2006.

Google+
Google+ constitutes a trend in digital marketing, where it is applied as an element of the SEO strategy, suitable mainly for small businesses. Google+ was launched on December 15, 2011, and has approximately 418 million active users, as of 2021.

YouTube
The largest video distribution medium YouTube was created in 2005, and in 2006 it was bought by Google for $1.65 billion. YouTube is estimated to have about 1 billion monthly viewers and is ranked second medium, only to Google, in consumer searches.

Pinterest
Pinterest is a new medium in social media. This social media counts around 100 million customers, as of 2021, where most individuals are women.

Instagram
Instagram is the social media that represents visualization, and the number of users in this social media have reached about 400 million dynamic customers, and it is owned by Facebook. Most of the posts on this social media focus on travel, fitness, food, work and related subjects, etc. Videos and photos can also be shared on this social media. 95 percent of Instagram customers also use Facebook.

Tumblr

Tumblr is classified as the most difficult social network to use, and in this social network posts such as: quotes, conversations, videos and photos, as well as voice messages, can be created, so there is no limit to the material you can share. It was created in 2007 and currently has more than 200 million sites.

Flickr

Flickr, otherwise known as "Glint", focuses on photos and videos. It was created in 2004, and then acquired by Yahoo in 2005. The focus of this social network is on sharing photos. This social network has more than 112 million customers in over 63 countries.

Reddit

This social network focuses more on social news and user emotions. Users have an important role in this social network as they can adjust their positioning on the page up or down. Those with the most votes are listed above.

Snapchat

Snapchat is a social media that promotes image, and this application has about 100 million dynamic users as of 2022. More than 18 percent of every social media user, uses Snapchat.

WhatsApp

WhatsApp Messenger is a social media where the focus is on the distribution of messages, photos, videos, documents, voice recordings, etc. It is estimated that this social media has over 1 billion users, as of 2021.

For 2023, social media are ranked as following:

Facebook is the largest social media with 2.96 billion users. Here are some figures for the most popular social media websites, as of November 2023:

- Facebook (2.96 billion users)
- YouTube (2.51 billion users)
- WhatsApp (2 billion users)
- Instagram (2 billion users)
- WeChat (1.31 billion users)
- TikTok (1.05 billion users)
- Facebook Messenger (931 million users)
- Douyin (715 million users)
- Telegram (700 million users)
- Snapchat (635 million users)

Types of Social Media Users

Types of users in social media

The listener

This user profile is identified as flying under the radar because it likes the posts but does not give "likes" to them. They comment very little, while their profile posts are mostly misunderstood and seem like being foreign.

The activist

This user profile is categorized as an individual who has compassion and will change all the time. He sees social media as an opportunity to make a difference.

The spammer

This user profile is categorized as an individual who distributes posts qualified as "quality content" posts, also these users have in their focus the distribution of promotional messages to individuals who have friends, so in a way they use acquaintances to distribute promotional materials.

The Passionist

This user profile is categorized as a user who enhances the world of social media. These individuals are driven by passion to use social media, and at the same time these individuals have a focus on exploring and sharing their passion with others online.

The social butterfly

This user profile is categorized as a user who all the time does not stop showing that the world is too small and presents this element in the photos he shares. Also, in the photos of these users, there is no lack of labelling of people whom they have met in different situations.

The troll

This user profile is categorized as a user who objects all the time and the objections become so unpleasant that they can be classified as direct hate speech, even though they can be trivial or trivial matters. They are the typical users to block.

The influencer

This user profile is categorized as a user who creates 10% original content. They are users who create high-quality content and share knowledge from different fields

with their followers on social media. These individuals are passionate about the topics they share and focus on helping and educating other users. They qualify as Master of Quality content and work for it every day.

The early adopter

This user profile is categorized as a user who has been a Facebook or LinkedIn user. These users are willing to switch to all possible social media.

The black booker

This user profile is categorized as a user whose focus is relationship building. This user sees social media as a very practical way to communicate with other users. These users before the development of the Internet kept a black pad with phone numbers that they contacted from time to time. They have a focus to avoid technology but found themselves in love with social media because it allowed them to be in constant contact with other individuals from all over the world.

The family person

These social media users tend to avoid technology, and they like social media in the moment they realized they could keep in touch with their family members from all over the world. The best way to reach them is by trying social media contests, which are focused on bringing them closer to their loved ones.

Individual Users of Social Media

Types of individual users in social media are:

The no shows (41%):

They are users who are classified as individuals who have not logged in, in the last 30 days, and are usually male over the age of 65. They have a low level of trust and are not inclined to show interest in someone else's activities, interests or contents.

The newcomers (15%):

They are users who are classified as individuals who are passive towards a social network. In order not to appear neglected, they are ready to join different social media. These users use social media to improve relationships.

The onlookers (16%):

There are users who are classified as individuals who watch and eavesdrop on anyone who posts, but they do not post themselves. They are part of social platforms only for others, but they are sceptical and withdrawn, when it comes to sharing material about themselves. They have a high level of control over their information.

The clickers (6%):
They are users who are classified as individuals who are active, but only in a single social network, mostly Facebook. There is a high probability that most of them belong to the female gender and the content they share is mainly photos, statuses and comments. They have an influence within their followers such as friends and family.

The mix-n-minglers (19%):
They are users who are classified as individuals who are multi-active on multiple social media. Their liking is more for brands, and for getting the latest offers and news. They are discreet about data co-confidentiality, and privacy. They have a high interaction with their friends on social media and are influencers on these social media.

The sparks (3%):
They are users who are classified as individuals with the most active usage of social media. Social media is seen by these individuals as an instrument of self-expression. They are individuals who are very concerned about online privacy and are reserved in social media conversations. There are users who prefer to be representatives of different brands as brand ambassadors.

Methodology used in this paper

In this section, the Methodology of the study is treated, where some of its dimensions are also discussed such as: the problem of the work, the purpose of the work and the objectives of the work. The research question, the research tools, the population and the sample, as well as the analysis used, are also addressed.

Problem under study

The **problem** studied in this paper deals with issues related to *the degree of interaction between social media and fashion products.* Social media is the medium where most consumers are found. In other words, we have *a relationship between* ***fashion products*** *and* ***the location of consumers***, which is also the most important point of the problem addressed in this paper. That is, how do companies market their fashion products by using social media, and how does the latter influence the consumer buying decisions.

The purpose of the study

This paper aims to highlight the role of social media in the marketing of fashion products.

Objectives of the study

- Understanding the role of social media in informing the Albanian consumer about fashion products.
- Understanding the role of social media in convincing the Albanian consumer to buy fashion products.

Research question

According to Charoennan and Huang (2018) *fashion businesses* use *social media* to influence *consumer purchasing decisions*, so social media has been deemed indispensable in the fashion industry. Based on this the research question of this paper is "How do companies market their fashion products and influence the consumer buying decisions by using social media"?

Research instrument

The instrument in this study is the questionnaire. The questionnaire is composed of 12 questions, where each question represents a variable, and each variable is interpreted according to the findings. The questionnaire is divided into 2 sections:

- The first section represents the demographic data of the respondents, which has a purpose, apart from the fact that it is demographic data.
- The second session consists of questions that serve the purpose of the study, as well as psychographic data.
- The data in this questionnaire are qualitative and quantitative data. Ordinary or quantitative data are numerical data, while nominal data are qualitative data, and they are categorical. Although they are categorical data, they are countable, so they are nominal.

Population and sampling

The sample is a representative number in a population, which constitutes the total number of elements from which this representation will be obtained. In

our case the population consists of Internet users who have purchased fashion products online. In our study, we are dealing with a probabilistic sample, which means that each element of the population has the same probability of choice. Regarding the number of the sample, 284 respondents were taken into the study.

Analyses used

In this paper data processing has gone through this process: the first phase was the collection of data through the Google form platform, then through the EXEL program the data was processed and divided into percentages, and then the largest percentage was interpreted. In the second phase, the analysis of the questions measured with the Likert scale is carried out, where the goal was to measure the perception of consumers. For the questions measured with the Likert scale, the measurement base was from 1 to 5, and further, the highest percentage that resulted in the determined scales was interpreted, where:

a) 1 - not at all
b) 2 - a little
c) 3 - neutral
d) 4 - a lot
e) 5 - extremely much

Limitations of the research

Regarding the number of respondents, about 382 respondents should have been included in the study, in order for the sample to be statistically representative in accordance with the statistical formula of the sample calculator. Also, not all variables that influence the purchase of fashion products from social media have been discussed and used in the analysis.

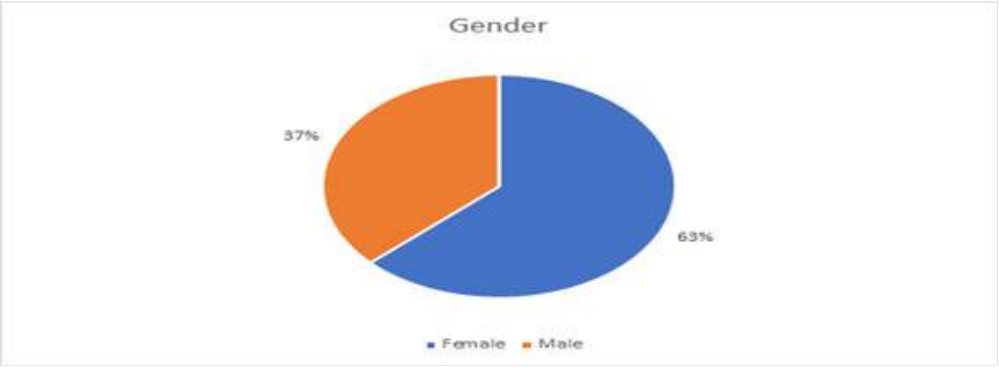
Importance of the study

- The theoretical importance of this paper consists in the fact that it contributes to the field of social media marketing theory, bringing theoretical information about how social media affects the purchasing decision of consumers for fashion products.
- The practical importance of this paper is that, for managers, marketers, and researchers, it shows the role of social media marketing in fashion products that are marketed in our country.

Findings of the research

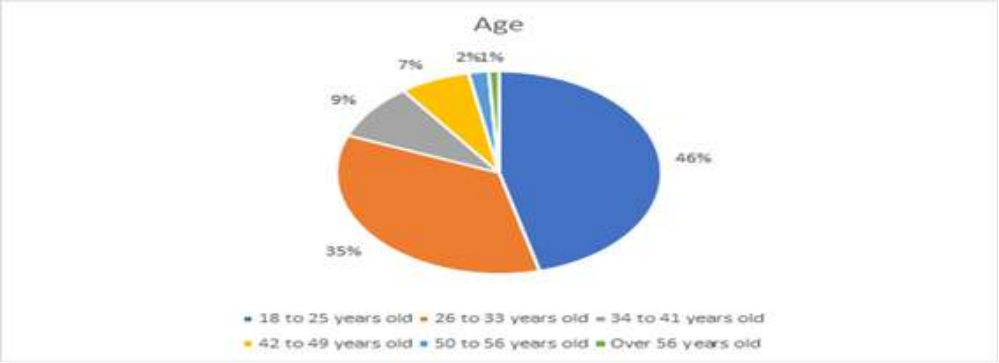
In this part of the paper, the findings of the study from the analysis of the surveys are presented, where the answers of the respondents are presented graphically, and the interpretation of their answers is carried out. Some of the findings of this paper are as following:

GRAPHIC 1. Gender of respondents.



From the analysis of the answers to the question "What is your gender", it was found that 63% of respondents are women and 37% are men. So, most of the respondents are women.

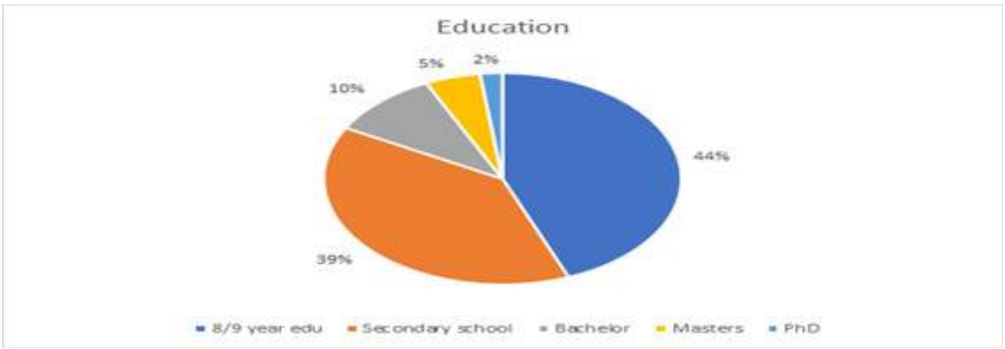
GRAPHIC 2. Age of respondents.



From the analysis of the answers to the question "What is your age", it was found that 46% of the respondents belong to the age group of 18 to 25 years, 35% of the respondents belong to the age group of 25 to 33 years, 9% belong to the age group

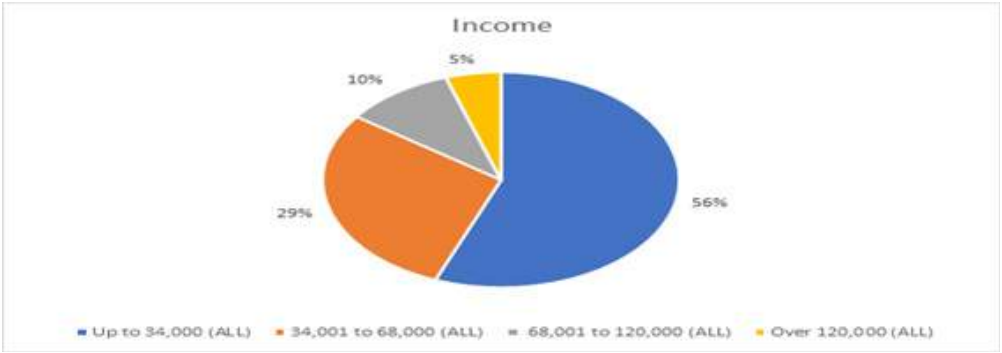
of 34- 41 years old, 7% belong to the 42-49 age group, 2% belong to the 49-56 age group and only 1% belong to the over 56 age group. This indicates that the respondents belong to a young age, which increases the probability that the studied population is suitable for the purpose of the study.

GRAPHIC 3. Education of respondents.



From the analysis of the answers to the question "What is your educational level", it was found that 44% of respondents belong to 8/9-year education, 39% belong to secondary education, 10% have completed a Bachelor's, 5% have completed master's and only 2% have completed a PhD. This fact highlights the situation that the probability that respondents are not very up to date with technology increases, and this can affect both the frequency of using social networks and the decrease in the degree of confidence to make online purchases.

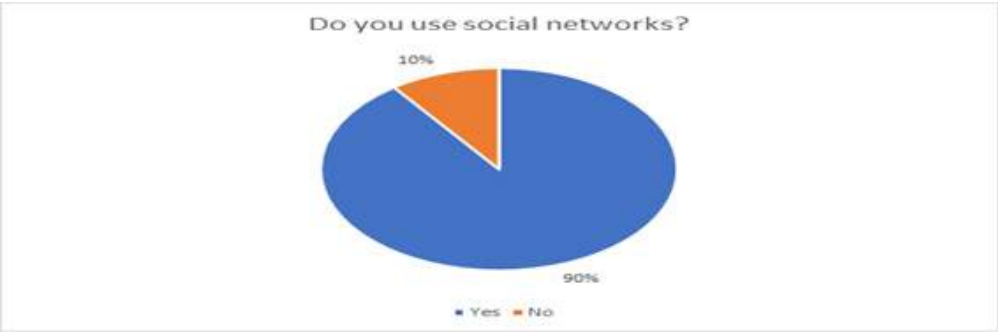
GRAPHIC 4. Income of respondents.



From the analysis of the answers to the question "What is the level of your income" it was found that 56% of the respondents have an income of 34,000 ALL per month, 29% have an income of 34,001 - 68,000 ALL per month, 10% have an income of 68,001 - 120,000 ALL per month, and 5% have an income above

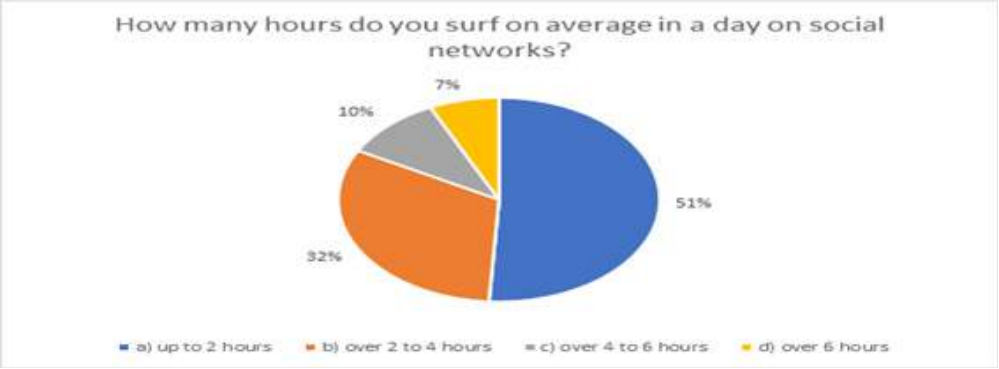
120,000 ALL per month. This shows that the level of purchasing power of the studied individuals is equal to a minimum wage. If we consider the prioritization of expenses, this fact further reduces the possibility of purchasing of the fashion products.

GRAPHIC 5. Usage of social networks.



From the analysis of the answers to the question "Do you use social networks", it turned out that 90% of respondents use social networks, and only 10% say the opposite. This shows that the population taken in the study is suitable for the purpose of this study.

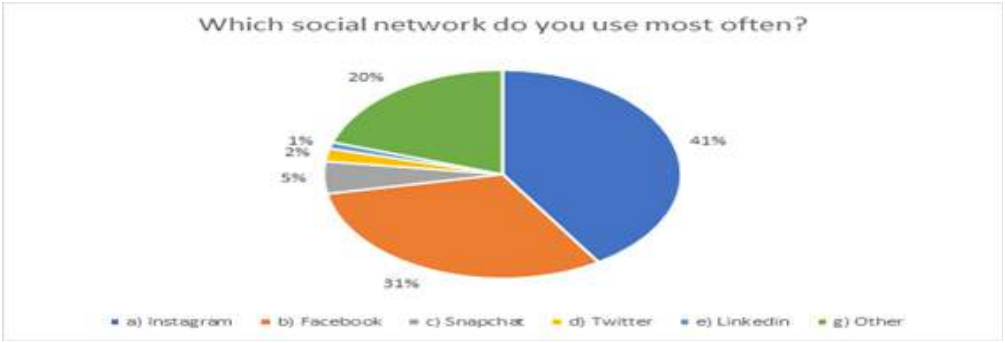
GRAPHIC 6. Time of usage of social networks.



From the analysis of the answers to the question "How many hours do you spend on average per day on social networks", it was found that 51% of respondents spend up to 2 hours per day on social networks, 32% of respondents spend more than 2 to 4 hours per day on social networks, 10% of respondents spend over 4 to 6 hours a day on social networks, and 7% of respondents spend over 6 hours a day on social networks. This shows that the frequency of navigation per hour, in a day,

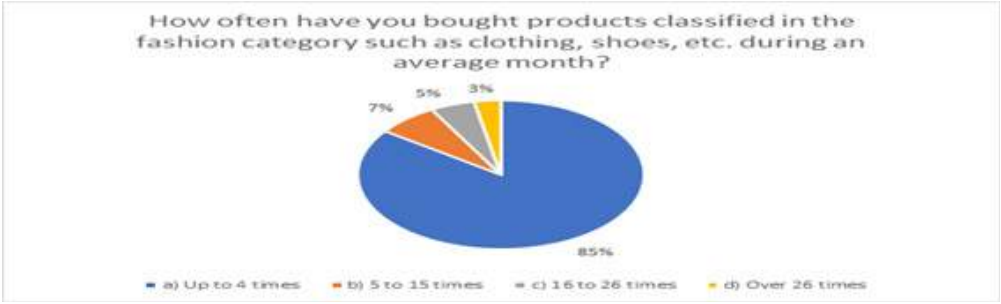
on average is 0.083 hours. This fact shows that this is not a high frequency, which reduces the probability of the possibility for targeting these individuals through advertising on social networks. Also, to design marketing strategies, this indicator should be taken into consideration.

GRAPHIC 7. Frequency in usage of social network.



From the analysis of the answers to the question "Which social network do you use most often", it was found that 41% of the respondents use Instagram, 31% of the respondents use Facebook, 5% of the respondents use Snapchat, 2% of the respondents use Twitter, 1% of respondents use LinkedIn, and 20% of respondents use other social media. This shows that if marketing strategies are to be built, they should be oriented towards the use of the Instagram social network, because if consumers who buy or use fashion products are to be targeted, then the marketing strategy will be more effective.

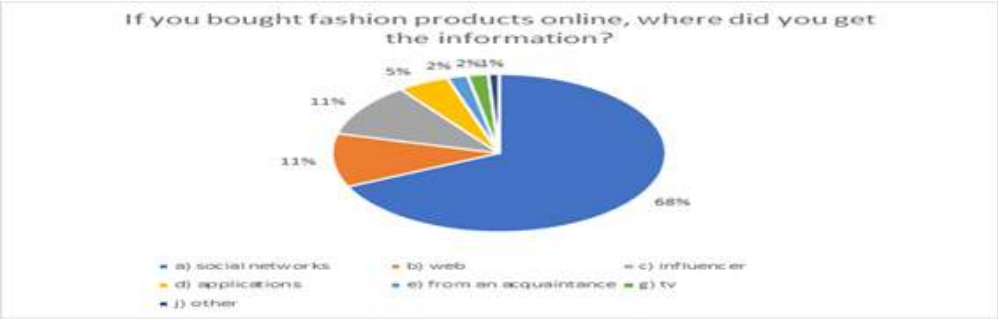
GRAPHIC 8. Frequency of buying fashion products.



From the analysis of the answers to the question "How often have you bought products classified in the fashion category such as: clothes, shoes, etc., on average during a month", it turned out that 85% of the respondents buy fashion products, clothes, shoes, etc. up to 4 times a month, 7% of respondents buy fashion products, clothes, shoes, etc., 5 to 15 times a month, 5% of respondents buy fashion products,

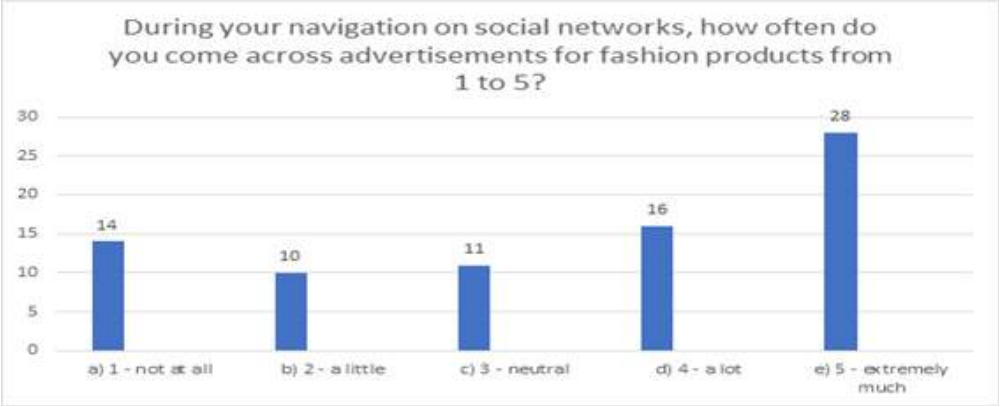
clothes, shoes, etc., 16 to 26 times a month, and 3% of respondents buy fashion products, clothing, shoes, etc., more than 26 times a month. This indicates that a maximum of 4 purchases are made per month, i.e. approximately 1 purchase per week. This fact shows that we do not have a very high level of purchase frequency. This fact shows the characteristics of the audience studied for fashion purchases, clothing, shoes, etc., where it constitutes an audience with a very high potential to buy more and more products online.

GRAPHIC 9. Ways for obtaining information about online purchases.



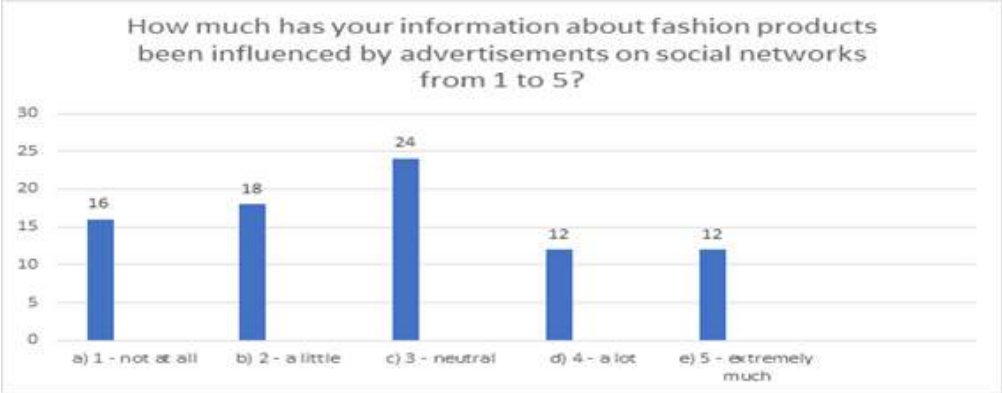
From the analysis of the answers to the question "If you bought fashion products online, where did you get the information", it turned out that 68% of the respondents said that they got the information to buy fashion products online from social networks, 11% of respondents said they got information to buy fashion products online from the web, 11% of respondents said they got information to buy fashion products online from influencers, 5% of respondents said they got information to buy products of online fashion from different apps, 2% of respondents said they got the information to buy fashion products online from an acquaintance, 2% of respondents said they got the information to buy fashion products online from TV, and 1% of respondents said they got the information to buy fashion products online from other sources. This shows that if the digital marketing strategy is applied for information purposes, social networks should be used as a communication channel, because it turns out that most of the respondents receive information from this means of communication.

GRAPHIC 10. Frequency of encountering advertisements in social networks.



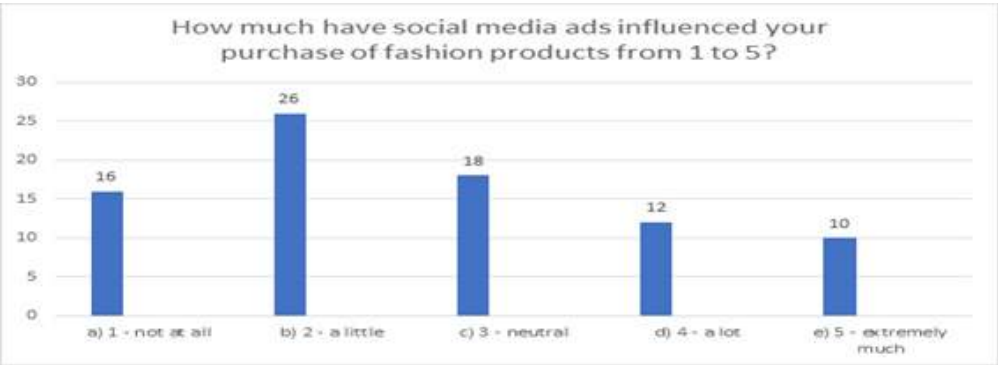
From the analysis of the answers to the question "During your browsing on social networks, how often do you come across advertisements of fashion products from 1 to 5", it was found that 28% of respondents have come across "extremely much (5)" advertisements of products of fashion, 16% of respondents have come across "a lot (4)" advertisements for fashion products, 11% of respondents have come across "neutral (3)" advertisements for fashion products, 10% of respondents have come across "a little (2)" advertisements for fashion products, 14% of respondents have come across "not at all (1)" advertisements for fashion products. This means that marketing strategies have targeted respondents with a high frequency of coming across advertisements for fashion products through social networks. This element shows that in terms of targeting, the strategy has worked, but this fact cannot be translated into product purchases. However, as the frequency of exposure to advertisements for fashion products increases, the probability that these individuals will make a purchase increases, as well.

GRAPHIC 11. Influence of advertisements on information about fashion products.



From the analysis of the answers to the question "How much have you been influenced by your information about fashion products from advertisements on social networks from 1 to 5", it resulted that 24% of the respondents expressed that they are "neutral (3)" regarding the role of advertising on social networks in informing about fashion products, 12% of the respondents said that they are influenced "a lot (4)" regarding the role of advertising in social networks in informing about fashion products, 12% of the respondents said that are influenced "extremely much (5)" regarding the role of advertising on social networks in informing about fashion products, 18% of respondents expressed that they are influenced "a little (2)" regarding the role of advertising on social networks in informing about fashion products, 16% of respondents expressed that they are influenced "not at all (1)" regarding the role of advertising on social networks in informing about fashion products. It should be emphasized that information constitutes an important element of the consumer purchasing process. Since most of the respondents are "neutral", then it proportionally results that most of the respondents have expressed, that advertising on social networks has affected their information to some extent, and this fact shows that the chances that social networks be very effective in informing of consumers for fashion products are increased. However, it cannot be said with certainty whether the products or the content distributed has been totally suitable.

GRAPHIC 12. Influence of social media advertising on the purchase of products.



From the analysis of the answers to the question "How much did advertising on social networks influence you to buy fashion products from 1 to 5", it was found that 26% of respondents said that social media advertising for fashion products has "a little (2)" influence on the purchase of these products, 16% of respondents said that social media advertising for fashion products has "not at all (1)" influence on the purchase of these products, 18% of respondents said that social media advertising for fashion products has a "neutral (3)" influence on the

purchase of these products, 12% of respondents said that social media advertising for fashion products has "a lot (4)" influence on the purchase of these products, 10% of respondents said that social media advertising for fashion products has "extremely much (5)" influence on the purchase of these products. These figures show that the level of effectiveness of social media advertising for fashion products is not at a high level, and it does not have a high impact on the purchase of these products. It should be emphasized that the purchase is the most important step in the consumer purchase process, and based on this step, social media advertising for fashion products turns out not to be very effective.

Conclusions and recommendations

In this section of the paper, the conclusions drawn from this study are presented. In addition, the necessary recommendations of this paper, addressed to the marketing specialists, company managers, social media users, theoreticians and researchers, have been addressed here.

Conclusions

- After processing and analysing the data, it was found that the studied population belongs to the age group of 18 to 25 years, where it is clearly established that this population is relatively young in terms of education, where most of the respondents have 8 or 9 years of (the secondary) education.
- In regard with the income of the respondents, it reaches up to the amount of 34,000 ALL, which clearly shows the amount of the purchasing power of the respondents, where it is observed that it corresponds to the amount of a minimum wage.
- Respondents in this study clearly use social networks, which makes them suitable as a population and as a sample, for the purpose of this study.
- Regarding the frequency of navigation on social media, the respondents navigate the Internet up to 2 hours a day, on average, and this indicates that the frequency of navigation is not very high, which reduces the probability that advertising on social networks will be effective.
- The mostly used social network by respondents is Instagram, and the usage of this social network in marketing strategies would increase the probability that marketing strategies become efficient.
- The frequency of purchasing fashion products online is up to 4 times a month, which clearly indicates that it is at a low level.
- In principle, the respondents expressed that social networks influence their purchase of the fashion products.

Recommendations

- Gifts for fashion products should be modified and adapted to the demands of consumers, and those products that have the greatest impact on consumers should be offered.
- The wording of Hashtags related to fashion products should be changed to influence the buying process of the fashion products.
- The way an advertising is organized should be modified, and the content should be suitable to encourage the purchase of the fashion products.
- The content of the stories shared on social networks, should be adapted to the demands of consumers, to bring impact on purchases.
- Marketing instruments such as giveaways, hashtags, reels, stories, etc., should be evaluated as to whether they are suitable for marketing strategies to encourage the purchase of fashion products.

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Tourism and economy: Analysis of the connection in the context of Albania

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Abstract

Purpose: *This study aims to provide a deeper understanding of how tourism interacts with the economy, and how Albania can use this connection to accelerate economic growth and sustainable development. Tourism is a key sector for the Albanian economy, offering great opportunities for economic development. A special focus has been made regarding the development of sustainable tourism, which has the potential to bring lasting benefits to the economy and the environment.*

Methodology: *This analysis includes a theoretical look at the role of tourism in economic growth, using literature for economic and tourism concepts. Also, there should be research regarding the impact of various factors, including destination promotion, touristic infrastructure, and government policies in attracting tourists. To understand how Albania is facing this challenge, analyzes and comparisons were made for the practices of other developed touristic countries.*

Findings: *The result of the study shows that Albania to reach sustainable tourism, it needs to promote special touristic products, investment in training of personnel in the tourism sector to ensure a high-quality and welcoming service, and promotion of ecological tourism by ensuring that tourism development is sustainable.*

Value: *This study contributes to understanding how government and tourism industry can support sustainable tourism development and deal with different issues by implementing policies to accelerate the development of tourism and economy in Albania.*

Keywords: *Comparative analysis, economic infrastructure, tourism, government policies.*

Introduction

The link between tourism and economy at a theoretical level is essential to understand how tourism can contribute to economy growth. In many countries, tourism is a major component of their economy and contributes to economic growth and sustainable development. Tourism is not only a social and cultural but also an economic phenomenon. Tourism has received a scientific meaning around 1942, defining it as a set of events and connections that occur during a displacement and stay of individuals in a country that is not their permanent residence, where the purpose of this displacement and stay in this country is not intended to exercise a profitable activity. Different definitions and terms have been used in the following years to define the word 'tourism'. Tourism constitutes a reciprocal complex of complementary products and services, production units, physical resources, human resources that condition the realization of a series of investments in the country. Tourism involves movement from different places, for personal, business or professional purposes. Also, tourism is a mixture of private and public resources, bringing difficulties in assessing the economic impacts of touristic development and in designing an appropriate strategy of economic programming of touristic activity. The involvement of the public sector in tourism also brings public benefits, making it difficult to assess the effectiveness of the cost and benefits that the touristic activity itself implies. As a result, tourism has an impact on a country's economy, influencing the country's GDP, bringing increased investment, creating new jobs, improving the balance of payments, creating new jobs and increasing them, increasing the promotion of the country, also increasing the regional and national promotion. Most of the countries increase their efforts towards the creation of tourism infrastructure while promoting the orientation of human resources in this sector.

Literature review

For developing countries, the tourism sector is growing at significant levels, as a 'new economy' for these countries. In addition to positive impacts, tourism in an economy also brings its cultural and social side, some negative impacts, where we can mention the use of children for work, crimes, emigration, environmental pollution, traffic, noise, etc. The types of tourism are different such as: sun and beach tourism, rural tourism, natural tourism, cultural tourism, business and conference tourism. Tourism enables socio-economic development, job

creation and poverty reduction, promotes prosperity, has significant positive social impact, offering unique opportunities for women, minorities and youth.

Before the pandemic, Travel and Tourism was one of the largest sectors in the world, accounting for 1 in 4 of all new jobs created in the world, 10.3% of all jobs (333 million), and 10.3% of global GDP (9.6 trillion USD). Meanwhile, spending by international visitors reached $1.8 trillion in 2019. In 2020, 62 million jobs were lost, leaving only 271 million employed across the sector globally. This 18.6% decline was felt across the sector, with small and medium-sized enterprises (SMEs) which make up around 80% of all global businesses in the sector, particularly affected alongside women, youth and minorities.

The role of governments is very important in the stability and growth of this sector and the policies undertaken.

The well-known models at the theoretical level and concepts that explain the connection between tourism and the economy are cited as follows.

The multiplier model: an economic concept which is used to explain how the expenses spent by tourists can create income in an economy. In this context, when a tourist visits a touristic destination, he/she spends on booking, accommodation, shopping, food, entertainment and other services, expenses which turn into income for the business (domestic economy).

The multiplier is related to the fact that these incomes in businesses (the country's economy) continue to be increased by other expenses. For example, the increase in the demand for these services leads to the increase in the number of employees, and the increase in wages, these increases lead to an increase in their spending in more local stores and not only, thus bringing the stimulation of economic growth at different levels. Such a process brings an exponential increase in income, making tourism an important part of the local economy and not only. This multiplication process turns a small touristic investment into a further increase in income in a local community.

- *The theory of comparative advantage*; this theory suggests a country which can specialize in its most advantaged sectors, such as the tourism sector. Different countries have different resources such as natural, cultural, infrastructural, local cuisines, art and creativity industry, innovation, technology, sports tourism, cultural exchanges etc. where all these cases and not only can be used to attract tourists. Focusing on their advantages, which different countries and Albania also have, brings a focus on the development of tourism, creating competitive advantages with a positive effect on their economies. Albania has a great natural and cultural wealth including the beautiful coasts, mountains, historical monuments and cultural heritage as advantages for attracting tourists, it also has low-cost touristic products. Albania, through offering a diversity of touristic offers, gives a wide range of tourist activities such as coastal tourism, cultural tourism, rural tourism,

adventure tourism, and brings an advantage of adapting the different needs of tourists.

- *The theory of entrepreneurship and investments*; Tourism affects economic growth also through the increase of investments and entrepreneurship. The development of touristic infrastructure, such as the construction of touristic facilities, requires large investments. This brings increased investment in the country and can create new business and employment opportunities. The growth of enterprises encourages the development of small and medium-sized businesses in the tourism services sector, including hotels, restaurants, etc. Investments in infrastructure, marketing and workforce training can serve as catalysts for the growth of the tourism industry.

- *The wave effect theory*; In some cases, tourism can influence economic growth through the 'wave' effect of tourists. When a touristic destination becomes popular and preferred, tourist arrivals increase greatly creating a new wave of spending and increased economic activity. Among 185 different countries, the WTTC (World Travel & Tourism Council) assesses the economic impact of Travel & Tourism in terms of key indicators of GDP contribution, employment, foreign visitors, domestic visitor spending and capital investment, for the years 2019 and 2021. From this report in terms of 'Travel & Tourism Total Contribution to GDP, 2019 and 2021', in 2019 the United States leads, in the first rank with a value of 1979.1 bn USD, rich from China in the country second with a value of 1856.6 bn USD, in third place Germany with a value of 391.2 bn USD, Italy in 7th place with a value of 214.5 bn USD. In 2021, the indicator continues to have the United States, China and Germany in the first three places, but with lower values, while Italy climbs two places higher in this global ranking to fifth place, with a value of 214.5 bn USD. While for the year 2021 the increase in % for Travel & Tourism GDP Growth, was as follows: 2021, Montenegro leads, with a value of 260.1%, Albania in the fifth place, with an increase of 81.1%, leaving behind Greece (74.9%), Turkey (60.6%) and Italy in 19th place with 58.5%. For the report of Travel & Tourism Relative Contribution to GDP, in 2021, Albania ranks 14th with a value of 17.4%, leaving behind Croatia with 16.1% and Greece with 14.9%. (Council), 2023)

The forecast for the period 2022-2032 for Europe is estimated to accelerate the pace of recovery where the sector is expected to grow at an average annual rate of 3.3%. By the end of 2032, the sector is estimated to create nearly 8 million new jobs compared to 2022. (Council), 2023)

Regardless of the models or theories that explain this relationship only in a theoretical model, it should also be considered how the special situations of a country affect this relationship.

Research shows that the dominant part of factors influencing tourism development include destination promotion, political infrastructure, and

government policies. As an actual issue in Albania and not only, which can borrow methods and models used in other countries that have shown success in this profile, and update with the conditions and situations in which Albania is located, where the efforts are taken into account to promote sustainable tourism, a comparison of Albania's practices in the tourism sector with other developed tourist countries brings an identification of the challenges and potentials that Albania has in attracting more tourists and increasing the contribution of tourism to the local economy

Methodology

On this paper, theoretical research methods were used on identifying interdependent links between tourism and economy, economy theory, economic literature of the level of tourism for this role in economic analysis, research on economic relationships. Also, research was done on high-level economic relationships in the case of Albania, combined with in-depth information searches from scientific articles, books, conference scientific reports, organizations and opinions, reports of scientific portals.

Results & discussion

The development of the tourism industry has a wide impact on the economy of a country. Different methods, at a theoretical level, are used to understand the relationship between tourism and the economy of a country, such as: The Multiplier Model, the theory of comparative advantage, the theory of entrepreneurship and investment and currency effects. The influencing factors in this connection are as follows.

Factors	Description
The use of natural resources	Beaches, cultural heritage, historical monuments, beautiful nature
Contribution to GDP	Includes tourism-related activities, accommodation, restaurants, traveling, etc
Creation of jobs	Employment in hotels, restaurants, travel agencies, (increasing employment of young people and local women).
Distribution of income	It distributes income to local communities, reduces poverty and increases the standard of living.
Investments in infrastructures	To complement the growth of tourism, countries invest in roads, airports, ports, energy infrastructure, thus, bringing new opportunities for development.
Foreign currencies effect	The increase of the country's foreign currency reserves and the help it brings to the balance of payments.

Opportunity to promote local products	The interest of tourists to try local food and products, brings development of the agriculture and handicraft sector
Season effects	The seasonal effects that tourism can have, with free and busy periods
Negative influence	Negative impacts on the environment and culture, increased pressure on natural resources and energy consumption

In the case of Albania, for the analysis of the last decade, the annual number of non-resident visitors has had a very significant increase of more than 67%, from 2021 compared to the first 9 months of 2023, as in table below.

TABLE 1: The annual number of non-resident visitors, to Albania

Year	No.
2018	581,031.00
2019	784,709.00
2020	275,981.00
2021	685,081.00
2022	710,169.00
Jan-Sep. 2023	1,143,109.00

(INSTAT, 2023/b)

The peak of foreign arrivals in Albania for the purposes of "holidays and visiting relatives", for the years 2014-2022, reaches its peak in 2022 with a figure of 7,067,487 visitors. From the entry of foreign citizens in Albania, for the last 5 years (2018-2022), dominate citizens from Southern Europe, with an increase of 2.42 times more from 2020 compared to 2022, the smallest number was from Africa, East Asia and South Asia. In 2020 there was a significant decrease, with an increase again in 2021 and 2022. The increase of non-resident visitors over the years, for the period from 2018 with a value of 581,031 until January - September 2023, with a value of 1,143,109, is dominated by the countries of Kosovo, North Macedonia, Greece, and Montenegro. Meanwhile, Albania in the last 10 years has shown an increase in the number of construction permits (hotels and similar), this leads between the years 2017-2019, there was a decrease for 2020 then the growth continues again in 2021 and 2022.

TABLE 2: Number of approved building permits (Hotels and similar)

Year	2010	2011	2012	2013	214	2015	2016
Number	42	30	1	62	5	3	11

Year	2017	2018	2019	2020	2021	2022	
Number	53	75	67	23	33	51	

(INSTAT, 2023/b)

The number of performances from institutions of cultural heritage, for the period 2018-2022 and the number of spectators after a significant decrease in 2020, was increased again for both variables mentioned above in 2021 and after. The number of enterprises with "Accommodation" activity has increased from 2012 to 2018 by 2.29 times more, having a decrease in 2019, then continues its growth in 2021, almost the same trend is maintained for the income of these subjects in total. Their profit in 2021 reaches the total value of 3,591 million LEK.

TABLE 3: Number of Spectators of Cultural Heritage Institutions, Variable and Year

Activity	Number of Spectators				
	2018	2019	2020	2021	2022
National People's Theatre	39,503	3,479	5,252	6,446	12,391
National Experimental Theatre	65,989	64,684	16,044	11,981	26,763
National Theater of Opera, Ballet and Popular Ensemble	54,438	70,647	7,476	7,151	15,639
National Center of Culture for Children	22,051	31,795	6,274	10,149	27,023
National Circus	34,969	21,698	3,286	2,364	2,255
Total	216,950	223,614	38,332	38,091	104,366

(INSTAT, 2023)

Post-pandemic tourism sets a record of 6.4 million foreign tourists in 2019. From 840 accommodation structures in 2013, there became about 2,900 of such structures with active (NIPT) tax registers nowadays.

The promotion of tourism in Albania is carried out in addition to social networks by the "National Tourism Agency", through national and international tourism fairs, publication of promotional materials, family trips, with various international tour operators, media, exhibitions, etc. The quality of touristic services is a very important factor in increasing the value of tourism and the impact on the economic parameters of a country. As a quality of touristic services, we can mention the technical quality, which is related to the quality or in other words the condition of the infrastructure, the social quality which is related to the level of service, professionalism and the quality of the environment. The quality of the environment has to do with ecology, the standard of living of the local population, housing and municipal services. Closely related to this element is the promotion

of the country as a welcoming tourist destination, and a safe place. A country must have consolidated tourism offers with authentic products.

The number of visitors to Museums, Archaeological Parks, Castles and other monuments has reached a value of 1,065,081 in 2019, with a decrease to 190,467 visitors in 2020, followed by an increase in 2021 and 2022 in the amount of 689,283 visitors. (INSTAT, 2023) An advantage in tourism is the increase of students' interest to study in the field of arts, in 2022 compared to 2018, the increase in the number of students in these fields is 112% more, but there was a decrease in the interest of language studies, for the foreigners there was a decrease of 54% in the number of students in this field, and also a decrease of 40% for students in the field of journalism and information. The number of international tourists' arrival in Europe in 2022 is 549.9 million. (INSTAT, 2023)

Joint touristic packages with operators and agencies, from other countries, such as Kosovo, Macedonia, Montenegro, and of course with Serbia and Greece, etc. so, with neighboring countries, have brought growth and advantages in many parameters regarding the industry of tourism in Albania. In all the above-mentioned indicator parameters, the pre-pandemic period has been growing and positive along with the post-pandemic part, from which the indicators clearly show very fast growth.

The World Tourism and Travel Council (WTTC) predicts that the direct impact of this industry on GDP will increase by about 5.4% until 2026, bringing the total increase to about 8%. (Council), 2023)

The objectives aimed at the sustainability of tourism development of a country are the centralization of the planning process in tourism, the reform of institutions, the reform of agencies that deal with tourism, and the establishment of market rules for all economic operators in the field of tourism, starting with the agencies as mentioned above, touristic operators, guides, hospitality structures, and detailed control of the quality and standards of the hospitality structures.

Conclusions and recommendations

The conclusions of the study have drawn some recommendations for government policies to accelerate the development of tourism and economy in Albania, such as: good road infrastructure, airports to facilitate visitor access to touristic destinations, allocation of funds dedicated to the promotion of tourism at the international level, increasing sensitivity and interest from potential tourists. Also, more needs to be done regarding development of special touristic products, investment in training of personnel in the tourism sector to ensure a high-quality and welcoming service, and promotion of ecological tourism by

ensuring that tourism development is sustainable. Government policies that facilitate private investments in the tourism sector need to be drafted, providing fiscal and administrative facilities and also cooperation with local communities, to help create a favorable environment for tourists.

Tourism plays an important role in the development of relations between countries, contributing to the local economy. The tourism sector is an important generator of income.

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The impact of the minimum wage on employment. The case of Albania

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Abstract

Purpose: *This paper examines the impact of minimum wage adjustments on wages and employment dynamics in Albania. Utilizing the standard competitive model, an escalation in the minimum wage is anticipated to lower employment levels. Specifically, the two-sector model suggests that a rise in the minimum wage would decrease employment within the covered sector while potentially increasing it within the uncovered sector, particularly in developing countries where the latter sector holds a substantial portion of employment.*

Methodology: *The research draws on secondary sources, analysing existing literature and previous studies investigating the correlation between minimum wage adjustments and employment levels. Findings have been varied regarding the minimum wage's impact on employment, with some indicating a decrease in employment levels or an increase in unemployment due to minimum wage hikes. However, studies specifically focusing on Albania are scarce.*

Data were collected on minimum wage adjustments and unemployment levels from 2017 to 2022 to assess the relationship between minimum wage changes and unemployment rates, aiming to ascertain whether minimum wage regulations have positively influenced unemployment reduction.

Findings: *Analysis of the collected data reveals a trend in Albania where increases in the minimum wage correlate with decreases in unemployment.*

Value: *This paper recommended that it is necessary for a more in-depth analysis to be made about the impact of occasional changes in the minimum wage level. It is also recommended that the government consult with business analysts and economic experts and with the businesses themselves so that the change in the minimum wage does not negatively affect the economic development of the country.*

Keywords*: minimum wage, employment level, unemployment, analysis*

Introduction

The minimum wage law encompasses regulations that forbid employers from hiring workers for compensation below a specified minimum wage threshold per hour, day, or month. More than 90% of all countries have some form of minimum wage legislation. Most countries around the world have some form of minimum wage. Policymakers have often argued that raising the minimum wage increases the incomes of low-income workers, and therefore can be used as a tool to reduce poverty and inequality. In some situations (e.g., with monopsonistic firms), a moderate increase in minimum wages can increase the incomes of low-income workers without causing job losses. Some also argue that wage increases can improve worker productivity because they lead to increased work effort, reductions in labour turnover, and more on-the-job training. The question of how the minimum wage affects employment remains one of the most studied and controversial topics in labour economics, with a corresponding disagreement in the political sphere. In this part of the paper, a general presentation of the problem in question will be made. However, some empirical findings have shown that higher minimum wages lead to lower employment. Minimum wages have been a controversial topic among policymakers and economists around the world. The evidence on the effects of employment is quite mixed.

The purpose of the paper: Governments use minimum wage laws to ensure a basic quality of life for all citizens within a state's borders. These laws attempt to improve an individual's position in the economy. The minimum wage aims to ensure equal economic conditions for citizens. Governments can use minimum wage laws to force companies to pay all individuals equally, regardless of race, creed, sex, or other characteristics. Understanding minimum wages will help us understand how this factor affects employment, further recognizing the impact it can have on a country's economic growth. So, the purpose of this paper is to research the effects of the minimum wage on the level of employment in the Republic of Albania..*7

The main objectives of the paper

The main objective of the paper is to explain the effects of the minimum wage on employment levels, specifically among workers in general without any specific skills.

Specific objectives

- To explain and understand the concept of the minimum wage.
- Understand how minimum wage laws affect employment.
- Identify and analyse how minimum wage laws affect employers' decisions about how many workers they choose to hire.
- The paper aims to explain the effects of the minimum wage on the labour market in Albania.
- Hypothesis: The minimum wage has a positive impact on reducing unemployment.
- The main question raised in this paper is: How does the minimum wage affect the level of unemployment?

Literature review

The minimum wage is the least amount of money an employer is legally obligated to pay their workers for the work they do within a certain period. This amount cannot be reduced by any agreement made between the employer and the employee or a group of employees. (ilo.org, 2013).

The primary objective of minimum wage enforcement is to protect workers from receiving unreasonably low wages. They serve as a means of ensuring that the benefits of social progress are distributed fairly and equally among all individuals, while also ensuring that employees receive a minimum wage that is sufficient for

their basic needs. The minimum wage can also be used as part of a wider strategy to fight poverty and reduce inequality, particularly by promoting the principle of equal pay for equal work, regardless of gender. The concept of the minimum wage belongs to the mandatory nature of ensuring a certain level of wages, regardless of the method used for their establishment. Minimum wages can be set through legislation, authoritative decisions, wage boards, wage councils, or even through court decisions. In addition, minimum wages can be enforced by giving legal force to the terms set out in collective agreements.

It is important to view and implement minimum wage systems as part of a larger strategy that works in conjunction with other policies aimed at promoting employment and reducing income inequality. A few measures can be taken, such as pro-employment policies, social welfare programs and the encouragement of sustainable business practices, to address these issues holistically.

The purpose of the minimum wage is different from collective agreements as it sets a level for wages, while collective bargaining enables the negotiation of wages that exceed the established minimum.

The bulk of the empirical literature on developing countries shows that raising the minimum wage has negative effects on employment" (Card & Krueger, 1994). However, there are also some studies that have questioned these findings and have shown that the effects of the policy on employment can be zero and even positive in cases where businesses have some monopsonistic power over the labour market. The effect of the minimum wage on an economy will depend on the degree of compliance with the law and on the specific characteristics of the labour market in each country. In the case of industrialized countries, the literature shows that there is usually a negative effect on the demand for less skilled workers, but the debate about the methodologies used in these studies and the conclusions drawn from them continues. In developing countries, where informal employment is widespread, the consequences of minimum wage policies differ significantly compared to what can be predicted in developed economies. This is largely because minimum wage regulations in developing countries are not only more binding, but they tend to be enacted at higher rates, thus affecting a larger portion of the workforce. (Maloney & Nunez, 2003).

Research on the impact of unemployment and demand in less developed countries has produced uncertain results, like those seen in developed countries. The findings of a study on Latin America using data from manufacturing companies in Mexico and Colombia indicated that the firms responded to rising wage costs between 1981 and 1987 by reducing their workforce." (Bell, 1997). In Colombia, the increase in the minimum wage caused significant industrial job losses in the country, estimated at between 2 and 12 percent of all jobs in the sector. "In terms of elasticity, a 10 percent increase in the minimum wage reduced jobs for low-skilled

workers by 1.5 percent to 3.3 percent and for high-skilled workers by 0.3 percent to 2.4 percent"(Bell, 1997).

In Mexico, the findings of the Bell study were inconclusive. He showed that when the real minimum wage fell by 45 percent, there was no effect on employment in the manufacturing sector. This result reflected the minimal effectiveness of the minimum wage, which is set at low levels relative to the overall average wage" (Bell, 1997). Furthermore, the businesses sampled were large companies offering high wages, usually higher than the minimum wage. "In Chile, increases during the period 1996-2005 resulted in higher unemployment, although actual job losses were less than 0.32 percent per year (Grau & Landerretche, 2011).

Cunningham's research showed that the implementation of higher minimum wage rates in Brazil from 1996 to 2001 led to a decrease in employment opportunities, especially for lower-wage workers. However, in Mexico during the period between 1988 and 1998, no correlation was observed between an increase in minimum wage rates and an increase in overall unemployment rates. (Cunningham, 2007).

One explanation for the minimal effects on employment is that businesses were able to adjust their prices in response to rising labour costs. It was easier for them to raise prices during periods of inflation like the years used for this study (1982-2000). Although in developing countries such as Brazil minimum wage policy applies to both the public and private sectors, there is evidence that the government does not respond to minimum wage increases to the same extent as the private sector. In a comprehensive analysis conducted by Lemos in 2007, using extensive monthly data obtained from household surveys spanning nearly two decades (1982-2000), it was found that the minimum wage in Brazil did not have any detrimental effect on employment levels neither in general. economy or when specifically divided into public and private sectors. This implies that the implementation of minimum wage policies in Brazil did not result in any adverse consequences on employment opportunities during the short-term period under investigation. (Lemos S., 2007).

However, jobs were lost in the private sector and gained in the public sector in the long run, suggesting an inelastic demand for labour. Growth in the public sector would largely offset the contraction in the private sector, with the net result that the minimum wage had very little effect on the overall economy. The empirical literature on developing countries has also looked at the adjustments that businesses have made depending on their size and cost structure. In a study conducted by Gindling and Terrell, they investigated the impact of changes in the minimum wage on employment levels in Honduras. This analysis was conducted using panel data spanning 1990 to 2004. (Gindling & Terrell, 2003).

On the other hand, Harrison and Scorse found much more modest effects of minimum wage increases in the Indonesian textile industry during the 1990s. "According to their estimates, a 10 percent increase in the minimum wage for

workers in foreign and export firms in Indonesia would cause a 1.2 to 1.8 percent reduction in employment, while in small companies the effect was insignificant, mainly due to low compliance with the law" (Harrison & Scorse, 2022).

A more recent study of the situation in Indonesia with data from firms for the period 1996-2003 found moderate effects on employment, with job losses of less than 1 percent after a 10 percent increase in the minimum wage. "The introduction of higher minimum wages has had a significant impact on employment, particularly for workers who have less experience and are employed in non-manufacturing sectors or small businesses." (Carpio & Pabon, 2017). This means that, prior to the increase in the minimum wage, small companies, which typically engaged in labour-intensive activities and had little market power, were forced to lay off less-skilled workers to avoid bankruptcy. "In Vietnam, it was found that during 2006-2010 the minimum wage had a negative effect on employment in domestic companies, but none in larger enterprises." (De Carpio, Nguyen, Pabon, & Wang, 2015).

In recent years, the minimum wage in Albania has changed continuously, undergoing occasional early increases to increase welfare and reduce poverty in unemployment measures. In 2022, as seen above, it changed twice, from July 1, 2022, the minimum wage was ALL 32,000, while in "starting from the September 2022 period, the minimum monthly basic wage, nationwide for employees, mandatory to implemented by any legal or natural person, local or foreign, is 34,000 ALL (VKM no. 604, dated 14.09.2022) (alprofitconsult.al, 2022). The next change would be in 2023. From April of 2023, the minimum wage would reach 40,000 ALL. Starting from April 2023, the minimum monthly basic salary, nationwide for employees, mandatory to be implemented by any legal or natural person, local or foreign, is 40,000 ALL. (VKM no. 113, dated 01.03.2023) (alprofitconsult.al, 2023).

The Albanian government has decided to increase the minimum wage to stop the waves of immigration and to motivate citizens not to leave the country, also to encourage increased competition. However, experts have their doubts and have been sceptical about the effects that this gradual increase in the minimum wage will have. Changing the minimum wage so frequently, specifically 6 times in a decade, twice in the past year alone, puts business in a difficult position at a time when inflation is running at 7%. The initiative has been criticized for not consulting the business sector and the National Labor Council, as well as for the lack of a complete study. Experts have also expressed concern that these frequent adjustments run counter to standards set by European Union countries, which typically allow one to two minimum wage adjustments over a four-year period.

Experts in the field of economics warn that the increase in the minimum wage will bring additional financial responsibility for businesses, including payments for social and health insurance for their employees. These sudden and poorly

researched changes can create difficulties for businesses to adapt, especially during a crisis where inflation is high and exceeds 7%.

Increasing wages in private companies can lead to an increase in informal practices, which can result in corruption, exploitation, and risky financial behaviour. The government has not taken sufficient measures to combat informal practices, including the flow of informal funds that have already affected the exchange rate, exports, and remittances. This issue has not been adequately studied or addressed and there seems to be a lack of real effort to understand the underlying problems.

According to INSTAT, almost one fifth of all wage earners in the country are classified as minimum wage workers. Experts predict that the increase in the minimum wage will have a significant impact on the state, estimating 15 million euros in contributions to the insurance fund for social and health coverage. This increase is also expected to have consequences for the pension scheme, which has struggled over the past three decades to maintain a balance between contributors and beneficiaries. However, it is important to note that while raising the minimum wage presents certain challenges, it is not the only solution to address fundamental issues within the pension system. (Zëri i Amerikës, 2023).

There is a significant relationship between the rate of youth population growth and the youth unemployment rate. A 1% increase in the youth population rate can increase youth unemployment by 2.73%. (Çerpja,T&Kola,F, 2022)

According to the data presented, the increase in both the minimum wage and the average wage has generally led to an increase in unemployment. In a lapsi.al report in 2023, it is stated that in the fourth quarter of 2022, the average salary reached 66 thousand ALL, marking a significant increase of 10.8%, which is the highest since 2019 INSTAT statistics reveal a notable growth of 18.2% in the agricultural industry, surpassing the minimal growth observed in the public administration sector, which had only a 6.2% increase. Despite this, the financial sector remains the industry with the highest average income in the economy. In terms of unemployment, the figures suggest a slight increase of 2.5% from the previous quarter in the fourth quarter of 2022. However, it is important to note that as of January 2021, the unemployment rate has decreased from 11.8% previously and has maintained historically low levels. (lapsi.al, 2023).

Research methodology

The focus of this chapter is the explanation of the methodology that was used to carry out this study. The evaluation analysis was done based on different literatures and data. Qualitative methods consist in the use of secondary sources, which includes literature from various studies, books, and articles.

Research design is a plan of activity based on the research objective and guides the selection of the source and types of information. Koda defines research design as arranging the conditions for collecting and analysing data in a way that aims to combine the relevance of the research purpose with economy in procedure (Koda, 2006). The study used a case study design to analyse the effects and relationships between the minimum wage and the unemployment rate in Albania. Due to the objectives of this research, a quantitative approach methodology was applied. The goal of the research is to review the impact of minimum wage levels on the level of unemployment, therefore this quantitative part of the research served as analytical work to make the whole topic a little more comprehensive.

This paper focuses on studying the effect of the minimum wage on employment, collecting, and reviewing the existing literature related to these variables. Also, the study aims to study and explain how the minimum wage has changed in Albania by examining changes in the level of unemployment.

This study is based on secondary data on minimum wage and unemployment rate time series to explain any relationship that may exist between these variables. The annual data for the above variables were used from 2017 – 2022. They were accessed on the official website of the statistics institution and state institutions.

The study was conducted to assess the importance of the minimum wage in the level of the effect it has on the increase in unemployment. This was achieved by testing the following hypothesis: Hypothesis: "The minimum wage has a positive impact on reducing unemployment.

Analysis and findings

The research question in this study is whether a change in the minimum wage among other factors will influence unemployment. Specifically, can raising the minimum wage increase the unemployment rate? The economic relationship between the minimum wage and unemployment was analysed using data for the Republic of Albania for the period 2017-2022, due to the availability of statistical data. The data were accessed on the official website of statistics and on the official websites of state institutions such as the Ministry of Finance (MOF).

TABLE 1: Minimum wage and unemployment rate 2018-2022 (INSTAT)

Minimum Wage and Unemployment rate 2017-2022			
Year	Paga minimale	Rritja e pagës minimale %	niveli I papunsisë
2017	24000	9.10%	13.62%
2018	24000	0%	12.30%

2019	26000	8.3%	11.47%
2020	26000	0	13.33%
2021	30000	15.4%	11.50%
2022	34000	13.3%	11.81%

CHART 1: Unemployment rate and minimum wage relationship

As can be seen at first glance, a trend that is observed is a decrease in unemployment when the minimum wage increases. The way this happens can take many forms. Increased consumer spending: Workers with higher wages tend to spend more money, which can increase demand for goods and services and create new jobs. Workers with relatively low wages tend to have a high propensity to consume.

Reduced poverty: A higher minimum wage can lift many workers out of poverty and reduce income inequality, which can lead to a more stable and robust economy.

Improved worker productivity: When workers are paid a fair wage, they can be more motivated and productive, which can boost overall economic growth. Efficiency wage theory approaches the issue from this perspective. Reduced worker turnover: Higher wages can make it more attractive for workers to stay in their jobs, reducing the need for employers to constantly hire and train new workers.

Improved work incentives: A higher minimum wage increases hourly wages from work rather than remaining economically inactive. However, it is important to note that too large an increase in the minimum wage could lead to inflation, reduced profits for businesses and potentially reduced job opportunities as companies look to cut costs.

In the increase of the minimum wage in 2019 from 24,000 ALL to 26,000 thousand ALL, we have a decrease in unemployment from 12.3% to 11.47%. So, unemployment has decreased by 0.83%. Meanwhile, from 2019 to 2020, the minimum wage in the Republic of Albania has not changed, remaining at 26,000 ALL, on the other hand, the unemployment rate has increased from 11.47% in 2019 to 13.33% in 2020. We are talking here about an increase of 1.86%. From 2020 to 2021, the minimum wage has changed, reaching the value of 30,000 ALL, and unemployment has also decreased again to the level of 11.50%. So, with the increase in the minimum wage, unemployment has decreased by 1.83%. From 2021 to 2022 the minimum wage has changed again, even as mentioned above, in 2022 the minimum wage in Albania has known two changes from time to time. Where in April from 30,000 ALL it reached 32,000 ALL, then within the year it reached 34,000 ALL, while unemployment recognized a slight increase, 11.81%. But the factors that may have influenced the level of unemployment may be different and not limited to the minimum wage, given that Albania has experienced a series of crises one after the other which have affected the country's economy, including fluctuations in the levels of employment.

First, the earthquake of 2019, the economic damages and the reconstruction process which is not yet finished. Secondly, the pandemic caused by Covid19. Due to the coronavirus many people lost their jobs, and many businesses were forced to lay off their employees. Then the crisis caused by the war, where inflation has increased day by day. Thus, businesses cannot afford to keep the same number of employees in such periods. All these factors and others that were not mentioned in this part of the paper may have influenced the level of unemployment in the Republic of Albania from 2017 to 2022.

Conclusions

A wide range of labour market interventions promise to expand job opportunities and raise incomes for one group at the risk of reducing the employment opportunities of other groups. In the case of the minimum wage, academic debate continues regarding the existence and size of these trade-offs. But assuming some trade-offs exist, the normative question of whether a higher minimum wage represents a fair and desirable intervention in the labour market depends on the positive question of which workers benefit and which do not. This positive question has received little attention from otherwise voluminous literature on the impact of minimum wage policies.

Minimum wage levels can affect different economies and countries depending on how they fit into the labour market. This paper examines whether the minimum

wage affects employment through a discrete change in its level or whether it is reflected over time. Much of the previous literature on this topic has assumed that an increase in the minimum wage would result in a relatively rapid employment adjustment. Many have taken the lack of such a finding as an indication that the minimum wage has minimal effects on employment, however there are theoretical reasons to believe that this change may be slower.

Minimum wage means a minimum limit below which no employee can be paid. In general, the minimum wage is determined by the legislation of the countries. In Albania, the minimum wage has recently changed to respond to the economic crisis and high inflation that the country is experiencing.

The statistical data show us that with the increase of the minimum wage, employment fluctuated, having decreases and increases at low levels.

The hypothesis that was raised was that the increase in the minimum wage affects the increase in the level of unemployment. The analysis shows a not very strong relationship between them, however, at the levels that the model fits, it showed us that the hypothesis is not true, the increase in the minimum wage does not affect the increase in employment.

And yet there are limitations around this work. First, there are not many studies that explain the relationship between minimum wages and the level of employment in the case of Albania. Also, the years considered in the framework of this study are not sufficient. It is recommended that further, more extensive studies be conducted to test the effect that the minimum wage has on employment.

The first important area for further research regarding the effects of the minimum wage on employment in Albania is how the minimum wage policy affects the welfare of workers in the informal sector, given the high proportion of workers in the uncovered sector. It is recommended that more in-depth analysis be made about the impact of occasional changes in the minimum wage level. Thirdly, it is recommended that the government consult with business analysts and economic experts and with the businesses themselves so that the change in the minimum wage does not negatively affect the economic development of the country.

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