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THE ACCOUNTING – TAXATION RELATIONSHIP
IN THE OPINION OF THE FINANCIAL – ACCOUNTING
SERVICES PROVIDERS

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Abstract:
The financial – accounting information, which is the result of the companies that provide accounting services, is meant for a wide range of consumers having various requirements. As result of the economic development the accounting information consumers have a very heterogeneous profile. Consequently a provider of financial – accounting information has to take into consideration the consumers’ need of information and to build a strong relationship with these ones. This paper aims at investigating through specific methods of marketing research how the accounting – taxation relationship influences the collaboration between the accounting services providers and their beneficiaries and which is the behavior of the financial – accounting information consumer. The goals of this research aim at knowing the opinions of the accounting professionals regarding the relationship between accounting and taxation, and the importance of these ones for the business activity.

Keywords: financial – accounting information, accounting information provider, accounting – taxation relationship, qualitative research.

JEL Classification: C81, M10, M40

1. Introduction

In the context of highlighting the importance of the financial – accounting services, the development of these services’ providers is featured by flexibility which enables them to quickly and efficiently react to the permanent changes in the accounting field, especially taxation. Therefore, the financial – accounting providers must direct their activities to the satisfaction of the customers’ interests. These activities must contribute to the improvement of the intelligibility in communicating the information, supporting the client in profit-increasing approaches and to provide him/her a „minimum of comfort” to make out in the “legal wilderness”. The financial – accounting information consumer is a variable of the services execution process. The nature and the features of the services, the services execution system as a whole lead to a certain customer behavior. The basis of this behavior is the perception of the service, reflected in a gap between the desired expected service and the received, resulted, accepted service, on the one hand and the promised, offered service and the effective, created, delivered service on the other hand (Olteanu 2005).

Consequently, only carrying out the business in a marketing approach may lead to the satisfaction of the consumer’s requirements and exigencies, by reduction the gap between what is offered and what is desired.

Nowadays, the services sector is featured by a diversification and an increased complexity, taking into account that the consumer became more and more demanding. It is found that also in the field of the financial – accounting services the consumers act in a professional manner, requesting financial statements that will support the economic decision (Baba 2011). The consumer considers more and more rigorously the features of the financial – accounting services and acts accordingly, while the provider company is concerned with an offer complying with such needs. The consumer of financial – accounting services is interested in a special relationship with the provider, which could lead to its satisfaction. Thus, the purchase is preceded by a series of actions meant to choose a certain service according to customer’s needs and requirements (Cetina et al. 2006).
The consumer’s behavior, in a specific approach, may be defined as a multidimensional concept which results from a system of dynamic relations between various perceptions, attitudes and motivations (Teodorescu 2003).

Conclusions

The research outcomes lead to a general conclusion that due to the increased taxation the clients consider the accounting services as an obligation required by law, which decreases their important role in the management, sizing and assessment of the company’s business. Among the legal restrictions generating undesired development of the financial accounting business we can find the excessive taxation.

This one tends to gain the upper hand of the financial accounting services, determining the client to become very discreet about his/her business. In certain cases we notice a slight lack of interest of the client in the information provided by the business analysis and forecast and increased interest in obtaining profits as high as possible based on the low taxes paid to the state (Anton 2011). Such an attitude requires the need to elaborate tax optimization structures leading to a balance between accounting and taxation. For this reason, the balance between accounting and taxation is the key issue of the relationship between the two components, influencing also the contractual relationships between the providers of financial–accounting services and their clients. This requires detailed knowledge of the tax laws and of the company management by each company. Permanent monitoring of the fiscal norms and principles and understanding the consequences of the inobservance of the tax laws (fines, increases, penalties, imprisonment etc) lead to a better collaboration of the contract partners for the execution of the financial – accounting services.

Considering that taxation is mandatory, it must be understood as a component of the business management. The role of the accounting professional is to look for solutions to the benefit of the client, and for this reason a strong collaboration with the services provider is needed. The accounting professional must provide to his/her client the experience gathered with other partners or the state institutions, contributing in this way to the creation of a collaboration climate between the partners, aiming at business development. The beneficiary of financial services must see the tax as a factor that helps the stimulation of a more efficient economy by using all the fiscal facilities provided by law (Ristea 1998).

On another hand, the financial service providers should help the clients to develop their business not only to prepare good reports for taxation purposes. Some companies need to consider the reengineering of their activities in order to maintain or increase their competitiveness. Such a process needs efficient solution of redesign the enterprise’s processes and activities (Stefanescu et al. 2008). Thus, the financial service provider could support managers to take the best decisions based on reliable financial information, which includes also the risk analysis.

Taking into account the above mentioned, in the relationship with their clients the financial-accounting services companies could offer additional credibility to the financial statements but also professional support in the diagnosis of the financial health of a company and in its decisions for future development.

References


Bucharest, in Romanian.


APPLICATION OF ECONOMETRIC MODEL IN THE STUDIES OF FACTORS AFFECTING THE INCOME TAX OF LEGAL ENTITY IN THE SLOVAK REPUBLIC

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Abstract:
Econometric models are used to analyze the development for the period for which the data are available (ex post analysis), and also for predicting the future values of endogenous variables (ex ante analysis). Econometric modeling is one of the most common ways of macroeconomic forecasting. This paper describes the econometric model created by using the software "R", which in the view of statistically significant factors, estimated the possible development of tax incomes of the Slovak Republic based on the data analyzed for the period 1993-2011.

Keywords: tax incomes, inflation, GDP, number of legal entities, tax rate, econometrics, modeling.

JEL Classification: C51, H29

1. Introduction
This paper is focused on the analysis of the factors which affect the income tax of legal entity and their consecutive effect on the State Budget. There are more factors that affect the ITLE in different ways. We will concentrate on those, which substantially change the ITLE. The main objective is to define the factor that is statistically most influencing the amount of the ITLE (Šoltés and Gavurová, 2013).

First we will analyze the mutual relations between the tax incomes and factors effecting these incomes and then we will test them through statistical and econometrical methods and by econometric software “R”, which will show which factors are, or not, significant in our case (Gavurová and Glova, 2012). As the econometric software “R” can evaluate only numeric data and then select the factor which has a statistically significant effect in the monitored period, we trace following factors: the number of legal entities, gross profit of legal entities, legislative changes– tax rate, tax reliefs, inflation and GDP.

The paper is divided into several parts. In the first part we will describe and summarize the share of taxable and non-taxable incomes on the total incomes of the State Budget of the SR and also the share of the income tax of legal entities on the total incomes. The second part is dedicated to the factors affecting the income tax of legal entities and to the selection of five specific factors. Based on the selected factors, in the third part of this paper, we will describe the creation of econometric model for determining the effect of statistically significant factors for the amount of tax incomes in the conditions of the Slovak Republic tax incomes. In the conclusion we will show some of the results of created model, as well as the forecast of tax incomes for the next year and we will summarize the info and formulate the results (Szabo et al., 2013).

Conclusion
The tax system was introduced at the time of the Slovak Republic establishment and the system has undergone several changes and tax reforms since. The changes were applied mainly in the area of tax rates, depreciation and reliefs. Those are the factors that affected the State Budget in a significant manner. The impact and the significance of these factors on the income tax of legal entities was tested by the created econometric model, where the statistically major impact was proved for the indicators as gross profit of legal entities and tax reliefs. The values forecasted through this model were compared to the real values and as the result was the...
confirmation that the values were from the interval, which was forecasted by the econometric model.

References


*** Act No. 595/2003 Corpus Iuris on Income Tax

*** www.drsr.sk/statistiky/
Abstract:
This study focuses on examining the level of technical efficiency and the efficiency changes in SMEs in Thailand from 2008 to 2010 using Data Envelopment Analysis (DEA) approach. The sample consists of 1,411 SMEs with completed data are obtained from the Ministry of Commerce’s database. The results found that Thai SMEs have quite low technical efficiency score about 20-24% during 2008 to 2010. In addition, SMEs in manufacturing sector is the most efficient SMEs with the efficiency score of 63%, 54.60%, and 47.50% in 2008, 2009 and 2010, respectively. Furthermore, we also found that small scale SMEs is the most efficient SMEs compare to medium and large scale SMEs. Small SMEs have the efficiency score of 54.30%, 64.80% and 59.30% in 2008, 2009 and 2010, respectively. Using Malmquist Productivity Index for investigating the efficiency changes, the study found that, from 2008 to 2010, the technical efficiency of SMEs have decreased.

However, Thai SMEs have invested more in high technology to support the business operation, consequently, the Total Factor Productivity of SMEs from 2008 to 2010 have improved. The results imply that Thai SMEs have plenty of room for improving their efficiency. These SMEs could have the same level of output by decreasing approximately 80% of the input used at the current level. The entrepreneurs and policy makers could adopt the research results for benchmarking the performance of SMEs in Thailand and improving their efficiency level.

Keywords: technical efficiency, efficiency change, Data Envelopment Analysis, SMEs.

JEL Classification: D24, M21

1. Introduction

Small and medium enterprises (SMEs) play an important role in a nation’s economy. They make substantial contributions to employment and comprise the majority of businesses in the nation (Bushong, 1995; Burns and Dewhurst, 1996; Holmes et al., 2003). The recent literature emphasizes the role SMEs play in nurturing entrepreneurship and generating new products and processes (Taymaz, 2005).

In developing countries, small-scale businesses are the most important source of new employment opportunities. Governments throughout the world attempt to promote economic progress by focusing on small-scale enterprises (Harper and Soon, 1979). National governments and international lending institutions have supported SMEs in several developing countries with credit and technical assistance for decades (Mini and Rodriguez, 2000).

The rationale behind supporting SMEs is that the development of SMEs could link to achieve higher employment, income equality and a more geographically dispersed distribution of wealth. However, does achieving those goals through SME support come at a hidden price due to the possibility that SMEs are less technically efficient than larger firms? (Mini and Rodriguez, 2000). As a result, the efficiency of SMEs is central to debates about the role of small-scale industries in economic development.

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3 Assistant Professor in Economics, Faculty of Management Science, Khon Kaen University, Khon Kaen, Thailand. We would like to thanks you to Thailand Research Fund, Commission on Higher Education and Khon Kaen University for financial support. Project no. MRG5380144.
Although various SME-support programs have been adopted all around the world, the empirical evidence strongly indicates that there are substantial productivity differences between small and large enterprises independent of sector- and country-specific factors. The productivity differential narrows down by economic development but it’s does not vanish completely even in the developed countries (Snodgrass and Biggs, 1996).

An efficient SME uses inputs at optimum levels and hence, reduce the usage of unnecessary inputs to attain the level of a given output or the SME would maximize output at a given input level. Hence, revenue and profits would be maximized. Conversely, an inefficient SME will incur unnecessary cost and wastage resulting in low returns on invested capital. Generally, SMEs are poorly managed due to the lack of management skills among owners or managers. They lack awareness of the importance of adopting business best practices and quality management systems, such as financial management and customer focused activities, in order to enhance the firms’ productivity and profitability. Inefficiency is a result of using excessive inputs at a given output level or poor output at a given input level. Inefficiency increases cost of production which affects price, sales and revenue. As a result, inefficient SMEs are unable to compete effectively in the market impacting the entire small and medium enterprise (SMEs) sector performance (Radam, Abu and Abdullah, 2008).

Given the fact that SMEs are the dominant source of employment in low- and middle-income countries (Taymaz, 2005) and there exist various SME-support programs have been adopted around the world, therefore, ‘Do SMEs use their resources efficiently?’ become the important research question especially for developing country. This study focuses on this question by examining the efficiency of SMEs in developing country context, Thailand.

The nature and definitions of SMEs differ among countries, in Thailand, SMEs are classified into three major categories include: 1) production sector including agricultural processing, manufacturing and mining, 2) service sector and 3) trading sector consists of wholesale and retail. The definition of SMEs adopted in Thailand based on either the number of employees or the total values of fixed assets depend on the business sector. According to Office of Small and Medium Enterprises Promotion (2011b), the contribution to GDP by SMEs was 3,746,967 million baht in 2010 or 37.1% of the overall GDP with an annual expansion rate of 7.9%, an increase from a contraction of 2.4 in 2009. Considering employment by SMEs in 2010, the number of people employed by enterprises of all sizes totaled 13,496,173. Of this number, large enterprises employed 2,988,581 people and SMEs employed 10,507,507 people, or 77.86% of overall employment. Small enterprises employed the greatest proportion of all enterprises overall at 66.72% as well as among SMEs at 85.70% (Office of Small and Medium Enterprises Promotion, 2011a).

Although the concept of efficiency plays an important role in understanding firm dynamics and the fact that SMEs plays the important role in economic development, there are a limited number of studies focused on SMEs productivity or efficiency in Thailand. Those studies included Wiboonchutikula (2002), Meingchom (2007) and Charoenrat and Harvie (2012a; 2012b). These studies focus on particular sector namely, manufacturing sector, rather than examining SMEs from the whole sector.

The research aims to examine the level of technical efficiency of SMEs in Thailand from all sectors using DEA approach. Specifically, this study examines how efficient Thailand’s SMEs used the resources in the production of their output by measuring the technical efficiency and efficiency changes during 2008-2010 using Data Envelopment Analysis (DEA) approach.

To the author’s best knowledge, this is the first study attempt to examine the level and efficiency change of Thai SMEs from the whole sectors. By examining technical efficiency of SMEs in Thailand, this study will add the contribution regarding the efficiency measurement of SMEs. Particularly, its usefulness to benchmarking is adapted in this research to provide an analytical, quantitative tool for measuring relative efficiency among SMEs. The entrepreneurs and policy makers could adopt the research results for benchmarking the performance of SMEs in Thailand and improving their efficiency level.

The remainder of this paper is organized as follows. Section 2 presents the literature review about SMEs efficiency studies. Section 3 provides research methodology. Specifically,
Data Envelopment Analysis approach, the data and sample are discussed. The empirical results are shown in Section 4. Finally, conclusions and discussion are provided in Section 5.

2. Literature review

Some studies found that SMEs were more efficient than large firms in some industrial sectors while other studies found them to be less efficient overall. These mixed evidences about how efficient SMEs are relative to larger firms are discussed in Little, Mazumdar, & Page (1989); Cortes, Berry, & Ishaq (1987); and Liedholm & Mead (1987).

There exist several studies have been examined the efficiency of SMEs using varieties of techniques in various study context. For example, Philippines (Mini and Rodriguez, 2000), Malaysia (Zahid and Mokhtar, 2007) and (Radam, Abu and Abdullah, 2008) and Iran (Gholami, Moshiri and Lee, 2004)

In Thailand, there are a limited number of studies examining the efficiency of SMEs despite the fact that SMEs have been playing a crucial role in Thai economy in terms of employment and its contribution to National Domestic Product. To the best of knowledge, these studies include Wiboonchutikula (2002), Meingchom (2007) and Charoenrat and Harvie (2012a).

This study will use DEA in measuring the level of technical efficiency of SMEs in Thailand. The DEA approach is chosen because the approach has some advantages include DEA focuses solely on productive efficiency and does not require the explicit specification of the form of the underlying production relationship. Furthermore, the method has proven to be valuable tool for strategic, policy and operational problems (Coelli et al., 2005).

Discussion and conclusions

This study aims to investigate the technical efficiency level and the efficiency changes of Thai SMEs using Data Envelopment Analysis (DEA) approach. The sample consists of 1,411 SMEs from various sectors: manufacturing, trade and maintenance and service sectors. The data from financial statements of SMEs during 2008-2010 are obtained from Ministry of Commerce database. The output measured by sales while input variables include COGS, total assets and operating expenses.

By applying DEA input oriented model, we conclude that Thai SMEs had low technical efficiency score at only 20-24 percent during 2008-2010. The empirical results reveal that Thai SMEs could reduce the resources usages which are Cost of Goods Sold, total assets and operating expenses at about 80 percent in order to produce at the same level of output. In addition, by using Malmquist Productivity Index, we found that during 2008-2010, Thai SMEs had lower technical efficiency changes level. However, these SMEs had higher technological changes level, therefore, the TFP changes level had improved.

This study uses quantitative data only in investigating the efficiency level and changes. Further study which considering qualitative data would make significant improvement. For example, the study that makes SMEs site visit and conduct dept-interviews in order to gathering qualitative data e.g. management’s ability, organization’s culture, employee’s attitude etc. would add value to the study. Then, ones could explore the relationship between those qualitative data with the efficiency score. The study that combines both quantitative and qualitative data in explore the efficiency level of SMEs would make substantial contributions.

References


THE USE OF COMMERCIAL CREDIT POLICY TO INCREASE THE COMPANY VALUE

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Abstract:

The objective of sustainable increase in company value involves as a major component the financial management of account receivables, as it represents the main interface of the company with the most important part of the stakeholders’ community. In this context, the account receivables have to be treated as a continuous short term investment the company makes in order to secure a stable and growing portfolio of customers.

In our article we are trying to set the commercial credit using an analytical framework that deals with quantity, prices, discounts, instead of using overall measures, such as sales turnover and profit. This approach allows the financial and sales managers to have a more efficient intervention upon the variables of the commercial credit policy, both in the ex-ante, setting phase of the commercial credit, as well as in the ex-post phase of analysis and correction of the results. Also, we have tried to connect the commercial credit policy with the need for a more efficient use of the existing production capacity, given the obvious cost and price advantages that a company gets when it increases the quantity of products sold.

Our paperwork is a theoretical approach that follows to offer a model for configuring the commercial credit policy by the mean of a qualitative approach that uses indexes, weights and the correlation between the evolution of quantity and the evolution of prices.

Keywords: financial management of account receivables; commercial credit policy; short term investment; variable cost margin; discount period; marginal profit.

JEL Classification: G31; G32

1. Introduction

Attaining the company’s primary objective of increasing its value implies a harmonization between the interests of the company and the interests of the other stakeholders, with a special focus on its clients.

The main vectors of achieving the objective of increasing the company value are the investments. The company has to invest in its employees, in new products and technologies, in tangible and intangible assets, in its image, in the local community in order to create the necessary capacities, abilities and development framework necessary for a long-term and sustainable increase of its sales and profits. Also, essential components of these investments are its clients. Even if the account receivables are short-term investments, the company has to plan and implement a well-defined strategy of customer-oriented actions. Part of this strategy involves granting constant commercial credit to its customers, which is actually a short-term but repeated financial investment.

Two important American authors (Brigham and Houston, 2009) maintain that credit policy is important because it has a significant influence on sales, determines the investment of the company in clients and it affects the losses from bad debt. Quite often, the companies are looking to correlate their commercial credit policy with the necessity of a better use of the existing production and selling capacity. This implies that they employ the commercial credit as a mean to increase the efficiency of past production and distribution investments.

In our approach we intend to present the setting of the commercial credit using an analytical context, which involves defining variables such as the quantity of products sold on discount, the quantity of products sold on credit, the discount price and the full invoice price. This action will allow the financial and sales departments of the company to employ more precise means in the ex-ante
setting phase of the commercial credit, as well as an improved set of tools of ex-post adjusting the parameters of the credit policy.

Conclusions

We have shown that the commercial credit policy should be correlated with the need for a better use of the existing production and selling capacities, given the usual response of the clients (of the demand) to the initiatives of the companies offering discounts. Normally, the clients will buy more should they receive a price discount.

In such a situation, the offering company cannot, in fact, increase the full invoice price as a reflection of the advantages received by the customer which delays his payment according to the conditions of the credit policy. The company actually decreases the price, mainly for the discount period buyers, which will register an advantage (equal to the discount), should they decide to use the cash payment.

For the offering company, the discount leads to a reduction in the selling price which is made possible by the decrease of the unit fixed cost component obtained as a result of the higher volume of physical sales allocated upon the same overall fixed cost. We have determined the index of the complete unit cost as a function of the weights of fixed and variable cost and the index of quantities sold.

Secondly, we have presented the way in which we can set the terms of the commercial credit policy taking into account the quantities, the prices, discounts and variable cost margins. The proper setting of these variables allows the managers from the financial and sales departments to configure the credit policy or to adjust it in the ex-post analysis and correction measures.

References

WEATHER EFFECTS ON RETURNS AND VOLATILITY: EVIDENCE FROM MOROCCO

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Abstract:
This paper seeks to examine the empirical association between weather and the Casablanca stock market returns and volatility. We choose stock indexes of three weather-sensitive sectors that account for 40% of Morocco’s GDP to test the impact of weather on the Moroccan economy. We use an autoregressive linear regression model for stock returns with a GARCH(1,1) process to capture time-varying volatility. Instead of temperature, we introduced two variables, Cooling Degree Days and Heating Degree Days, which constitute the most commonly used underlying for weather derivatives. Our goal is to motivate the introduction of these financial products in Morocco. Indeed, weather derivatives might be a good hedging instrument for weather risk.

Keywords: weather derivative, weather effect, index returns, volatility, GARCH.

JEL Classification: C22, C51, G10.

1. Introduction
Weather has a significant impact on several spheres of the economic activity. The list of activities subjected to the weather risk is long and includes energy producers and consumers [Mu, (2007)], agricultural producers [Sivakumar and Motha, (2007)], supermarkets chains, industry of leisure [Bank and Wiesner, (2011); Khattabi, (2009); Tang and Jang, (2011)] and food industry. The potential market related to this kind of risk is large in magnitude. According to Pollard et al., (2008), 70% of UK firms may be affected by the weather; in the USA, estimates suggest that between 25% and 42% of the US GDP is weather sensitive.

While severe weather and weather events impact all countries, they more severely impact developing countries and their economy. Just about the only sector of agriculture, the statistics are revealing. Whalley and Yuan, (2009) reported that the rural sector contributes 21% of GDP in India and 39% in Malawi, 61% and 64% of population in South Asia and sub-Saharan Africa are employed in the rural sector. In Morocco, three sectors (“agriculture, forestry and fisheries”, “energy and construction”, and “trade, hotels and restaurants”) that are subject to weather conditions account for 40% of the Moroccan GDP [Gommes et al., (2009); Requier-Desjardins, (2010); Sahay and Dorsey, (2011)].

Summary and concluding comments
In this study, we attempted to explore the effect of weather on returns and volatility of the Casablanca stock market. The choice of market index and weather variables was not accidental. Indeed, the three chosen market index account for 40% of Moroccan GDP. Furthermore, selected weather variables are those most used for the evaluation of weather derivatives. By studying the effect of weather (weather derivative variables) on the economy (financial variables), our motivation was

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mainly to show that an emerging economy such as the Moroccan economy would benefit from the introduction and use of weather derivative products.

Our approach was structured in three stages: (1) We started by building our weather variables. In this context, we used two temperature indexes with a threshold depending on the season. An empirical analysis based on daily observations for 30 years has allowed us to determine the warm and cold seasons in the Casablanca region and thus calculate the degree-days per season. (2) We did a regression of our market index returns on weather variables to determine the effect of weather on returns. And we found that overall, the three weather variables studied impact the market index returns at different levels of significance. (3) The impact of weather on the volatility has been shown by using a GARCH(1,1) model.

Overall, the empirical results shown in this study are consistent with previous studies. Nevertheless, this study introduces variables used in weather derivatives literature to study their impacts on financial index and thus motivate their use in the Moroccan market.

Acknowledgments

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References


EXPONENTIAL SMOOTHING TECHNIQUE IN CORRELATION STRUCTURE FORECASTING OF VISEGRAD COUNTRY INDICES

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Abstract:
The paper provides evidence on correlation structure forecasting techniques. We use index model parameters to forecast significant parts of securities returns volatility – systematic risk and specific risk. Except of this static perspective we have suggested, improved and dynamised these techniques with exponentially weighted moving average or EWMA variance and covariance forecast, which enables us to model time-varying beta coefficient as a significant part of systematic risk. That enables us to construct correlation structure of national index returns we have selected for the explanation of our methodology. As we discuss in final part of the paper some adjustment in EWMA Beta and other variables have to be done through application of Blume or Vasicek techniques. So we can forecast an appropriate correlation structure of returns which enable us to be better aware about potential exposures in market returns.

Keywords: systematic risk, exponential smoothing, country risk, Visegrad countries, time-varying beta

JEL Classification: C51, C52, G12, G32

1. Introduction

In 1952 Harry Max Markowitz (1959) published a revolutionary paper on how does one select an efficient set of risky investment or so called efficient frontier. This theory provides the first quantitative view of portfolios variance, where co-movements in securities returns are considered. So, the variance of portfolios is not a simple product of the particular investment proportion and their variances. Instead of it one has to consider covariance structure implicitly involved in multi-variate distribution of securities returns.

Some year later James Tobin, another famous economist, extended this perspective with the riskless investment involving in the model of the efficient frontier, where the first two moments of probability distributions are used. If we assume risk-free investment, the portfolio’s volatility of riskless and risky assets will be linear function of risky assets variance and their weights. This result has far reaching implications, we have got a straight line in the mean-variance space and any portfolio on this efficient line is a combination of the riskless asset and the tangential (also called market) risky assets portfolio. To depicture new created efficient frontier a quadratic technique can be used. We also can consider portfolio problems with different assumptions, where short sale are or are not allowed, and where either riskless lending or borrowing is or is not possible.

According to Elton et al. (2006) or Šoltés et al. (2003), casual observation of stock prices reveals that when the market goes up, most stocks tend to increase in price and vice versa. This can suggest that there is a reason security returns might be correlated because of common response to market changes. So in 70’s in the last century a number of economists were providing new models to reflect these relationships. So, the single-index or single factor models have been developed. Also very often used and applied model Capital Asset Pricing Model was developed independently by William Sharpe, John Lintner, and Jan Mossin. The model takes into account the sensitivity of capital assets to non-diversifiable component of risk (systematic risk), represented by the relative measure of risk in the form of beta (β) coefficient, as well as the expected return and expected return on the market theoretically defined risk-free asset, and that, based on defined assumptions.

Conclusion

The covariance matrix of the returns on a set of assets or risk factor is the cornerstone of traditional risk and return analysis. It is widely used to estimate the volatility of a portfolio, to simulate and forecast values for its particular risk factor, to allocate and diversify investments and to obtain so called efficient portfolios with optimal trade-off between risk and return. In the paper we provided
evidence on selected correlation structure techniques – linear index model and time series model, but especially exponentially smoothing technique. We decomposed the total risk in the parts of systematic and specific or residual risk, whereby we could implement EWMA technique for variance and covariance estimates. So we proposed and compute forecasted correlation structure for the Visegrad countries equity indices returns. In the discussion part of paper the tendency of Beta going toward to market portfolio Beta has been considered and some adjustment in the correlation structure through application of Blume or Vasicek techniques has been done. So we can forecast an appropriate correlation structure of returns which enable us to be better aware about potential exposures in market returns.

Acknowledgements

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References

PROPOSAL OF A NEW GUARANTEED CERTIFICATE USING EXOTIC OPTIONS

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Abstract:
This article deals with the issue of guarantee certificate formation on the financial market. The main objective is to design a new guarantee certificate suitable for conservative investors. We found an alternative opportunity to the purchase of this certificate, i.e. investment in a bank deposit, together with a purchase of cash or nothing down and knock-out portfolio call option and a sale of cash or nothing down and knock-out portfolio put option. In our analysis we use a novel approach based on profit functions.

Keywords: guarantee certificates, exotic options, barrier options, digital options, portfolio options

JEL Classification: G15, G11

1. Introduction

A significant decline on the financial market in year 2008 has forced many investors to modify their attitude to risk. Therefore, there is an increased interest in financial tools enabling at least partial guarantee of a price drop of the underlying asset. The reaction to this situation is a research which purpose on the one side is to offer such investing tools and on the other side to analyze structured products offered to investors by issuers. Hedging against a price drop of an underlying asset by means of option strategy using vanilla options is discussed in the works (Šoltés, V. and Amaitiek 2010 a,b). Hedging against a price drop of an underlying asset by means of option strategy using barrier options is discussed in the works (Šoltés, V. and Rusnáková 2012, Rusnáková and Šoltés, V. 2012, Šoltés, V. and Rusnáková 2013). Structured products combine multiple financial products, one of them being usually financial derivative, often plain or exotic option. In the recent years, structured products have become more and more exotic. The works (Šoltés, V. and Rusnáková, 2010), (Šoltés, V. 2011) are focused on several structured products formation using vanilla or exotic options.

Conclusion

The paper presents a proposal of the new guarantee certificate. Guarantee certificates generally guarantee 100% of the initial invested amount. Therefore they are suitable for conservative investor. A proposed guarantee certificate is appropriate for investors who do not expect a decrease under barrier level or a significant growth of underlying asset price.

In the first place the brief description of particular exotic options is introduced. This paper is focused on barrier option, mainly on their profit functions, buying a down and knock-out call options and selling a down and knock-out put options, description of portfolio barrier option and cash or nothing options as interesting types of vast group of exotic options. Following this, the exotic hybrid option - cash or nothing portfolio barrier option, its introduction, basic characteristics and profit functions from buying and selling of certain quantity were presented.

The practical part of this work demonstrates the application of exotic options in investment certificate formation. The basic features and derivation of the profit function from the purchase of this certificate were described. We found the alternative investment like an investment in a bank deposit, buying digital barrier portfolio put options and selling digital barrier portfolio call options that has the same profit profile as the certificate. Assumption of certain conditions for cash and nothing barrier portfolio options can declare that the profit function of alternative investment opportunities is equal to the profit function of proposed certificate.

References


TECHNOLOGICAL BREAK-EVEN POINT AND LABOUR PRODUCTIVITY: THEORETICAL AND EMPIRICAL ASPECTS

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Abstract
The proposal of this paper is to analyze the break-even point of technological implementation from a firm, in theoretical and empirical terms. First, I have defined the Technological break-even point by building an analytical framework. The analysis points out that technological implementation is a complex activity and technological gaps among firms depend upon different dynamic of net costs and net benefits generated by new technology. Second, I have verified the significance of technological break-even point by estimating, with an econometric analysis, the labor productivity function of Sylos Labini for Italian regions in the period 1998-2003 for the manufacturing firms. As results show, the technological break-even point is significant.

Keywords: break-even point of technology, labor productivity.

JEL classification: O14, O33, R11

1. Introduction
In this paper, I intend to address the issue of the effects that technological implementation technology can have on a firm through a theoretical and empirical analysis. I’m going to define the technological break-even point by building a framework consisting of some important heterodox theoretical contributions in this area of research. As the economic literature draws, innovation is the main tool for competitiveness in any firm. The introduction of new technology in the production process can take place through either technology transfer or through technology development within firm.

This process involves the entire production structure in terms of organization and competencies. Sometimes the successful results of a technology may depend precisely upon the outcome of this particular step. This paper focuses on this very crucial moment in productive process, by explaining what are opportunities and difficulties caused by the implementation of a new technology within firm. To this end, I am going to start by declining costs and benefits of the implementation of a new technology. I’m going to identify the technological break-even point. This is the point beyond which benefits from the implementation of technology outweigh costs. Furthermore, I intend to support, indirectly, some main features of theoretical study with an empirical analysis on Italian regions of manufacturing sectors in the period 1998-2003. Analytical framework and empirical analysis highlight that technological implementation is a complex process. In fact it involves non-trivial net costs as well as economic net benefits after the technological break-even point.

Conclusion
In this paper I examined the technological implementation in a firm, in terms of costs and benefits, by studying theoretical and econometric aspects. First, I built an analytical framework of theoretical contributions to identify a technological break-even point that is a point before which the net costs are positive, and beyond which the net benefits become positive. The components of costs concern economic and organizational costs, and investments in skills. The components of benefits concern technological appropriability and spill-over effects. The size of these components may also depend upon various institutional factors.

7 I would like to thank Marcella Corsi, Carlo d’Ippoliti, Paolo Palazzi, Alessandro Roncaglia for helpful comments and two anonymous referees. The usual disclaimer applies.
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Successively, I studied technological break-even point by an empirical point of view. I verified the significance and the sign of the effects of investments (current and past), which approximate the technology embodied in new machinery, on labor productivity growth rate, which can approximate net benefits. To this end, I estimated a productivity function à la Sylos Labini of Italian regions for different manufacturing sectors. The control variables are: time lagged growth rate of labour productivity; income growth rate -Smith effect-; the growth rate of relative labor cost (the difference between wage growth rate and machinery’s price growth rate) -Ricardo effect-. Instead the variables on which I focused the study are those regarding technological break-even point. They are time lagged machinery growth rate -Schumpeter effect- and current machinery growth rate -disturbance effect-. The econometric results validate the statistical significance of all components of productivity function. In particular, technological break-even point is verified: in fact the time lagged growth rate of machinery, of two years, has a positive effect, instead the current machinery growth rate has a significant negative effect.

References


CURRENT ACCOUNT ADJUSTMENTS AND REAL EXCHANGE RATES IN EUROPEAN TRANSITION ECONOMIES

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Abstract

One of key outcomes of open economy macroeconomics refers to a crucial importance of an investment-saving relation affecting a current account determination. However, despite a relative diversity in exchange rate regimes in European transition economies, there is still a substantial potential to analyze price effects of real exchange rate dynamics on current account adjustments. Rigorous investigation of relative changes in real exchange rates leading paths and associated adjustments in current accounts may reveal causal relationship between real exchange rate dynamics and international competitiveness in order to observe its redistributive effects. This purpose is even more significant provided that economic crisis has intensified redistributive effects that still provide quite diverse and thus spurious effects on current account adjustments.

In the paper we analyze main aspects of current account adjustments in European transition economies. Our main objective is to observe a relationship between real exchange rate dynamics and current account adjustments (in countries with different exchange rate arrangements). From estimated VAR model we estimate responses of the current account to the real exchange rate (REER calculated on CPI and ULC base) shock. To provide more rigorous insight into the problem of the current account adjustments according to the real exchange rate dynamics we estimate the model for each particular country employing data for two subsequent periods 2000-2007 and 2000-2012.

Keywords: current account adjustments, real exchange rate dynamics, economic growth, economic crisis, vector autoregression, impulse-response function

JEL Classification: C32, F31, F32, F41

1. Introduction

Macroeconomic stability and overall performance of the European transition economies during last two decades has been significantly determined by the exchange rates development. Large diversity in exchange rate regimes employed by individual countries and subsequent policy adjustments reflected overall improvements in macroeconomic performance and accelerated convergence toward western European countries during this period.

Relative importance of the exchange rate regime choice in determining international competitiveness of transition economies seems to be a frequently discussed area (particularly for understanding a wide variety of unique features of the transition process) not only by policy-makers but also academics trying to find some supportive considerations from empirical evidence on different samples of a wide variety of countries. At the same time it is necessary to highlight key outcomes of open economy macroeconomics emphasizing a crucial importance of an investment-saving relation affecting current account adjustments (intertemporal model).

Almost immediately after the beginning of the transition process countries from the past Eastern block has become a very attractive destination for foreign investors; the fact that even emphasizes the huge demand of this investments-intensive process for internal sources of a capital. However, persisting low domestic capital base put countries from the past Eastern block into the risk of lagging recession and thus it seems to be a crucial reason of early efforts toward capital account liberalization. At the same time, associated capital account surpluses (foreign capital inflows) helped transition economies to finance current account deficits. As quickly rising net debtors, countries from the past Eastern block had to avoid significant external imbalances in order to reduce pressures on their foreign exchange reserves. Persisting current account imbalances thus represented one of the most crucial risks associated with overall sustainability of rigid exchange rate regimes (either hard or soft pegged) in most countries (despite Romania and Slovenia that employed floating exchange rate regime during the whole period since the beginning of the transition process).

At later stages of the transition process European transition economies successfully improved conditions for maintaining their overall macroeconomic stability (in all countries from the past Eastern
block the initiation of this period refers to the beginning of the 21st century). As a result, most countries with soft pegged exchange rate regimes gradually increased flexibility of employed exchange rate arrangements and thus improved overall maneuverability of the exchange rate leading path (Mirdala, 2013). It seems that associated policy adjustments helped to increase fundamental interconnections between macroeconomic performance and exchange rate dynamics. Accelerated convergence toward western European countries associated with high real output growth rates implied increased intention to reduce excessive internal (fiscal deficit) and external imbalances (the current account deficit) to maintain fast economic growth (Siničáková et al., 2011).

High real output growth rates, EU membership as well as euro adoption perspectives strengthened appreciation pressures on nominal exchange rates in all European transition economies but countries with pegged exchange rate arrangements (Bulgaria, Estonia, Latvia and Lithuania) (Stavarek, 2012). Despite a relative diversity in exchange rate regimes in all ten countries there is still a substantial potential to analyze price effects of (externally (nominal) or internally (real) determined) real exchange rate dynamics on current account adjustments. Rigorous investigation of relative changes in real exchange rates leading paths and associated adjustments in current accounts may reveal causal relationship between real exchange rate and international competitiveness in order to observe its redistributive effects (Rusek, 2013). This purpose is even more significant provided that economic crisis has intensified redistributive effects that still provide quite diverse and thus spurious effects on current account adjustments. Even though the contemporary evidence on empirical validity of causal relationship between the real exchange rate and the current account seems to be limited (Arghyrou and Chortareas, 2008), we emphasize challenges addressed to the phenomenon of internal devaluation (Armingeon and Baccaro, 2012) and wide range of its direct and indirect effects in the Eurozone member countries (in general, principles and associated effects of internal devaluation may be applied in countries with rigid exchange rate arrangements too).

Despite the fact, there seems to be no real prospective alternative to euro adoption for the European transition economies, we emphasize disputable effects of sacrificing monetary sovereignty in the view of positive effects of exchange rate volatility and exchange rate based adjustments in the country experiencing sudden shifts in the business cycle. On the other hand, due to existing diversity in exchange rate arrangements in the European transition economies in the pre-ERM2 period there seems to be two big groups of countries - “peggers” (Bulgaria, Estonia, Latvia, Lithuania) and “floaters” (Czech republic, Hungary9, Poland, Romania, Slovak republic, Slovenia). Effects of the real exchange rate dynamics on the current account adjustments in both groups of countries can be conventionally interpreted as the crucial contribution in understanding fixed versus flexible exchange rates dilemma (Mirdala, 2013). At the same time, macroeconomic effects of different exchange rate arrangements during the crisis period may provide a better insight into suitability of relative exchange rate volatility in each individual economy during sudden changes in the business cycle.

In the paper we analyze main aspects of current account adjustments in European transition economies. Our main objective is to observe a relationship between real exchange rate dynamics (in countries with different exchange rate arrangements) and current account adjustments. From estimated VAR model we estimate responses of the current account to the real exchange rate (REER calculated on CPI and ULC base) shock. To provide more rigorous insight into the problem of the current account adjustments according to the real exchange rate dynamics we estimate the model for each particular country employing data for two subsequent periods 2000-2007 (pre-crisis period) and 2000-2012 (extended period). In both models for each country we alternate both CPI and ULC based REER. We suggest that a comparison of results for models with different time period is crucial to understand redistributive effects of the economic crisis in the view of changes in real exchange rates determination capabilities in the group of ten countries from the past Eastern block.

Following the introduction, we provide brief overview of theoretical concept referring to relationship between real exchange rate dynamics and current account adjustments in the Section 2. In Section 3 we provide an overview of the current empirical evidence about current account adjustments and real exchange rates dynamics. While the area of our research seems to be well documented in current empirical literature it seems that effects of real exchange rates on current accounts are unclear

9 Hungarian forint operated during pre-crisis period in de facto fixed peg regime, but due to substantial range for fluctuations provided by wide horizontal bands it was included in the group of countries, so called “floaters”
or even puzzled. In section 4 we observe main trends in the current account development in European transition economies and highlight some stylized facts about common implications resulted from its determination. In Section 5 we provide a brief overview of the VAR model (recursive Cholesky decomposition is employed to identify structural shocks) we employ to investigate responses of the current account to negative one standard deviation REER shocks. In section 6 we discuss main results.

Conclusion

Real exchange rates determined current accounts in all ten European transition economies in the line with economic theory (despite relatively limited empirical evidence) in both pre-crisis and extended periods. However, we have observed some specific implications of the distortional effects caused by the unexpected real exchange rate shifts during the crisis period that may be a subject of further academic discussions focusing on wide causalities of the economic crisis. Our results also revealed possible causality between exchange rate arrangements and the way that the exchange rate shock affects current account adjustments. Thus, our investigations may be a relevant contribution to the fixed versus flexible exchange rate dilemma that seems to be a crucial part of discussions related to the wide variety of implications of sacrificing monetary sovereignty in Eurozone candidate countries.

Comparison of current account adjustments followed by the CPI based REER shocks in European transition economies for both pre-crisis and extended periods revealed several crucial implications. Current accounts in both groups of countries seem to be vulnerable to effects associated with real exchange rates (determined by relative consumer prices) dynamics. During the pre-crisis period, current accounts in the group of “floaters” seem to be more vulnerable to unpredicted real exchange rate shocks. Despite slightly delayed load of a positive effect (in comparison with countries from the group of “peggers”) its durability was obviously higher. Our results for the extended period suggest increased short-term exposure of current accounts of both groups of countries, though markedly higher in the group of “floaters”, to the exchange rate shocks but with reduced durability of effects.

The overall exposure of current accounts to sudden ULC based REER real exchange rate shocks increased in both groups of countries during the crisis period. At the same time it seems that current account improvements occurred with reduced lag in both groups of countries (in comparison with the pre-crisis period). On the other hand, real exchange rate (determined by unit labor costs) shocks affected current account adjustments with generally higher intensity in countries from the group of “floaters”.

Improvements in current accounts followed by exchange rate shocks in European transition economies seem to be sensitive not only to the exchange rate arrangement but also to processes determining internal changes in relative competitiveness (relative dynamics in consumer prices and labor costs). As of changes in relative international competitiveness and associated cross-country expenditures shifts are more vulnerable to adjustments in consumer prices than labor costs.

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References


DIVERSIFICATION AND DEVELOPMENT OF THE UNITED ARAB EMIRATES’ ECONOMY

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Abstract: This contribution examines the major features of UAE’s economy, its factors of strengths, underlying also its critical aspects. Furthermore, the work focuses on the crucial factors that characterize a diversified knowledge economy and indicates the policies that the economy of the United Arab Emirates must pursue in order to improve its performance and be a competitive economy at a global level. In addition, the paper seeks to identify new business areas for the diversification and development of the UAE’s economy.

Keywords: diversification, knowledge economy, institutions, innovation, development

JEL Classification: O11, O14, O31, O33, O38, D83, J2

1. Introduction

Today the United Arab Emirates (UAE) is the second largest Arab economy and belongs to high income countries, even if the road towards this goal was different than many other countries. In fact, the UAE has not gone through the hypothetical “stages” that most developed countries seem to have experienced. Massive oil revenues have enabled the UAE to short-cut the usually difficult and lengthy process of saving and capital accumulation necessary for economic development (Shihab, 2001).

From 2000 until 2012, the UAE GDP growth rate averaged 4.7 per cent, a good performance considering the severe global economic crisis of 2009. In particular, in 2012 the economy of the United Arab Emirates has witnessed a growth of about 4 per cent despite the difficulties posed by the eurozone and the global outlook negative. Although the relative contribution of the different economic sectors to GDP has shifted considerably over the years, the oil and gas sector represents the largest share in the GDP of the United Arab Emirates, since the country is endowed with vast resources of oil and gas. So the UAE’s economy has still a relatively high concentration of GDP in the oil sector and in related industries, and diversification is not fully satisfactory. Such type of economic model cannot be considered inherently sustainable in the long run, because it depends heavily on the dominant sector’s fortunes in the marketplace.

Historically, the UAE, as many other economies of the GCC region, particularly the Kingdom of Saudi Arabia (KSA), Kuwait, Qatar, was very sensitive to changes in the prices of oil. On the other hand, the non-oil sectors have not fully matured and still have pervasive structural weaknesses, such as inefficiencies in labor, capital, knowledge and technology.

Taking as its starting point the Vision 2021 of the Federal Government of the UAE, which aims to transform the economy into a more skill-intensive and diversified knowledge economy, this paper examines the major features of the UAE’s economy, its factors of strengths, underlining also its critical aspects. In addition, the work, focusing on the key factors that characterize a diversified knowledge economy, indicates the policies that the economy of the United Arab Emirates should pursue in order to improve its performance. Lastly, the paper attempts to identify new areas of business for the diversification and development of the UAE’s economy.

This contribution is a revised version of the speech given at the Global Business Meeting, 8-9 December 2012, in Ras Al Khaimah, United Arab Emirates. I wish to thank Dr. Ibrahim Guizani and Bruno Sergi for reading the paper and for their stimulating comments. The author remains solely responsible for the opinion expressed and any errors in the paper.

Rostow (1960).
Conclusions

This contribution has emphasized the key factors that characterize a diversified knowledge economy, but also it has indicated the policies that the United Arab Emirates should pursue in order to diversify and develop its economy and improve its performance at a global level.

The economy of the United Arab Emirates will continue to rely on the hydrocarbons sector to drive growth, but the non-oil sector is becoming increasingly important, thanks also to the major industrial projects that will come on stream in the next years and to its 2021 Vision, which aims to place innovation, research, science and technology at the centre of a knowledge-based, highly productive and competitive economy. UAE remains the top destination for foreign capital in the GCC region. Since 2009, global banks have actually increased lending to the United Arab Emirates, notwithstanding already high exposures. Moreover, the UAE in general, and Abu Dhabi in particular, have extensive sovereign wealth funds (SWFs), established to secure and maintain the future welfare of Emiratis, playing also a leading role in the development and governance of the industry.

Despite all of that UAE’s Government should improve the regulatory systems, as it has been argued in the previous sections. More should be done, especially regarding the overall investment regime that remains restrictive. The objective of macroeconomic stability, through effective monetary, fiscal and exchange rate control policies, is also essential to implement structural reforms and to facilitate the action of investors. Although, in the current economic scenario, it is possible that there could be problems of increasing financing costs due to the increased global risk aversion influenced by the geopolitical tensions in the neighboring countries and the financial problems in the euro-area.

The functioning of labor market must be improved, so to make possible to create more productive employment. Also total factor productivity must be increased to foster growth. In addition, the gender gap must be passed within a period of time not too long and the young generations should find more opportunities for entrepreneurship and business activities.

Since the key drivers of a developed knowledge economy are technology, innovation and high quality education, then research and development must be at the center of government policies of the UAE, as well as higher education. But also the environmental policy is another important aspect for implementing a new growth model.

Finally, the new areas of business should be identified in the innovative industrial activities and innovative services, professional and technical, whose products and services, with high knowledge-intensive, must be allocated not only to domestic market, but predominantly to foreign markets.

References


COMPOSITE LEADING INDICATORS OF ECONOMIC CYCLES IN POLAND AND SLOVAKIA

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Abstract:
The main objective of this article is to suggest and create the composite leading indicators for a short term prediction of the business cycles in Poland and Slovakia. In the theoretical part we define the composite leading indicator and its importance for the monitoring of the economic cycles. We describe in detail the methodologies of the OECD and the Eurostat, which deal with the prediction of the business cycles in Poland and Slovakia through selected economic indicators and the reference series, which represent the economic cycle of these countries. Based on the performed analysis we define the groups of leading, coincident and lagging indicators. Subsequently, we choose out of the leading indicators group those that are the most appropriate for the creation of the composite leading indicator (CLI). Then we create the CLIs and we study their prediction abilities through the values of the cross-correlations. Besides the creation of our own CLIs, we also compare these CLIs with the CLIs of the Eurostat and OECD and bring the conclusions on suitability or unacceptability of the individual CLIs for a given V4 country. The paper was elaborated within the project VEGA 1/0973/11.

Keywords: business cycle, composite leading indicator, reference series, cyclical indicator

JEL Classification: E3, E32

Introduction
Business cycle was at the forefront of the economic research interest in the 20s and 40s of the 20th century. The main reason was the unstable economy and subsequently the Great Depression in the 30s. It seemed like in the 50s and 60s the economic cycle was “dead”, however the 70s and the oil crisis revived it and at the same time new economic theories attempted to explain the causes of the economic cycle (Kydland, Prescott 1990).

The new wave of interest in the economic cycle, and mainly in possibilities of its prediction, came with the World Financial Crisis in 2007, which hit mostly the developed countries. Many economists started to study not only the causes of this crisis, but also the possibilities of its prediction through the different econometric models. There are indicators in the economic practice, which are able, on a certain level, to provide a short term prediction of the development of economic cycles and accordingly warn against the possible negative development of the economy. The composite leading indicator is one of these indicators. The objective of this article is to suggest the measurable composite leading indicators, which are convenient to predict business cycles in Slovakia and Poland and then compare these indicators with the indicators of the Eurostat and OECD that have been used up to now.

Conclusion
Our paper focuses on the formulation of the composite leading indicators for the short term prediction of the business cycles in Poland and Slovakia. We found out that the CLIs are generally an appropriate tool for the prediction of the cyclic behavior of economy; however, their composition must be adjusted to the economic particularities of a given country. By applying the selected approach, we created such CLIs for Poland and Slovakia, which are able, by their compositions, predict the business cycles more precisely than the CLIs used by the Eurostat or the OECD. That does not mean that we consider the CLIs of these institutions as completely inappropriate. On the contrary, we recommend the simultaneous combination of the CLIs created by us and the CLIs of the Eurostat and the OECD. Consequently, false signals of the individual CLIs can be minimized.
Nevertheless, in the case of Slovakia, we would use the OECD’s CLI rather under the form of a coincident than a leading composite indicator. Creation of our own CLIs has proved that in spite of different CLIs composition, several common features can be found in Poland and Slovakia.

The indicators of stock market or industrial indicators are appropriate for the business cycles prediction in Poland and Slovakia. This means that business cycles in Poland and Slovakia can be predicted through similar economic indicators. In general, if this composition was the same (as it is in the case of the Eurostat’s CLI), we would not reach such good predictive abilities as we can get at the different composition of the CLI that we created. The selection of the components of the CLI has to be done very strictly; as other compositions do not guarantee better predictive abilities (see the OECD’s CLI for Slovakia).

References


The 6th Online International Conference on „Advanced Researches in Management, Finance and Accounting"
Craiova, Romania, 22th November, 2013

Maintaining the tradition of annual conferences, Faculty of Financial Accounting Management and CESMAA organize this year the International Conference dedicated to the „Advanced Researches in Management, Finance and Accounting“. Each year, Research Center, CESMAA of Faculty of Accounting and Financial Management, Craiova provides an opportunity to meet and network with a diverse range of industry leaders and senior professionals through the academic area from the entire world of Economic Sciences.

To resolve the funding issue concerning the conference expenses, European Research Center of Managerial Studies in Business Administration will organize, in 22th November, an online session as an alternative approach for participation. Those who would attend to International online conference will be awarded with a certificate and their accepted papers will be considered for publications in Journal of Applied Economic Sciences and Journal of Applied Research in Finance.

Conference aims is to promoting research and provides an opportunity for intensive interdisciplinary interaction and debate between academics and practitioners with research interests in the field of economics, finance, accounting, business, marketing, management, and information technology. The conference has grown over the years and now attracts researchers of major institutions internationally.

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- Accounting Challenges – Strategic Accounting;
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- Forensic Accounting and Fraud;
- Tax Accounting and Fraud;
- Prevention of fraud and unacceptable accounting practices;
- Information security audits;
- Best Practices in Corporate Governance;
- Asset-liability management;
- Bank assurance;
- Banking crises;
- Corporate finance;
- Credit risk modelling and management;
- Financial engineering;
- Foreign exchange markets;
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- Mergers and acquisitions;
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