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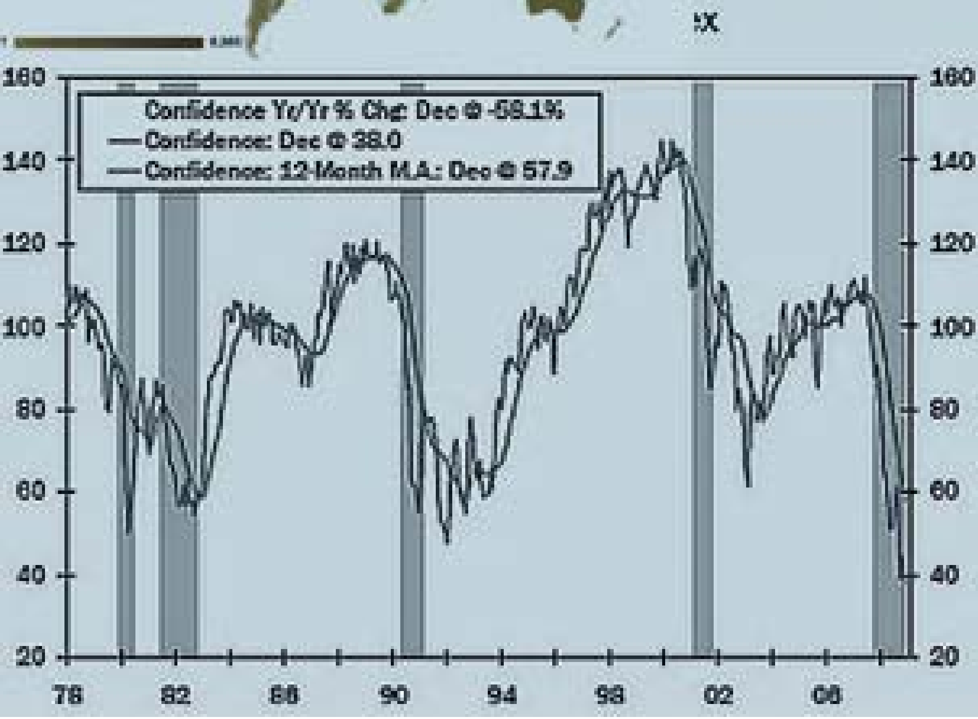

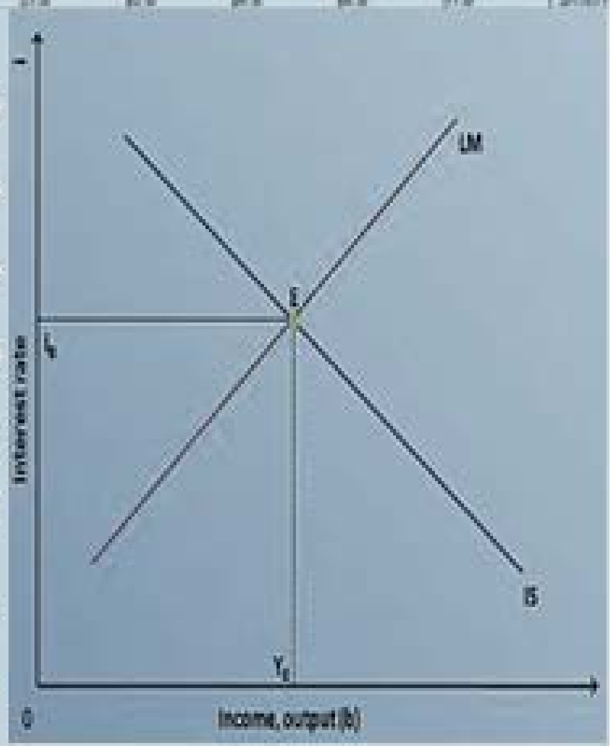

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http://www.hej.hyperion.ro hej@hyperion.ro

CONTENTS

ADAPTING TO CHANGE: KEY TRANSFORMATIONS IN EU TELEWORK DURING AND BEYOND COVID19

Dalina-Maria ANDREI[1]
Institute for Economic Forecasting, Romanian Academy

ABSTRACT: *This paper investigates from a statistical perspective, the significant transformations that occurred in the organization of work as a result of the COVID-19 pandemic in European Union (EU). The analyzes are based on data obtained from a multi-stage Eurofound survey known as Living, Working and COVID-19, at the request of the International Labor Organization (ILO). Some important aspects are examined : (i) first of all, the frequency of workers' commuting to work before the pandemic is compared with the situation of those who adopted teleworking exclusively as a result of the pandemic; (ii) paper also explores the places where the employees from the member states of the European Union carried out their activity during pandemic; (iii) the analysis also focuses on the number of hours worked and changes in this regard in each state ; (iv) finally, employee work performance is examined both from a quantitative and qualitative perspective, considering the restrictions imposed by the pandemic and the fluctuations in the number of hours worked. All these aspects are referring only to some changes brought by the pandemic on the labor market, underlining the need for adaptation and adjustment in a constantly changing context.*

Keywords: *remote work, work from home, telework, COVID-19, European Union, Romania*

JEL Classification : *J81, J21, J24, O52*

1. INTRODUCTION

Differences subsist among EU member States on concepts like: *remote work, teleworking, working at home* and *home-based work* (ILO,2020). *Remote work* encompasses tasks performed by both dependent and independent workers and occurs when work is conducted fully or partially outside the traditional workplace, which may or may not include the home environment (European Parliament, 2021). In contrast, *telework* typically applies to employed individuals and involves the utilization of information technology and digital tools (Mandl et al., 2015; Messenger et al., 2017; Eurofound, 2020b). On the other hand, *working from home* specifically refers to work carried out entirely or partially within the confines of one's own residence, a practice also applicable to both dependent and independent workers, and may not always involve the use of digital devices (European Parliament, 2021).

International Labor Organization (ILO) published in May 2020 guidance in defining and measuring the distance work - i.e. *"Defining and measuring remote work, telework, work at home and home-based work"*. This guidance was intended to strengthen the four concepts

[1] Ph.D., Scientific Researcher III, dalinaandrei@yahoo.com

for the help of national statistic synchronized reports, including data collection at the national level. The countries' feed-back was expected since April 2021, but surprisingly no country produced this kind of reports – i.e. based on such new guidance. This made necessary new special and specialized studies at the EU level, especially for telework – i.e. before and during the Covid-19 pandemic.

A description of distance work/ telework will be seen below mostly basing on data from the *European Working Conditions Survey* (EWCS), done by *European Foundation for the Improvement of Living and Working Conditions (Eurofound)* – i.e. this will be for deepening conclusions on telework and its consequences /impact on humans' life during the pandemic in the EU and Romania.

2. METHODOLOGY AND DATA COLLECTION

Eurofound has been collecting data since 2015 on a range of variables that enable the measurement of remote work in a comparative manner across EU member countries, notably through the European Working Conditions Survey. The Eurofound survey conducted during the pandemic, known as the Living, Working, and COVID-19 survey, was carried out in EU countries through three stages. The first stage occurred during the April-May interval, followed by the second stage in June-July of the same year (2020), with the third stage taking place in the following year (2021) during the February-March interval.

As outlined in the paper abstract, Eurofound's comprehensive questionnaires addressed to workers in the EU reveal a nuanced understanding of the pandemic's impact. Therefore, there we briefly here developed some results published by Eurofound, using its interactive database. This live survey of Eurofound was called *"Living, working and COVID-19"* and started in the April-May 2020 as the result of the International Labour Organization (ILO)'s recommendation to the EU space in the interest of how people were living and working there (Andrei,2023).

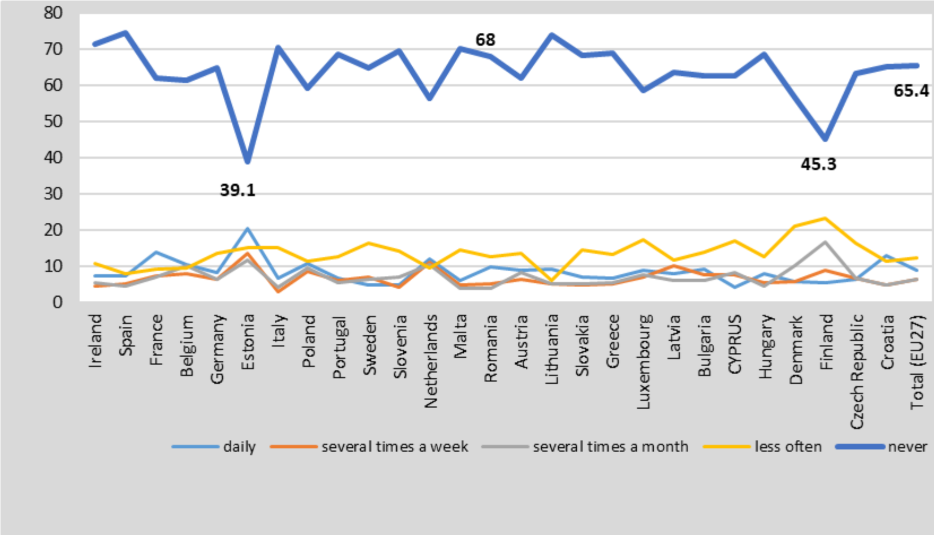
The survey has been made as electronically in all the EU member countries on representative employee samples and by several rounds both in 2020 – i.e. in April-May, when lockdown in most EU member countries – and in 2021 – i.e. when society and economy were entering a step by step opening phase in part of these countries, but in others a new restrictions wave was preparing.

3. RESULTS AND DISCUSSIONS

Frequency of working from home in the EU before the outbreak

The primary survey rounds revealed that the employees in the EU were starting the work-at-home experience as the consequence of the lockdown and the others measured taken by the authorities in the healthcare related crisis context. 65.4% of respondent employees in the EU region had never worked from home before the pandemic and the rest of 34.6% had done it at least on occasions (Figure 1).

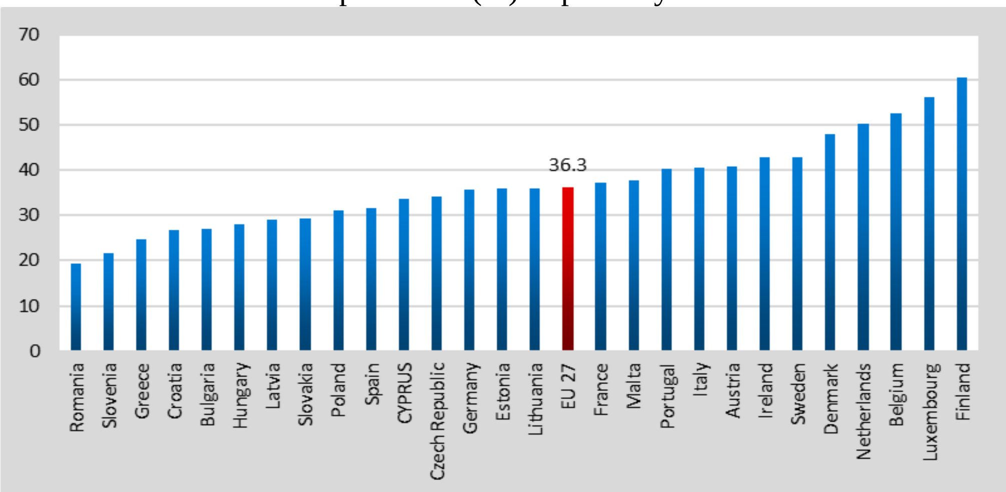
Figure 1. Frequency of working from home in the EU before the outbreak, expressed as a percentage, during April/May 2020



Source: Eurofound (2020)

Throughout the EU region, Romania had the lowest percentage of respondent-employees working-from-home (19%) strictly as an effect of the Covid19 pandemic while this highest corresponding percentage was in Finland, 61%. (figure 2). the EU member countries' average was 36.3% and other above average countries as such were Luxembourg, Belgium, Netherlands and Denmark, all with actually more than 50%, a group followed by Ireland, Austria, Italy and Sweden with about 40% of respondents also recognizing the new situation as the effect of the pandemic. Romanians proved less experienced in this before the pandemic (Eurofound 2020).

Figure 2. EU respondents who started to work from home strictly as an effect of the Covid19 pandemic (%)- April/may2020



Source: Eurofound (2020)

Location of work during the Covid19 pandemic

Throughout the survey's three rounds deployed, the same employees worked either at home, or in other locations/ headquarters/ work-points, therefore the percentages do not add up to 100%. The whole EU region's 36.3% average for working-at-home employees found in the April-May 2020 1st round then rose to 44.3% in the 2nd June-July round of the same year. Most employees (i.e. 51.2%) remained to work in the employer's headquarters and work points; the rest in other places roughly according to the work specific and others related to. In the 3rd round of this same survey, i.e. February-March 2021 the weight of working-at-home employees started diminishing, i.e. 42.2% in the E.U countries, in favor of those going back to the employers' places, i.e. about the rest of 58.5% (Andrei,2023)

- ***Changing in working hours in the E.U member countries during Covid19 pandemic***

The lockdown, again, has strongly influenced the work time throughout the E.U region. So, in April-May 2020 the number of hours worked clearly here diminished – i.e. actually 32.4% of the interviewed employees was saying so, while another 31.5% comparable part of the interviewees said they were working the same time as previously. It is also true that percentage results appear different in different countries. One third of the E.U member States accused a lowering of the work time in the pandemic interval, e.g. Croatia, Cyprus, France, Greece, Italy, Malta, Spain and Romania. But similarly to the whole rest of the EU, in Romania 36.7% of the interviewees said the number of working hours had gone down and another 30.2% said the work time had stayed the same as previously. Finally, see the next Table 1 for two groups of EU member countries according to changes happening to the work time of employees during April-May 2020 (Andrei,2023).

Table 1. EU -Change in working hours by countries (% of respondents); 2020 Apr/May

Stayed the same				**Decreased a lot**	
Austria	32.6	Latvia	37.8	Croatia	37.0
Belgium	34.0	Lithuania	41.2	Cyprus*	42.3
Bulgaria	36.2	Luxembourg	36.3	France	46.0
Czech Rep.	40.1	Netherlands	37.3	Greece	51.8
Denmark	42.9	Poland	33.1	Italy	43.7
Estonia	36.7	Portugal	33.8	Malta*	36.2
Finland	52.5	Slovakia	37.6	Romania	36.7
Germany	36.9	Slovenia	35.5	Spain	35.3
Hungary	42.8	Sweden	54.0	Total (EU27)	32.4

Source: Extracted from Eurofound, 2021 data

In June-July 2020 – i.e. when the primary anti-pandemic restrictions were lifted and an important part of the employees then went back to their previous work places - in only 4 countries the work time was seen going down – i.e. Greece, Portugal, Italy and Spain -, while in the rest of the Union, the former working time was going to recover (Table 2).

Table 2. EU- Change in working hours by country (% of respondents);2020 Jun/Jul

Stayed the same				Denmark	55.4	Netherland*	49.7	**Decreased a lot**	
Austria	31.5	Hungary	40.9	Estonia	50.3	Poland*	30.5	Greece	32.3
Belgium	38.2	Ireland	33.9	Finland	43.4	Romania	36.9	Italy	30.5
Bulgaria	44.6	Latvia	43.7	France	32.4	Slovakia	43.1	Portugal	26.3
Croatia	49.0	Lithuania	41.1	Germany	44.0	Slovenia*	43.3	Spain	27.7
Czech Rep.	42.7	Luxembourg	32.8	Total (EU27)	36.3	Sweden*	45.9		

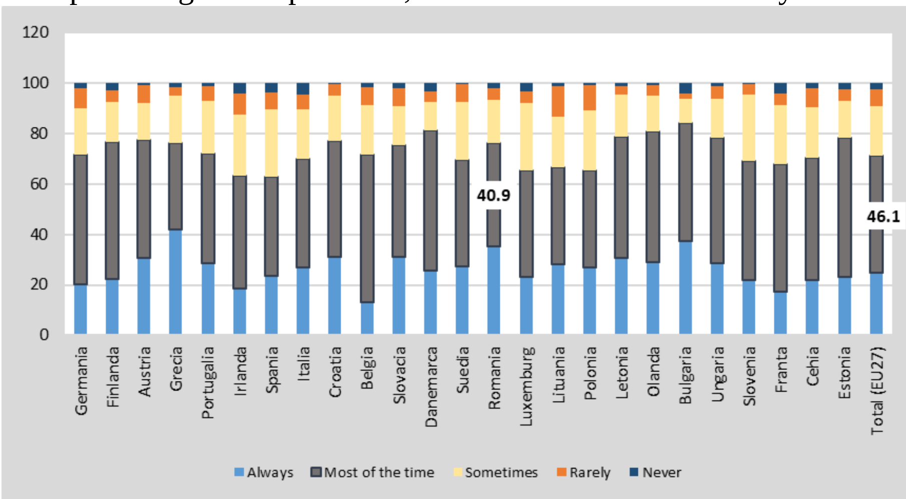
Source: Extracted from Eurofound, 2021 data

The weekly average number of hours worked in the EU went about 41.5 in June-July 2020 and 40.1 in February-March 2021. Of these totals of hours worked, the worked-at-home ones were about one third (34%): 14.2 hours worked at home within the EU in June-July 2020 and 14.5 in in February-March 2021.

Employees performance of work - Quantity and quality

At the EU level 40% of the interviewed employees claimed the quantity-performance of work as staying the same in pandemic. In other words, the workers' performance would not have varied with the pandemic in both variants of less or of the same work time. However, in Greece, Italy and Cyprus it is rather about the same between the performance staying constant and the one significantly decreasing. As for the quality of the same work done most interviewees also said it was the same as before the pandemic, and this once more when quantity – i.e. number of hours worked – had gone down. 46.1% of the EU respondents, after reassessing all their own work performances, concluded as such while 32.4% of respondents admit that the hours worked had diminished. It was rather the same for Romania, where 40.9% of respondents saw their quality of work rather constant for most of the time (Figure 3).

Figure 3. EU- working performance (quality) during the pandemic across EU countries, as the percentage of respondents, based on data from June/July 2020



Source: Eurofound, 2021

And now there can be said that the first conclusion, an interesting one, is already here approached: neither the pandemic restrictions, nor the lockdown with the work-at-home alternative have lead to diminishing the work quantitative and qualitative performances, according to data extracted from Eurofound survey.

4. CONCLUSIONS

It seems that prior to the recent Covid19 pandemic in the mind of both the employee and the employer, the office place was the main, if not the only accepted place of employment. Then, due to the pandemic with its lock down, social distance and related measures taken by the authorities the employers saw themselves forced to accept their establishments leaved empty and to proceed to organizing other places for work (KCS, 2020). "*Work is what you do, not where exactly you are when doing it*" seems an actually old expression today updated as it was from the beginning. As for the EU Organization ILO and Eurofound proceed together to that large Survey regarding the pandemic period and work-at-home in all the EU member countries (ILO 2020) -i.e. data comparability on both. Eurofound succeeds to reveal enough profound aspects related to the Pandemic's effects, but first to the human perception, here including physical and psychical affections, plus the employees' options for the post-pandemic future.

In its work order, Eurofound finds that a majority of 65.4% of employees never did work from home before the pandemic and the rest of 34.6% did it at least on occasions – as correspondingly, in Romania, 68% of interviewees never worked from home before the pandemic and the rest of 32% did it in diverse forms, e.g. daily, a few times a week/ month or more rarely. Then, the weight in the total employees of those who started working at home directly as the result of pandemic was as high as 36.3% for the whole EU (Andrei,2023).

The *weekly average number of hours worked* by the interviewees in the EU went as high as 41.5 hours in June-July 2020 and 40.1 hours in February-March 2021.One third of this average number of hours worked a week was made by the work-at-home: 14.2 hours a week in June-July 2020 and 14.5 hours a week in February-March 2021(34-36% of total for both).

In this same survey context respondents have got about equally divided about yes and no worked time significantly reduced in pandemic between, respectively, 32.4% and 31.5%. But despite such a difference of opinions on the worked time, the work performance, in quantitative and qualitative terms, was viewed as similar before and during the health crisis – i.e. 40-46% for the EU respondents.

With the decline in the number of Coronavirus cases and the easing of pandemic intensity, the question of whether to continue working from home or not became prominent for both employees and employers. The Eurofound survey results shed light on employees' preferences regarding continued remote work during the pandemic period. Interestingly, a significant majority of employees expressed a preference for working from home a few times a week, which contrasts with the preference of other employees to return to their former workplace.

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DIGITIZATION OF ACCOUNTING SERVICES USING OPEN BANKING TECHNOLOGY

Leliana Diana BOLCU[2]
Lucian Cosmin BĂDĂLĂU[3]
Veronica ȘTEFAN[4]
„Valahia" University of Târgoviște, Romania

ABSTRACT: *At the present time, in Romania, the development of online services in the financial field is in a continuous change and adoption of new technologies. The tools used on the financial-banking market in our country differ from the tools used in Western European countries where this field has implemented a series of technological means in order to make services in the financial field more efficient. Open Banking, through open data standards and the interconnection of financial institutions, enables fast and secure access to customers' financial information, creating an enabling environment for automating repetitive tasks and providing personalized accounting services. Through this paper, we follow the analysis of accounting services through Open Banking technology as a significant trend in the financial-accounting sector in Romania, which offers important opportunities for streamlining processes and improving the quality of services. In order to achieve the research objectives, we will use content analysis as a research method by studying specialized articles published in recent years and up to now. We believe that the eventual outcomes of using Open Banking will consist of identifying the first stages of a digital transformation model that could benefit both accountants and their clients. However, the digitization of accounting services with the help of Open Banking technology can also bring challenges related to data security and confidentiality of financial information. In conclusion, the digitization of accounting services with the help of Open Banking technology represents a significant evolution in the field of accounting, bringing significant benefits to accountants and their clients. By correctly implementing technological solutions and appropriate security measures, this transformation can contribute to increasing the efficiency and quality of accounting services in the digital age.*

Keywords: *digitization, Open Banking, financial institutions, accounting services.*

JEL Classification: *M40, M42, M48.*

1. INTRODUCTION

In a constantly evolving financial landscape, dominated by technological innovations and significant changes in consumer behavior, the concept of digitization and open banking has become increasingly relevant in the context of the financial sector in Romania and around the world. In a world marked by the rapid development of technology and increasingly complex

[2] PhD. Student, leliana_d@yahoo.com
[3] PhD. Student, lucian.badalau@valahia.ro
[4] PhD. Professor, veronica.stefan@valahia.ro

customer demands, financial institutions and financial services companies face significant pressure to adapt the way they operate and provide innovative solutions to meet their needs.

This article aims to bring to attention the impact of digitization and the concept of open banking on accounting services within the financial sector in Romania. In recent years, Romania has experienced a significant growth of the fintech industry and has adopted more and more technological solutions in the financial sector. The concept of open banking, with its open data standards and the interconnection of financial institutions, has brought a new dimension to the provision of financial services, enabling fast and secure access to customers' financial information.

Through this paper, we aim to analyze and understand to what extent digitization and open banking have influenced and can continue to influence accounting services in Romania. We will investigate the opportunities and challenges these trends bring to the accounting field and explore ways in which accounting services can be streamlined and personalized in an increasingly digitized financial environment.

To achieve these objectives, we will use content analysis as a research method, studying specialist articles published in recent years and up to now in the field of digitization and open banking. We will focus on identifying the directions and stages of digital transformation in the financial sector and examine how accounting services can evolve to adapt to these technological changes.

Next, the article will focus on a detailed analysis of the specialized literature, presenting the recent trends and developments regarding digitization and open banking in Romania. We will also explore how these trends may influence and transform accounting services within our country's financial sector.

2. THE STUDY OF SPECIALIZED LITERATURE

In recent years, technological advances have induced changes in the way companies in various industries operate, generating new opportunities and business models. In the financial services sector, digitization has generated a significant transformation, while strengthening new industries such as fintech and allowing these new players to enter the financial market alongside traditional financial and banking institutions [BinSaeed et al., 2023].

Thus, the integration of digital solutions not only led to the increase of operational efficiency, the improvement of security measures and the customization of offers, but also facilitated the transition to an efficient financial ecosystem, open to innovation and focused on customer requirements. Amidst the global health crisis, companies have been involved in adopting technological solutions within their operations [Danaila et al., 2023].

Thus, in 2021, over half of European businesses have allocated investments for the implementation of digital solutions, according to a survey carried out by the European Investment Bank (European Investment Bank, Digitalization in Europe 2022-2023. Evidence from the EIB Investment Survey [EIB, 2023].

The implementation of technological processes has resulted in increased operational efficiency and the ability to cope with critical periods within companies. At the same time, it promoted online commerce and facilitated the transition to sustainable practices, given the efforts to reduce the impact of climate change [Radu, 2011].

In Romania, the digitization process within companies is at an early stage, but there is a growing trend among businesses to adopt digital solutions. According to a study published by the European Investment Bank in 2022, the percentage of Romanian companies that have implemented technological solutions is higher than the European average, reaching 73% compared to 63% at the European level. However, there is a low rate of information exchange among enterprises and a basic level of digital intensity at the level of small and medium-sized enterprises, with figures of 17% and 22% respectively, according to the Digital Economy and Society Index (DESI) (European Commission, Digital Economy and Society Index in Romania, 2022) of the European Union. This situation prevents the country's economy from fully capitalizing on the opportunities offered by digital solutions.

The Romanian Fintech Association, in partnership with Bucharest Business School, which is part of the Bucharest Academy of Economic Studies, and with the support of Raiffeisen, presented the "FinTech Report Romania 2022," an exhaustive analysis document of the fintech ecosystem in Romania [Fintech Association, 2022].

The main goal of the Romanian Fintech Association is to establish a connection with the financial authorities both at national and European level, with the potential to influence the fintech industry and create development opportunities for its members. In partnership with members of the fintech community, academia, innovation accelerators and investment funds with a role in representing the sector, the association aims to facilitate the progress and implementation of innovative technologies in the financial-banking industry and promote a favorable regulatory framework for the testing and validation of new technologies [Tabirca et al., 2020].

The "Fintech Romania Report 2022" was developed with the aim of providing a comprehensive perspective on the current changes affecting the fintech field in Romania and to highlight its main features and challenges. The researchers conducted a survey among fintech companies in Romania and supplemented the results with documentary studies and information obtained from interviews.

According to the analysis, Romania's fintech ecosystem, although still relatively small, has experienced rapid growth in recent years, with over half of fintech businesses established after 2018. In 2022, the main categories of companies in this field include technology providers (21.82 %), digital payment and credit management platforms (both with 18.8%) and RegTech companies (10.91%). The Romanian Fintech Association, known as RoFintech, has 22 members. In total, the companies participating in the study have 397 employees, with an average of about 20 employees per company, their number varying between one employee and a hundred employees within a company.

In Romania, the FinTech sector has experienced significant growth in recent years, generating significant changes in the way financial services are provided and used by consumers and businesses. We find several FinTech companies based in Romania, which have played an essential role in the development of the digital financial landscape:

Allevo*:* Allevo develops specialized financial transaction processing and compliance software solutions for banking institutions, enterprises and public organizations. This vendor adopts an open source distribution model, which promotes low cost and cross-platform compatibility. Allevo solutions facilitate efficient payment and transaction processing, automating workflows and ensuring compliance with financial standards and regulations.

Finqware: Founded in 2018, Finqware provides API solutions for the financial industry. The team behind Finqware, with extensive experience in banking and IT infrastructure, has developed a diverse range of services to take advantage of global changes in the financial industry and the interconnected API-based economy.

Smart FinTech: Smart FinTech offers open banking APIs, thus simplifying the integration of payment services for FinTech companies. The company provides a payment platform for FinTechs, enabling them to accept payments and create authorized payment requests. This makes it easier to work with banks to complete payments.

NeoBT: NeoBT develops artificial intelligence-based software for managing personal finances. NeoBT's product portfolio includes tools for transaction analysis, facilitating cardless cash withdrawals, currency exchange, payment administration, expense management, money transfers and more. NeoBT offers a wide range of solutions to improve the management of personal finances.

Intelligent IT Systems provides online payment integration services and gateways for merchants, enabling them to accept online payments from customers. The company also offers open banking API solutions for data collection and payment initiation. This contributes to effective risk management, fraud assessment and user authentication.

Ingenio Software: Ingenio Software develops banking software suite that includes solutions for loan lifecycle management, risk management, point of sale payments, business intelligence and others. The company focuses on providing services such as loans, online and offline payments, digital banking and credit risk assessment.

These FinTech companies had a significant impact on the development of the financial sector in Romania, bringing innovation and efficiency to the financial services offered to both consumers and businesses. In a context where the financial market is in continuous transformation, these companies play a key role in the evolution towards a modern and accessible digital financial landscape.

2.1. The Influence of Fiscal Changes on the Prioritization of Digital Solutions in the Corporate Sector

Changes in tax legislation, which hinder the adoption of digital solutions, represent another significant obstacle in promoting the use of these digital solutions among companies. The European Union aims to achieve several objectives by 2030, to encourage the transition to the digital environment in all member states. In Romania, starting from 2020, the National Plan for Recovery and Resilience was launched, which aims to solve many existing deficiencies in the digitalization field, with the aim of aligning the country to European standards. However, despite the many proposed laws and programs aimed at supporting the transition to digitalization, there are still industries where this transformation is experiencing difficulties. One of the sectors most affected by this problem is accounting, as tax rules undergo continuous changes, which makes the digitization process more complex and cumbersome.

2.2. Open Banking: An Innovative Solution on the Rise

To respond to market challenges and to complement the existing digital infrastructures of companies, the concept of Open Banking was introduced. Through this service, third-party financial service providers are able to access and manage their customers' financial data. This initiative is regulated at the level of the European Union through the PDS2 Directive on payment services, with the main objectives of increasing security within financial services, guaranteeing a high level of protection for users and improving the efficiency and transparency of financial services available on the market.

It is also worth mentioning the recent PSD3 Directive (European Commission, "Modernising payment services and opening financial services data: new opportunities for consumers and businesses", published on June 28, 2023, consulted on July 14, 2023 [note 1], published by the European Commission at the end of June 2023. It brings significant amendments to the PSD2 Directive and paves the way for the wider concept of Open Finance. These changes have a far-reaching impact on the digital financial footprint of users and will help strengthen the adoption of these technologies within the financial sector.

In the current context, the European Commission presented a set of proposals on 28 June 2023 to accelerate the digital transformation of the financial sector and to bring payments and financial services into the digital age. These proposals aim to improve consumer protection, boost competition and facilitate the secure sharing of financial data, thereby enabling access to a wider range of financial products and services and better value for consumers. In this context, the European Commission has emphasized consumer interests, competition, security and trust in its regulatory framework.

The payment services market has undergone significant transformations in recent years, and electronic payments have seen steady growth in the European Union," reaching a volume of 240 trillion euros in 2021, compared to 184.2 trillion euros in 2017" [EC, 2023b]. This trend was accelerated by the COVID-19 pandemic and was accompanied by the entry into the market of new providers, supported by digital technologies, which brought to the fore the concept of "open banking" - that is, the secure sharing of financial data between banks and fintech companies. At the same time, more sophisticated forms of financial fraud have emerged, thus endangering consumers and affecting their trust in the financial system.

In this context, the package of measures proposed by the European Commission has the main objective of ensuring that the financial sector in the European Union is prepared and able to adapt to the ongoing digital transformation and the risks and opportunities generated by it, with a particular focus on consumer protection. This package of measures comprises two main components:

Revision of the Payment Services Directive (PSD2):

The Commission proposes to fix and modernize PSD2, which will become PSD3, and introduce a Payment Services Regulation (PSR). These measures aim to facilitate safe and efficient electronic payments within the EU, both domestically and in cross-border transactions, in euros and other currencies. At the same time, they aim to expand the market for payment service providers, thus increasing competition in this field.

Legislative proposal for a framework for access to financial data:

The Commission is putting forward a proposal for a legal framework that will regulate how financial data can be shared across the financial sector, going beyond the boundaries of payment accounts. This framework will strengthen the rights and obligations regarding the sharing of financial data, thereby enabling the development of innovative financial products and services for users and stimulating competition in the financial sector.

In conclusion, these European Commission proposals have the potential to accelerate the digital transformation of the financial sector in the European Union, while ensuring the protection and interest of consumers and promoting competition and innovation in this area.

2.3. Innovative Approaches for the Future of Financial Systems: Smartpay and Smart Accounts

To simplify the payment process, in 2021 Smart Fintech launched SmartPay, an innovative account-to-account payment initiation service. This product can be used both as an efficient payment method and as a payment accelerator, being easily integrated into applications that manage financial resources, such as accounting solutions, ERP systems, e-invoicing programs, payroll platforms or applications of personal financial management.

In the e-commerce sector, this technology has the ability to automate up to 99% of a company's processes, adapting to its size. SmartPay complements this evolution by facilitating the instant and secure transmission of payments, while also helping to reduce costs for merchants.

This platform offers users the opportunity to make fast and secure payments and can be used extensively, including by investors to fund their investment accounts, without being subject to additional fees

In order to extend the benefits offered by the SmartPay solution, Smart Fintech has introduced an additional product called Smart Accounts in its portfolio. This innovative product enables the automation of customer bank account queries, providing centralized and real-time access to their financial data. Through Smart Accounts, companies have the opportunity to effectively monitor customer payment behavior and calculate relevant performance indicators. These advantageous features make Smart Accounts a versatile solution suitable for companies active in various fields, from financial services to software and ERP solutions.

3. RESEARCH METHODOLOGY AND RESULTS

Research methodology is a complex study of the specific processes, techniques, tools and procedures used to achieve a set of well-defined objectives. The main objective of this research is to analyze and understand trends and development directions in areas such as digitization, open banking and financial institutions. This process involves assessing the interconnections and relationships between the various components of these domains.

The research results highlight that digitization and open banking technology have become critical factors in the evolution of financial institutions. They have facilitated the development of new business models and fundamentally changed the way financial institutions interact with customers and provide services. The results also highlight the importance of adapting to technological changes and integrating digital solutions to remain competitive in a constantly evolving financial environment.

The article provides an overview of the study of the fundamental laws of research in a context that combines qualitative, quantitative and deductive elements. The research methodology is based on the analysis carried out by Smart Fintech regarding the evolution and degree of adoption of the concept of Open Banking in Romania. The directives issued at the European level regarding the modernization of payment services and the opening of data related to financial services are also taken into account. These directives open up new opportunities for both consumers and businesses in the financial field.

4. CONCLUSION

In a financial context characterized by rapid technological changes and increasingly sophisticated requirements from customers, digitization and the concept of open banking have become essential pillars in the evolution of the financial sector in Romania. These trends have created a number of significant opportunities and challenges for accounting services, having a considerable impact on how they are delivered and perceived.

From the analysis of the specialized literature and current trends, we can draw the following conclusions:

Digital Transformation of Accounting Services: Digitization has opened the way to the transformation of accounting services in Romania. The use of technology, including open banking tools, has enabled automation of repetitive tasks and more efficient management of financial data. This has led to an increase in the efficiency and quality of accounting services.

Personalization and Streamlining of Accounting Services: Open banking has created an enabling environment for offering personalized accounting services. Fast and secure access to clients' financial data enables accountants to provide advice and solutions better tailored to their individual needs.

Opportunities for Accountants and Clients: The digital transformation of accounting services benefits both accounting professionals and their clients. Accountants can streamline processes, reduce errors and provide greater added value. At the same time, customers benefit from faster, more accessible and more personalized services.

Security and Privacy Challenges: As financial data becomes more accessible through open banking, the security and privacy of this data becomes increasingly important.

Accountants and financial institutions must invest in appropriate security measures to protect this sensitive information.

In conclusion, digitization and open banking represent a significant evolution in the field of accounting services in Romania. With the right approach, this transformation can help improve the efficiency and quality of accounting services, to the benefit of both professional accountants and their clients. However, it is essential that the sector takes financial data security and privacy seriously in order to maintain customer trust and fully exploit the potential of this digital transformation.

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DIGITAL TRENDS IN SCHOOL ORGANIZATION

Georgiana – Tatiana BONDAC[5]
Constanța POPESCU[6]
”Valahia” University of Târgoviște, Romania

ABSTRACT: *Digitization in school represents the process of integrating technology and digital resources into the educational environment. This involves the use of computers, mobile devices, educational software, and other technologies to support the learning process and school administration. Digitization trends can create more efficient and flexible learning environments that support student development and lead to improved academic performance. However, it is important to ensure that digitization is implemented responsibly. This article aims to answer the question, „Do digitization trends drive performance in the school organization?".*

Keywords: *digitalization, school organization, professors, students, performance*

JEL Classification: *O15, M15*

1. INTRODUCTION

Digitization has been influencing the global economy for about 30 years, with the expansion of internet connectivity. Over time, its impact on society has increased with the increase in connection speed and data processing capacity. The degree of digitization of a country is closely related to its level of economic growth, since the most important innovations were motivated due to economic reasons [Albrecht et al., 2020].

Nowadays, digitization is imperative for contemporary societies, playing a crucial role in promoting sustainability, development and progress in all aspects of our daily lives. However, as we move into the future, there are also downsides. The phenomenon of "internalization" resulting from digitalization addiction can lead to changes in the perception of reality. Even though people are connected digitally, they can feel isolated in the real world. Therefore, in the age of digitization, it is essential to have control over the use of technology [Ashforth, 2020].

In terms of education, recent years have helped to develop modern teaching-learning-assessment methods. Today, it is possible to teach interactive lessons using interactive whiteboards, and students can access necessary information at any time, thanks to the Internet. The age of technology and digitization allows both teachers and students to be more creative, as technology offers the freedom to innovate and be original. [Ford et al., 2021]. This leads to the personalization of lessons and the creation of unique experiences, where the creativity and originality of teachers play an essential role in shaping a lesson. Through its immersive and

[5] PhD. Assistant Professor, georgianabondac@yahoo.com
[6] PhD. Professor, tantapop@yahoo.com

interactive use, digital learning complements traditional approaches by providing platforms that facilitate collaboration and knowledge creation. [Beer, 2021].

To achieve maximum effectiveness and sustainability, innovation in education requires well-trained teachers and integration into precise educational objectives [Hakonsson et al., 2012].

2. DIGITIZATION TRENDS IN EDUCATION

The education system is undergoing significant transformation, and technology is playing an increasingly crucial role in student learning, both in and out of school. One of the most remarkable ways technology influences education is through digitization [Radu, 2009; Hanage et al., 2020].

There are numerous advantages of digitizing educational materials. First, digitization expands access to a diverse range of information, enabling students to use and find digital resources from around the world with the help of an Internet connection. Second, digitization facilitates the quick and easy exchange of information. Teachers can share resources with colleagues or upload them online for students to use according to their availability. Digital resources are highly engaging and interactive, enabling students to work with learning tools that encourage engagement with materials [Radu et al., 2011].

Integrating technology into education is an evolving journey, still in its infancy, heading towards a future full of opportunities. In this context, several trends and perspectives become evident:

• Big Data: Many educational institutions are now using big data and the analysis of this data to gain a better understanding of how schools operate. From managing school facilities to planning transportation routes for students and teachers, big data is becoming a valuable resource.

• Internet of Everything (IoT): Connecting physical devices to the Internet or to each other creates opportunities for virtual classrooms, where students around the world have access to education from top schools or teachers. It is changing the landscape of education, replacing traditional elements such as chalk and blackboard with interactive devices and online learning environments.

• Artificial Intelligence (AI) and Machine Learning (ML): AI can revolutionize the process of testing and assessing students, saving time and providing faster feedback. It also offers the possibility of personalizing education, identifying the specific needs of each student and offering tailored solutions.

• 3D printing: 3D printing allows students to translate theory into practice, creating objects specific to each discipline. This facilitates the understanding of the content and gives students the opportunity to make personal projects.

In conclusion, digitization trends in education are fundamentally reconfiguring the learning process [Stegaroiu et al., 2020]. The integration of technology in pedagogy not only improves the efficiency of the educational process, but also allows the development of personalized learning methods and content adapted to the abilities of each student.

3. RESEARCH STUDY METHODOLOGY

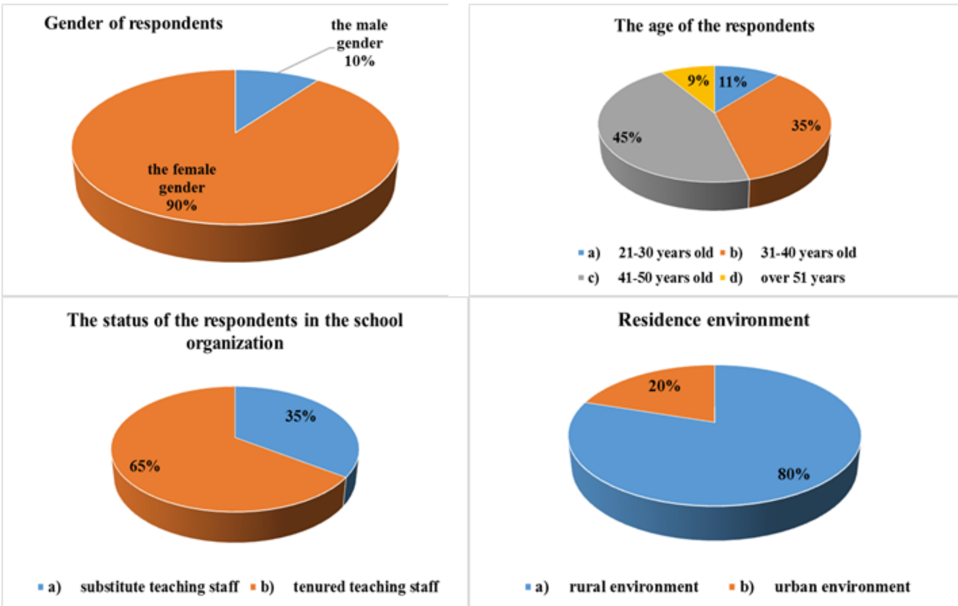
The goal of technology in the field of education is to optimize the act of learning and to prepare students for the constantly evolving digital environment. This objective involves the use of technology and digital materials to support educational objectives and give advantages to teachers and students.

The research study wants to answer the question, "Do digitization trends determine performance in the school organization?".

For this survey, teachers from high schools in Dâmbovița county constituted the unit of analysis. A voluntary approach was adopted and the accuracy of the questionnaire depended on how it was administered under objective conditions, aiming for a significance threshold of 95% with a margin of error of 5%. The study was carried out on a sample of 100 teachers from these high schools, and the data analysis was carried out using the SPSS program (Statistical Package in the Social Sciences).

In order to gain a complete perspective of the surveyed sample, collected personal information such as gender, age, school status and residential environment were analysed.

Figure 1. Personal data collected

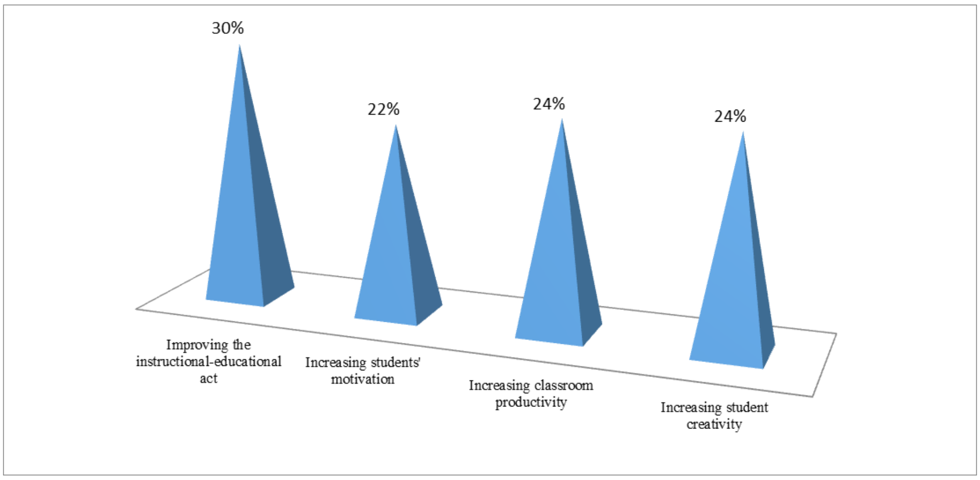


Source: developed by the author

Through the analysis of Figure 1, the personal data of the respondents is highlighted as follows:

- Regarding gender, it is observed that the highest percentage is represented by female respondents (90%), while only 10% are male;
- Regarding age: 45% are between 41-50 years old, 35% between 31-40 years old, 11% between 21-30 years old and 9% are over 51 years old;
- Regarding the status within the school organization: 65% of the respondents are full-time teaching staff, and only 35% are substitute teaching staff;
- Regarding the area of residence: 80% of teachers live in countryside, while 20% live in urban areas.

Figure 2. The impact found following the use of digital tools in pedagogical practices

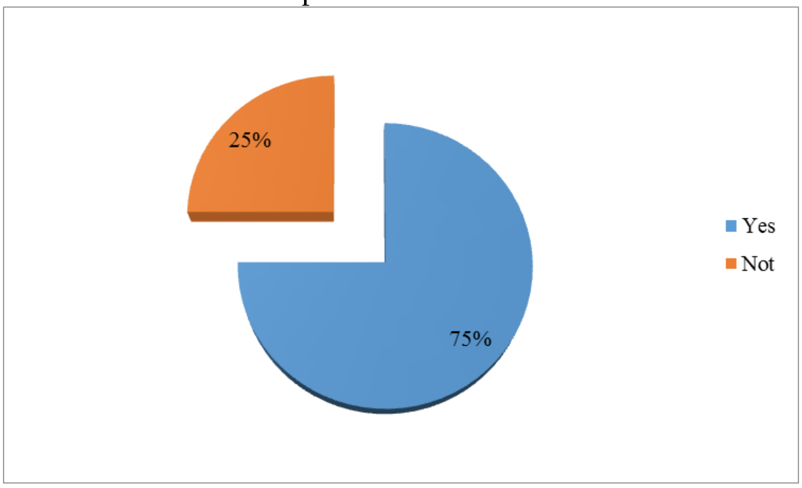


Source: developed by the author

In Figure 2, it can be find that the impact found following the use of digital tools in pedagogical practices is:

- Improving the instructional-educational act (30%);
- Increasing students' motivation (22%);
- Increase in class productivity (24%);
- Increasing students' creativity (24%);

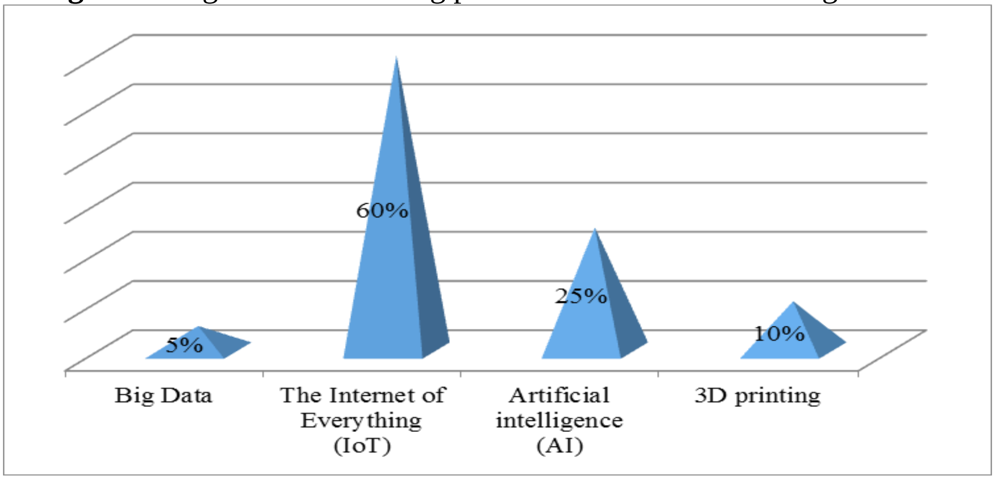
Figure 3. Combining traditional teaching methods with technologies in the instructional-educational process is beneficial



Source: developed by the author

Analyzing Figure 3, it can be find that 75% of teachers agree with the fact that combining traditional teaching methods with technologies in the educational process is beneficial and 25% do not agree with this statement.

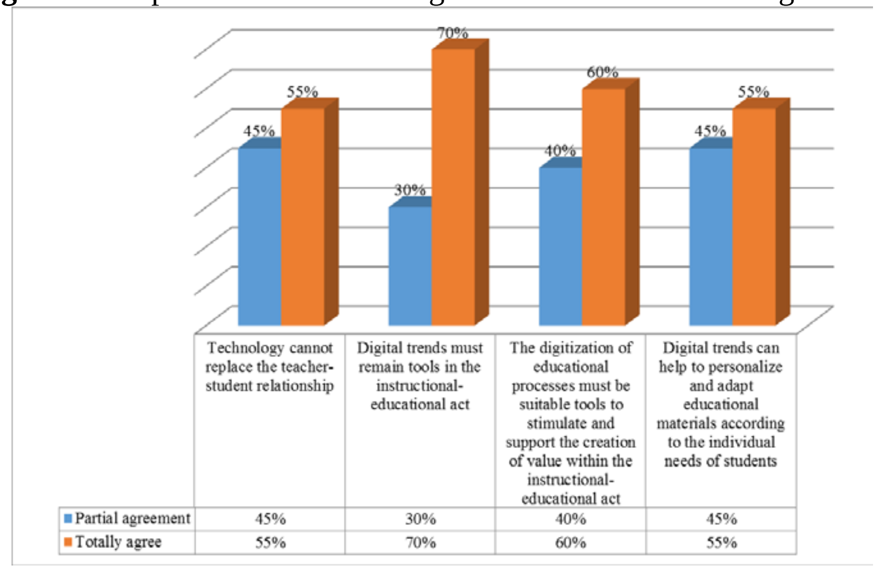
Figure 4. Digital trends driving performance in the school organization



Source: developed by the author

From Figure 4, you can see the ranking of digital trends that determine performance in the school organization. The situation is as follows: Big Data (5%), The Internet of Everything (IoT) (60%), Artificial intelligence (AI) (25%), 3D printing (10%).

Figure 5. Respondents' views on digital trends in the school organization



Source: developed by the author

Analyzing graph 5, it can be seen that the respondents' opinions about digital trends in the school organization are:

- Technology cannot replace the teacher-student relationship: total agreement (55%) and partial agreement (45%);
- Digital trends must remain tools in the instructional-educational act: total agreement (70%) and partial agreement (30%);
- The digitization of educational processes must be suitable tools to stimulate and support the creation of value within the instructional-educational act: total agreement (60%) and partial agreement (40%);
- Digital trends can help to personalize and adapt educational materials according to the individual needs of students: total agreement (55%) and partial agreement (45%).

The conclusions of the study

Technology enables students and teachers to access a wide range of educational resources such as educational websites, educational apps, videos, simulations and online learning platforms. These resources can facilitate learning and provide additional information and new perspectives driving student performance.

With the help of technology, teachers can better adapt the learning process to the individual needs of students. Educational apps and platforms can provide personalized lessons, exercises adapted to each student's level and immediate feedback.

Educational apps and interactive software can make the learning process more engaging and interactive. They can provide hands-on activities, educational games, and simulations that help students understand concepts better.

4. CONCLUSION

Digital technologies offer many exciting possibilities, but they cannot replace such important human relationships.

Much of education revolves around how teachers interact with students in getting the values right. Technology remains only a tool in the instructive-educational act and too much dependence on it could mean the vitiation of the ability to develop social, interpersonal skills.

Consideration must be given to issues such as managing screen time, online safety and ensuring that technology is used effectively and responsibly. Also, not all students and schools have access to high-quality technology, which can create inequities in education. It is therefore important that the use of technology is well balanced and adapted to the specific needs of each school environment and students.

Digitalization of educational processes and digitalization in general should not be seen as absolute goals that will generate value, but as the right tools to stimulate and support value creation and performance determination in the school organization.

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EFFECTIVE COMMUNICATION IN SOCIAL WORK TEAMS: A KEY TO MANAGERIAL SUCCESS

Cezar Braicu[7]
"Hyperion" University of Bucharest

Cătălina Loredana ROGOZEANU (DRĂGHIA)[8]
"Valahia" University of Târgoviște, Romania

ABSTRACT: *Effective communication is the cornerstone of performance and success in managing social work teams. This article explores the depth and complexity of the role of communication in the dynamics and effectiveness of social work teams, highlighting how effective communication practices contribute not only to improving internal coordination and efficiency, but also to increasing the quality of services provided to beneficiaries. In a field marked by the complexity of the beneficiary's needs and the need for close collaboration between professionals, communication becomes an essential tool that allows the team to function as a unified whole, respond promptly and appropriately to challenges and adapt services to the ever-changing demands of the beneficiaries and society. Starting from the statement that deficiencies in communication can lead to errors, misunderstandings and decreased team morale, this study proposes a framework of approaches structured on several dimensions of effective communication. It examines the importance of setting clear goals that are effectively communicated to the entire team, creating an environment that encourages openness and positive feedback, and the appropriate use of communication technologies to facilitate information sharing and remote collaboration. There is also a special emphasis on the development of active listening skills as a foundation for effective interpersonal communication, constructive conflict management and the importance of continuous training in the development of communication skills. Furthermore, the article emphasizes the crucial role of regular and constructive feedback in calibrating and adjusting team processes, as well as in facilitating the personal and professional development of team members. By investigating these issues, the study provides a comprehensive analysis of how effective communication can be implemented and optimized in social work teams, highlighting the inextricable link between excellent communication practices and managerial success. Therefore, the article contributes significantly to the specialized literature, providing valuable insights for managers and practitioners in the field of social assistance, with the aim of improving management practices and raising the quality standard of the services provided.*

Keywords: *efficient communication; negotiation; social work; team work; management in social work*

JEL Classification: *I14, I38, M14, M53*

[7] PhD Associate Prof. cezar_braicu@hotmail.com
[8] PhD. Student, draghialory@gmail.com

1. INTRODUCTION

In the field of social assistance, the effectiveness of communication within the team is not only an operational necessity; it is also a vital component that contributes to the quality of services provided and to the achievement of organizational objectives. Given the complex and often sensitive nature of social work, a team's ability to communicate effectively becomes a barometer of its managerial success and its impact on the community served. This paper focuses on deep analysis of how effective communication in social work teams can be not only improved, but also transformed into a strategic tool to facilitate goal achievement and maximize the beneficiaries' welfare. Although the importance of communication in social work is widely recognized, practical approaches to optimizing it are often unexplored or underutilized in the managerial setting. This lack of focus not only limits the effectiveness of teams, but can also exacerbate stress and frustration for both the professionals in the field and those they serve. Therefore, it is imperative to develop and implement communication strategies that address both internal team needs and external community needs. This paper proposes a detailed exploration of the different dimensions of effective communication in social work, starting with establishing a solid foundation through clear objectives and transparency in communication. It will examine how creating an open environment that encourages feedback and active participation can strengthen team cohesion and improve problem solving. In addition, the analysis will extend to the use of technology as a means of supporting effective communication and the importance of developing the skills of active listening and managing conflict in a constructive way. As society changes, the social work field must also evolve to meet new challenges. This article aims to provide a guide for managers in social work, presenting evidence-based strategies for improving communication in teams. By integrating these practices, managers can hope not only to improve team performance, but also to increase satisfaction and positive outcomes all around, thus contributing to a more inclusive and supportive society.

Establishing Objectives

One of the most fundamental aspects of effective communication within social work teams is the establishment and clear communication of objectives. This practice is vital not only for aligning individual and collective efforts, but also for ensuring team cohesion and unity of purpose. In our analysis, it was found that well-defined objectives serve as the backbone of decision-making and prioritization of activities, thereby facilitating effective coordination and improving overall team performance. By establishing clearly articulated goals, managers can provide direction and a sense of purpose, which is essential for motivating team members. Furthermore, clear goals allow team members to understand how their individual contributions align with the organization's broader vision and the team's specific goals. This not only improves efficiency by focusing efforts, but also increases job satisfaction and commitment to the team's mission. In our discussions and interviews with social work practitioners, a consensus emerged that setting clear goals is also crucial to managing both internal and external expectations. This makes it easier for team members to navigate through the complexity of social work cases, allowing them to prioritize resources and adapt quickly to changes or emerging needs. In addition to setting goals, regular and transparent communication of progress toward them is essential. Continuous feedback mechanisms and periodic evaluations of performance against set goals contribute to a dynamic work environment where continuous improvement and adaptability become the norm. Thus, the objectives function not only as a guide, but also as a tool for evaluating and recalibrating the team's efforts according to the dynamics and challenges encountered. In conclusion, setting clear goals is a cornerstone of effective communication in social work teams, having a direct impact on team cohesion, operational efficiency and job satisfaction. By clearly defining objectives and transparently and regularly communicating progress towards achieving them, social work teams can navigate the complexities of their field more effectively, while improving the quality of services provided and outcomes for the community served.

Creating an environment open to communication

The importance of creating an open communication environment within social work teams cannot be understated. Such an environment not only facilitates the free exchange of ideas and information, but also cultivates an organizational culture where feedback is seen as an opportunity for improvement and innovation, not as criticism. This section explores how fostering an open communication environment contributes to the success of social work teams through continuous improvement and innovation.

Promoting Transparency

Transparency is the cornerstone of an open communication environment. When managers and team leaders share their thoughts, decisions and reasoning openly, they set a precedent for the rest of the team. This not only encourages team members to be equally open in their communications, but also promotes mutual trust. Trust, in turn, facilitates a more honest and deeper exchange of ideas that can lead to innovative solutions to complex problems.

Capitalizing on feedback

An environment that values feedback promotes a sense of value and appreciation among team members. Positive feedback reinforces desired behaviors and practices, while constructive feedback provides opportunities for learning and development. In the context of social work, where working with people brings unique and often changing challenges, the ability to adapt and learn from feedback is essential. By establishing formal and informal feedback mechanisms, the team can become more agile, adjusting their practices to better meet societal needs. Encouraging participation in an environment open to communication, each team member feels that their contribution is valuable, which encourages active participation. This sense of ownership and involvement can lead to greater innovation because ideas and solutions can come from any level of the organization. In addition, encouraging a wide range of perspectives can help identify and address issues that might otherwise be neglected.

Facilitating Conflict Resolution

An open communication environment is also crucial to effective conflict management and resolution. By promoting open dialogue and mutual understanding, many conflicts can be defused before they escalate. Moreover, addressing conflicts in a constructive and open way can lead to a deeper understanding of the underlying problems and more sustainable solutions. Creating and maintaining an environment of open communication in social work teams requires conscious and continuous efforts on the part of everyone team members, especially leaders. This environment fosters not only continuous improvement and innovation, but also the strengthening of interpersonal relationships and trust, essential for success in working with communities. By harnessing transparency, feedback, active participation and the ability to manage conflict constructively, social work teams can achieve new levels of efficiency and effectiveness in carrying out their mission.

Use of Communication Technologies

In the current context, marked by rapid technological advances and an increase in remote work, the use of communication technologies becomes essential for the efficiency and effectiveness of the team. In social care, where a beneficiary's needs can be diverse and complex, modern digital tools offer innovative ways to facilitate rapid information sharing, support collaborative work and improve access to resources. This section explores the benefits and challenges of using communication technologies in social work teams, emphasizing the importance of choosing the right tools and ongoing training.

Communication technologies, from email and instant messaging to collaborative platforms and project management software, allow the team to share information in real time, regardless of geographic barriers. These tools can significantly improve internal communication, ensuring that all team members have access to the information they need to perform their tasks effectively.

Collaboration platforms provide virtual spaces where team members can work together on documents, plan activities, and track project progress. These tools facilitate closer and more structured collaboration, essential for tackling complex social work cases that require multidisciplinary expertise. Improving Access to Resources Digital technologies can improve access to educational resources, professional databases and up-to-date information on best practices in the field. This is particularly valuable in social work, where understanding the evolving contexts and needs of the beneficiaries is crucial to effective service delivery.

However, the adoption of communication technologies also comes with challenges. Data privacy and security issues, resistance to change from some team members, and the need for ongoing training are just some of the issues that need to be addressed. It is essential that organizations choose tools that comply with data protection regulations and provide adequate training to team members to maximize the benefits of these technologies.

The integration of communication technologies into the daily operations of social work teams offers significant opportunities for improving communication, collaboration and access to information. However, to fully exploit these benefits, a careful approach is crucial, including careful selection of tools, ongoing training of team members, and close attention to data privacy and security issues. By successfully navigating these challenges, social work teams can significantly improve the efficiency and quality of services provided to the beneficiaries.

Conflicts within teams are inevitable given the diversity of perspectives, work styles and individual goals. In the field of social work, where pressures are high and the stakes are often significant, the ability to manage and resolve conflict constructively becomes essential to maintaining a positive and effective work environment. Conflict management involves acknowledging differences, openly addressing disagreements, and finding solutions that respect the interests of all parties involved. This section explores effective conflict management strategies and their impact on social work teams. Recognizing and Accepting Diversity The first step in managing conflict effectively is recognizing that diversity of opinions and approaches can bring value to the team. Accepting that differences are not only inevitable but can also be constructive is fundamental. This creates a framework where team members feel valued and listened to, paving the way for a more open and flexible approach to conflict.

Open and effective communication is essential to conflict resolution. Active listening practices, which involve paying full attention to the speaker, confirming understanding, and responding empathetically, are vital. Creating an environment where each team member can share thoughts and feelings without fear of judgment makes it easier to identify the root causes of conflicts and explore solutions.

Negotiation and mediation techniques are valuable tools in conflict management. Through negotiation, the parties involved explore different solutions and reach a compromise acceptable to all. Mediation, often facilitated by a neutral third party, helps clarify points of view, identify common interests, and develop mutually beneficial agreements. These approaches require a deep understanding of human dynamics and advanced communication skills.

Organizations should develop formal frameworks for conflict management, which may include specific policies, procedures and training. They provide team members with clear guidance on how to approach conflicts and ensure that there are support mechanisms in place to help resolve them. Trainings can cover topics such as non-violent communication, negotiation and mediation techniques, equipping team members with the tools to approach conflict constructively.

Effective conflict management contributes significantly to creating and maintaining a positive and productive work environment. Teams that are equipped to manage conflict constructively can maintain close collaboration, even in the face of disagreements. Moreover, the ability to resolve conflicts increases team cohesion, improves morale and increases job satisfaction.

Managing conflict constructively is an essential skill for any team, but it's especially critical in social work, where emotions can be intense and the stakes high. By developing and implementing effective conflict management strategies, the team will not only navigate interpersonal challenges more easily, but also become more resilient, adaptable, and able to deliver high-quality service to the community.

In the dynamic context of social work, where legislative, technological and social changes can rapidly affect how we approach beneficiaries' needs, continuing education becomes essential. This not only enriches the knowledge base of professionals in the field, but also contributes to the development of communication skills, increasing adaptability and improving the quality of services offered. Investing in the professional and personal development of team members is a long-term strategy for maintaining relevance and effectiveness within the profession. This section explores the benefits of continuing education in social work teams.

The world of social work is constantly evolving, being influenced by changes in society, politics and technology. Continuing education helps professionals stay abreast of these changes, understand new theories and practices, and adopt emerging technologies that can improve service delivery. It contributes to professional and personal development, providing social care workers with opportunities for career advancement and improved job satisfaction. Attending courses, workshops, conferences and other learning opportunities increases knowledge and skills, opening the way to leadership roles or specializations in specific areas of social work.

Therefore, adaptability gained through continuous learning is essential to effectively respond to the changing needs various communities.

Increasing the quality of services Last but not least, continuous training has a direct impact on the quality of services provided by social work teams. By ensuring that team members are knowledgeable and competent, a significant improvement in beneficiary outcomes can be achieved. This includes not only more effective and empathetic approaches to working with beneficiaries, but also the implementation of evidence-based strategies and best practices in the field.

Investment in continuing education is essential to maintaining and improving professional standards in social work. By enriching communication skills, increasing adaptability to changes in the field, professional and personal development, as well as by improving the quality of services provided, continuing education contributes to the long-term success of social work teams and to meeting the complex needs of beneficiaries and communities they serve. I serve them.

Within social work teams, where the quality of services provided can have a profound impact on beneficiaries' lives, implementing a culture of continuous feedback is essential. This allows not only to identify and promptly address emerging issues, but also to effectively adapt to changing service and societal requirements. Regular and constructive feedback plays a key role in professional development, improving team practices and increasing job satisfaction. This section explores the benefits of regular and constructive feedback in social work. At the same time, provided in a structured and empathetic way the continuous learning and development of the team members. By identifying strengths and areas for improvement, team members can more clearly understand the directions in which they need to evolve professionally. This process of reflection and feedback fosters a growth mindset, essential for adaptability and innovation in social work practice. Implementing continuous feedback helps improve team practices by facilitating an open dialogue about the efficiency and effectiveness of current approaches. Regular discussions about success and challenges encountered in day-to-day work allow the team to quickly adjust strategies and adopt best practices, thereby improving the quality of the service provided. A culture of continuous and constructive feedback helps build and maintain a positive work environment where team members feel valued and supported. Acknowledging achievements and constructively addressing shortcomings builds trust and team cohesion, vital elements for long-term effectiveness in social work.

2. CONCLUSIONS

Effective communication is the central axis around which success in social work team management revolves. Its importance transcends the simple transmission of information, directly influencing the quality of care provided to the beneficiaries and the internal efficiency of the team. By strategically integrating clear goals, fostering an open communication environment, adopting communication technologies, cultivating active listening, addressing conflict constructively, committing to ongoing training, and leveraging regular and constructive feedback, social work organizations can significantly improve their performance. This article highlighted how these components, integrated into a coherent strategy, can lead to better team collaboration, increased beneficiary welfare and increased adaptability to change. Adopting these principles requires a strong commitment from the organization's leaders and a recognition of the value of communication not only as a tool for managing information, but as a fundamental pillar of organizational culture. Implementing effective communication in social work goes beyond simply delivering messages and becomes an expression of the professional values and ethics that guide the sector. In addition, this framework provides a basis for continuous innovation and improvement. In a field where the beneficiaries' needs are constantly evolving and complex, the ability to communicate effectively - both within the team and with the communities and other stakeholders - is critical to identifying and applying the best solutions. By fostering an environment where feedback is valued and promoted, organizations can become more agile, responding promptly to new challenges and opportunities. In conclusion, effective communication in social work is not just a goal to be achieved, but a continuous process of development and improvement. By committing to this process, social work teams can achieve new levels of professional excellence, thereby contributing to a more just and compassionate society. This article aims to serve as a valuable resource for professionals in the field, giving them the tools to navigate the complexities of effective communication and maximize the positive impact of their work on the lives of those they serve.

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CHALLENGES RELATED TO THE UNCERTAINTY OF ACCOUNTING ESTIMATES AND FAIR VALUE

Ioana CIURDAS [9]
Babes-Bolyai University of Cluj-Napoca,
Faculty of Economics and Business Administration, Romania

ABSTRACT: *In a context that is becoming more and more crowded with information, but at the same time more and more defined by uncertainty, making an accounting estimate could be a complex and challenging task for the management. Considering also the demands and pressures for the companies (financial reporting, achieving certain financial results, reporting performance in terms of ESG - Environment, Social, Governance etc), there is a greater risk of subjectivity through accounting estimates. Our objective is to provide an overview on accounting estimates, the ongoing attempts of standard setters to cope with current challenges, with a focus on fair value measurement,* one of the most challenging accounting estimates. We have provided a review of specific standards as well as a brief literature review focusing on the impact of accounting estimates on auditing items subject to risk of material misstatement.

Keywords: *accounting estimates, estimation uncertainty, fair value, audit risks, fair value measurements*

JEL Classification: *M41, M42*

1. INTRODUCTION

Looking from the outside, we see accounting as a science that should provide the users with relevant information and faithful representation of the financial statement's elements, as stated in the IASB's Conceptual Framework (IASB, 2018). Despite all the characteristics of the financial data, there are elements that are subject to significant judgment and estimation uncertainty. This is not something new for the accountants, but they still must consider these essential characteristics even when it comes to these elements, namely accounting estimates. The most common reason that first comes to our mind is the impact of these estimates in the decision-making process for all users of accounting information. Now, more than ever, the accounting estimates are an important part of the financial statements, with a significant impact on companies' financial results. To be more specific, we can think of one of the most common examples of estimates related to measuring the cost of an asset. Estimating the useful life, the residual value or measuring the fair value implies alternatives and a certain level of subjectivity. These possible alternatives specific to the asset's measurement process may lead to obtaining at least two different estimates for a single item, which means different accounting information.

[9] PhD., e-mail: ioana.ciurdas@econ.ubbcluj.ro

Therefore, the financial statements users and their business decisions can be easily influenced by one or another result obtained from estimating the value of an asset.

Before describing the impact of these estimates, we should take the first step with the definition or with an explanation allowing the reader to better understand the concept and to be able to form a logical thread. Our work is based on the accounting standards related to accounting estimates (IAS 8) and further on the main Fair Value measurements (hereafter, FV Measurement) accounting standards (IFRS 13 and FAS 157). Besides this, as a first step, we identify the main literature that brings to the attention and discusses the challenges of accounting estimates.

2. THE CHALLENGES OF ACCOUNTING ESTIMATES

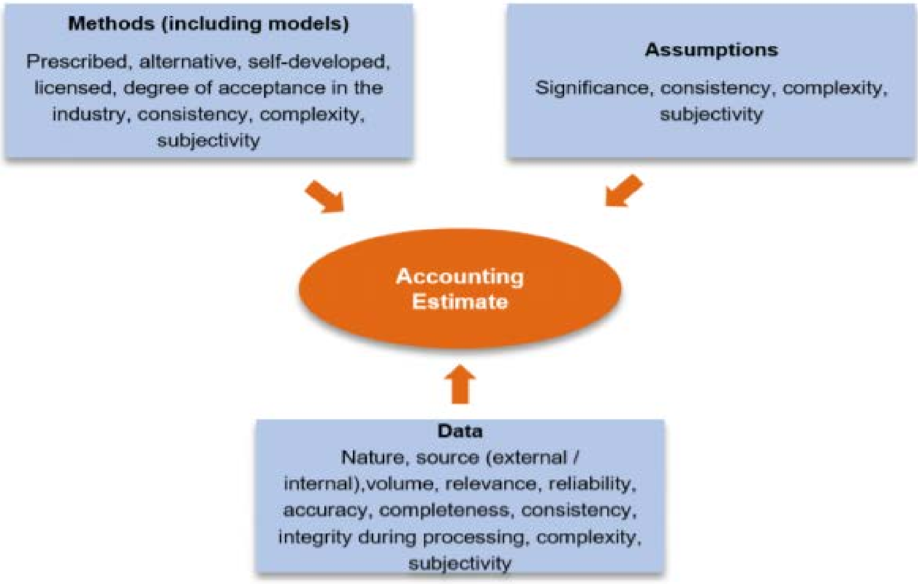
On 12 February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 *Accounting Policies, Changes to Accounting Estimates and Errors*, introducing the definition of accounting estimates (IASB, 2021). The amendments are intended to delineate between changes in accounting estimates and changes in accounting policies and the correction of errors. Therefore, the accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" (IASB, 2021).

The amendments of IAS 8 become effective for the entities for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period (IASB, 2021).

Some of the reasons why we need these accounting estimates could be deduced from what we have discussed so far. Firstly, as the definition states, there are some items in the financial statements that cannot be measured properly; hence, to have a value for those items the entity must prepare an estimation (IASB, 2021). The need for a correct value for some accounting elements is the first reason of the existence of these accounting estimates. Unfortunately, as Lugovsky & Kuter (2020) assert, the development of reliable financial statements, especially in the context of the digital economy is more challenging than ever, especially because of these choices available to the economic entities.

It can be easily observed that estimates are based on subjective data and, in consequence, the managers are required to employ judgments or assumptions, otherwise stated they are given discretion in the measurement process. To estimate an amount for the financial statements are needed three main components, as presented in Figure 1. As noted, all these elements affect the determination of the accounting estimate. As International Auditing and Assurance Standards Board (IAASB) illustrates, assumptions may vary with sources of the data and the judgments issued by the management to support them. Besides, a method is applied based on a model (computational tool or process) and involves applying these assumptions and data (IAASB, 2019).

Figure 1. Inputs to determine accounting estimates



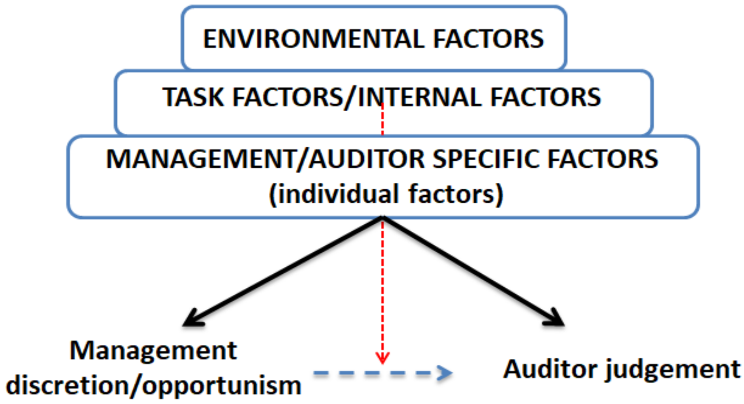
Source: IAASB, 2019

Thus, when generating an estimation, given all these inputs and the process, a high level of measurement uncertainty is present. Bratten et al. (2013) specify in their paper that measurement uncertainty might be considered as "ambiguity in the valuation of an accounting item or in the estimation of a different value". Moreover, the diverse range of existing models and the fact that the management can select the most opportune, play an important role in increasing the level of uncertainty of these estimates (Bratten et al. 2013).

Further, if we consider the scholars' view or the management literature (see Hambrick & Finkelstein, 1987; Crossland & Hambrick, 2007), there are four categories of factors that influence the management's discretion: task environment (i.e., industry factors), the internal organization (i.e., firm factors), the managerial characteristics (i.e., individual factors) and national institutions (i.e., country-level factors). We could correlate these studies with the factors affecting the audit of fair value and other estimates, examined by Bratten et al. (2013). They used the theoretical research framework built by Bonner, (2008). The authors mention three categories of factors affecting the quality of audit judgments as: environmental factors, task factors and auditor-specific factors (Bonner, 2008; Bratten et al. 2013).

This topic could be addressed in a more comprehensive way, but for the moment, we want to emphasize that the factors affecting management's discretion in relation to financial statements are similar to those affecting auditors' judgments when it comes to auditing accounting estimates. The relevance of these factors was analyzed both from the perspective of management literature and from the perspective of accounting and auditing scholars. Through Figure 2 we brought together the theoretical research framework establish by Bonner, 2008 and the conclusions of management researchers.

Figure 2. The relationship between the factors affecting management's discretion and the auditor judgement



Thereby, the challenging character of the accounting estimates can be easily explained by these elements, that, for certain reasons, cannot be avoided. First, every industry is affected by the business environment and conditions, aspect that can increase management pressure to achieve certain financial performances and as a result, there is the possibility that management estimates are intentionally biased (PCAOB, 2011), being the case of FV measurement. The likelihood of biased estimates affects also the audit quality. From auditor's perspective (Bonner, 2008; Bratten et al. 2013), the environmental factors affecting the audit quality for accounting estimates are the estimation uncertainty itself and the interaction between the audit firm and the outsiders (i.e. the regulatory and legal context, the relationship with the auditee or with the external valuation specialists).

Related to the firm-level factors or firm characteristics (size, sales volatility, investment opportunities, insider ownership etc), they certainly affect the earnings quality, since they induce extensive use of managerial discretion (Dechow & Dichev, 2002; Gaio, 2010). In the same time, the audit-task factors discussed in the research framework already stated, are the difficulty of the task itself and the opportunities and incentives for management bias (Bonner, 2008).

Hence, we see how easily can be set a connection between the firm factors affecting the management discretion and accordingly, this managerial discretion has an impact on the auditor's judgment. As regards the individuals' factors, such as the valuation knowledge and expertise, the professional skepticism, the individual’s ability to face uncertainty or difficult tasks, they must be seen as inherent. We must acknowledge that we have either a decision-maker (the management), or an evaluator of the choices made by the management (the auditor) and it is impossible that the specific characteristics of each individual do not influence the role that each one has.

3. FAIR VALUE MEASUREMENT - A FORM OF ACCOUNTING ESTIMATE

As the financial market and the economic reality have undergone significant progress (in terms of financial information requirements or the development of new and innovative sectors in the capital market), the accounting system required an adjustment as well, referring in particular to the measurement basis. Hence, considering the evolution of capital markets, the needs of investors and the need to have a harmonized accounting system it was necessary in one way or another, to move from historical cost, as a measurement system, to fair value

(Deaconu, 2009). The standard-setting bodies, the accounting professionals and scholars have already debated this topic from many points of view, because it gave rise to a polemic (e.g. Laux & Leuz, 2009).

In order to better understand this concept, we will present a series of information meant to introduce fair value in our debate on accounting estimates.

As stated by IFRS 13 - Fair value Measurement, "fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (IASB, 2011). The idea of this measurement approach is that it notes the changes in the assets and liabilities' value, condition not integrated into the case of historical cost. Even though some defend rather the historical cost (Casta & Colasse, 2001; Penman, 2007; Wallison, 2008) or a mixed model approach, using both fair value and the cost principle accounting (Laux & Leuz, 2009; Power, 2010), the concept of fair value was proposed in order to bring more relevance, objectivity and transparency. Once the 2008 financial crisis triggered, criticisms of fair value have intensified. Although an important number of researchers (Laux & Leuz, 2009; Barth & Landsman, 2010; Laux & Leuz, 2010) focused on this topic and managed to justify that fair value accounting was not the main cause in this crisis or played a minor role, its challenging character still remains. As stated in prior research (Deaconu, 2009; Walliser, 2012a; Walliser, 2012b), fair value has both advantages and disadvantages, but there are solutions for its proper use and interpretation, and regulators have made significant efforts to clarify what was required.

To emphasize the connection between fair value and accounting estimates we evoke the so-called fair value hierarchy. For the valuation of assets and liabilities, IASB established a three-level hierarchy of FV measurement inputs: Level 1 inputs (quoted prices in active markets for identical assets or liabilities- listed shares); Level 2 inputs (observable but not identical, only similar assets or liabilities- real estate assets) and Level 3 inputs (are unobservable but based on the best information available- intangible assets) (IASB, 2011). Thus, if values for level 1 and 2 are not available, then the fair value should be estimated using certain valuation techniques. Here comes the estimation, because fair value accounting measures the actual or the estimated value of an asset if market price is not available. Besides, the audit standards always included fair value in the discussion related to the audit of accounting estimates, even if the revised ISA 540 (Auditing Accounting Estimates and Related Disclosures) removed it from the title of the standard.

We consider it useful to examine further the advantages and disadvantages of FV measurement, to have an exhaustive picture of it. This debate on pros and cons allows us to see why this subject intrigued the stakeholders and how its characteristics impact the audit of estimates, including fair value; the subject that concerns us most.

First of all, comparing to historical cost, fair value is inherently more transparent, the information provided by the financial statements being more reliable and accurate. This happens because FV is based on current market information. Fewer assumptions are required, compared to historical cost when fair value (hereafter, FV) uses quoted prices from liquid markets. This is useful for potential investors and other stakeholders. Even when there is no active market, the valuation models are based mostly on market information and the value relevance still remains for all FV levels (Deaconu, 2009; Filip et al. 2021). By active market we mean, as IFRS 13 states, "a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information" (IASB, 2021). Nevertheless, we consider that in some circumstances the reliability and the objectiveness of fair value can be controversial, especially when there is not a liquid market. This issue is a step into uncertainty, because of the valuation models and the manipulation option given to managers, exactly what the auditors claim.

Secondly, FV is richer in information, once because of the disclosure requirements and then because, as a market based approach, FV incorporates information from all market participants (ACCA, 2009). Furthermore, this informative character allows a better comparison of entity's performances as long as it reflects the actual value, and not only the original value of the accounted item.

Thirdly, as evidenced by Deaconu, (2009), FV reduces the differences between the historical cost (or book value) and the market value for the listed companies. Likewise, it allows better daily management of financial market risks.

In addition to these considerations, FV embraces more categories of assets or even liabilities, since it is a method able to capture the changing circumstances on the market. As stated by professionals and regulators, FV was the only way to have a proper disclosure of some accounting items or transactions in the balance sheet (financial derivatives).

Concerning the FV's criticism, there is the risk of using unreliable values, in absence of an active market. This issue puts into question the relevance of the reported financial information. The use of unobservable inputs and the models applied, contribute to the uncertainty level and consequently to the existence of a biased behavior or manipulation.

Another concern was related to the technical problems brought up by FV and also some unexpected costs. The latter issue was addressed within the post-implementation review of IFRS 13, concluding that the application of IFRS 13 did not appear to lead to unexpected costs (IASB, 2018b).

The volatility of some financial markets was another problem that has not been solved within the FV approach. The volatility of reported profits is undoubtedly determined by reporting the changes of value in net income. This point is closely related to the fact that FV (Level 3 - mark to model methodology) accentuates the pro-cyclicality of the financial system performances for a business (amplifying the rises or declines in value) (Véron, 2008).

Although the investors seemed to support from the beginning FV, having the advantage of more transparency and more relevant information for them, this may not produce the same effect for the other users. Therefore, it has been claimed that FV disadvantages certain categories of users by not providing the most suitable financial information for everyone.

As stated in the literature but also by regulators and professionals, fair value is "a never-ending debate" (Marra, 2016). Despite all the arguments, the experience acquired in the field, the studies conducted so far, there are different opinions, with supporters and opponents of the concept. Not so long ago, the European Commission requested EFRAG (European Financial Reporting Advisory Group) to investigate alternatives to fair value for long-term investment portfolios of equity (EC, 2018). So, we see that the debate about the FV usefulness for the stakeholders continues.

4. FAIR VALUE ACCOUNTING REGULATION

The most important actors, namely the investors, ask for transparent information about how fair value was measured and its impact on current financial statements and on future periods. The debate on this topic is still open since the companies have to meet high expectations for the interested parties.

To keep pace with the economic development and definitely to help the relevant actors, the standards setters have committed, and they are still interested, to strengthen the convergence on fair value definition, measurement and disclosure system. The common effort of IASB and FASB lead to substantially converged FV measurement and disclosure guidance (PWC, 2019; KPMG, 2020). We are interested in both standards and we mention that IFRS standards are often influenced by US GAAP standards and we will see that sometimes the American regulatory body was one-step ahead of the IASB.

We believe that it is important to give close and thoughtful attention also on FV accounting regulation, the fair value being one of the most controversial accounting estimates. An important amount of accounting items and especially the financial assets and liabilities require FV estimate and in many of the cases, they are subjectively estimated based on level 2 and level 3 inputs. Therefore, we believe that the accounting standards deserve this analysis, as it is undeniable that the accounting regulation has an impact on the audit of estimates. Previous studies (Smith-Lacroix et al. 2012; Griffith et al. 2015a) claim that the accounting standards have their contribution to the increasing complexity and make the auditor's work more challenging.

The American Financial Accounting Standards Board (FASB) originally released ASC (Accounting Standard Codification) Topic 820 (also known as FAS 157 - *Fair Value Measurements*) in September 2006, five years earlier than IASB. The International Accounting Standards Board issued the equivalent standard under IFRS 13 in May, 2011. To continue the convergence process, FASB published the same year ASU (Accounting Standards Updates) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs.* In addition, in the following years they continue to issue new updates to align the two accounting standards (as: ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* issued May 2015*; and* ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, issued August 2018).

Even if there are still some divergences between US GAAP and IFRS, both standards define in the same way the concept of fair value, demand for common (but not identical) disclosures about FV measurement and they have a common understanding on fair value hierarchy related to the source of the inputs used to estimate it (Ciurdaș, 2020). IASB launched a project to improve the disclosure requirements of IFRS 13. As the main objective of this pilot approach, the Board set up to enhance the FV level of disclosure under IFRS 13 so that the users of financial statements can better understand how FV measurements have been determined and how changes in those measurements affect the financial statements. The exposure draft was subject to comments until January 2022 (IASB, 2021).

The high-level disclosure objectives would allow stakeholders to gain a better understanding particularly on the following items: "the amount, nature and other characteristics of the classes of items within each level of the fair value hierarchy; the significant techniques and inputs used in the valuation; the significant drivers of changes in the FV measurements over a reporting period; and the range of reasonably possible fair values at the reporting date" (IASB, 2021).

IASB concluded the project designed to improve disclosure requirement, allowing companies to better assess what information is material and should be disclosed. Their approach focused on the implications of new disclosure requirements for digital reporting and an early engagement with investors to understand their information needs (IASB, 2023).

As regards the American regulatory body, they were again one step ahead with the disclosure requirements. Thereby, ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, amends the disclosure requirements under Topic 820 (FASB, 2018). Therefore, we expect that the differences between US GAAP and IFRS Standards in the disclosure rules will decrease considerably due to the IASB's updates. At the moment, fair value disclosure requirements under US GAAP are different for public and non-public entities. In return, under IFRS, these disclosure requirements apply to all entities, nevertheless their public status.

Along with the FV accounting standards, we also mention the importance of International Valuation Standards (IVS) released by the International Valuation Standards Council (IVSC), with whom IASB established a statement of protocols for co-operation (IVSC, 2014). The IVSC issued the valuation standards and guidance on fair value and other valuation measurements to strengthen the valuation profession. The common interest, to have a consistent measure of FV for financial reporting, brought IVSC and IASB to this agreement.

5. CONCLUSIONS

Therefore, after a short analysis of differences between FAS 157 and IFRS 13, we conclude that they relate specifically to disclosure requirements. However, at the moment, the two regulatory bodies are on a good path in terms of convergence. IASB concluded their project, with the updated disclosure obligations, which is a step forward for the improvement of the disclosure requirements.

After analyzing FV in terms of benefits and risks and comparing requirements under IFRS and US GAAP, we notice that FV is a constantly developing topic that demands continuous efforts from the standard setters. As the most notable and challenging of the accounting estimates, FV will experience significant changes, especially in the context of COVID-19 coronavirus pandemic with its associated consequences. The economic activity and financial markets were affected considerably in 2020. Certainly, the accounting estimates in general, and the FV in particular, were sensitive to this overwhelming sanitary crisis affecting the global economy. To continue reporting reliable estimates, the companies and their management had to make significant efforts given the risks and market conditions at the measurement date. The increasing risks and a higher uncertainty may lead to more significant unobservable inputs, and thus, to more judgments and assumptions.

The challenge is not specific to the entities or the management only, but especially to the auditors. They still had a difficult task due to uncertainties surrounding the estimates but also many issues, such as indicators for management bias. Therefore, through this work, we tried to contribute to the existing debate on the specific uncertainty of estimates. We aimed to understand the audit risks related to the accounting estimates and the FV and the way in which auditors perceive these risks. As a future contribution to this debate and as future research directions, we consider that it would be interesting to develop studies on how auditors react to management opportunism, manifested through the accounting estimates.

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ANALYSIS OF RENEWABLE ENERGY USE IN THE EUROPEAN UNION

Oana CHINDRIȘ-VĂSIOIU[10]
Institute for World Economy, Romanian Academy

Mădălina TOCAN[11],
Institute for World Economy, Romanian Academy, Faculty of Financial Management, Ecological University of Bucharest,

ABSTRACT: *The transition to a zero-emission society and economy is both an urgent challenge and an opportunity to create new jobs and economic development. The green transition is also a necessary step to reduce the EU's energy dependency. Replacing fossil fuels with cleaner forms of energy will reduce the EU's greenhouse gas emissions. A large proportion of greenhouse gases on the Earth's surface are generated by energy production and the burning of fossil fuels. Energy is therefore a key issue in the climate change concerns, with renewable resources being effective ways of reducing dependence on fossil fuels. Accelerating the transition to clean and sustainable energy is the path to a healthier planet for people today and for future generations.*

Keywords: *Renewable energy, European Union, Sustainable development, Green transition*

JEL Classification: *Q01, Q29*

1. INTRODUCTION

Renewable energy production is an extremely important aspect of the efforts to combat climate change and transition to a more sustainable energy system less dependent on fossil fuels. The use of renewable energy sources can contribute to reducing greenhouse gas emissions, conserve natural resources, and promote sustainable development.

In July 2021, as part of the "Fit for 55" legislative package, the European Commission proposed an amendment to the Renewable Energy Directive to align renewable energy targets with the new climate target. The Commission proposed to increase the mandatory target for renewables in the EU energy mix to 40% by 2030 and promoted the use of renewable fuels such as hydrogen in industry and transport with additional targets.

In May 2022, as part of REPower EU plan following the aggression of Russia against Ukraine, the European Commission proposed a new amendment to accelerate the transition to clean energy, aiming to phase out Russia's dependence on fossil fuels. The Commission proposed installing heat pumps, increasing solar photovoltaic capacity, and importing

[10] Ph.D., Scientific Researcher III, oana.vasioiu@gmail.com
[11] Ph.D., Scientific Researcher III, madalina.tocan@gmail.com

hydrogen and biomethane from renewable sources to increase the 2030 target for renewables to 45%.

On 9 November 2022, the Commission proposed a new amendment to a Council Regulation to accelerate the use of renewable energy. Under the proposal, renewable energy plants will be of major public interest, which will allow the acceleration of the authorization procedures for renewable energy projects and specific exemptions from EU environmental legislation for them. [6]

In March 2023, the Parliament and Council informally agreed to increase the renewable energy target for 2030 to 42.5%, Member States trying to reach 45% and, for the first time, included industry by setting binding targets (42% hydrogen from renewable sources in total hydrogen consumption by 2030) and indicative targets (1.6% annual increase in renewable energy use). In October 2023, was approved the "Renewable Energy Directive aiming to increase the share of renewable energy in total EU energy consumption". [2].

2. USE OF ENERGY FROM RENEWABLE SOURCES IN EU MEMBER STATES

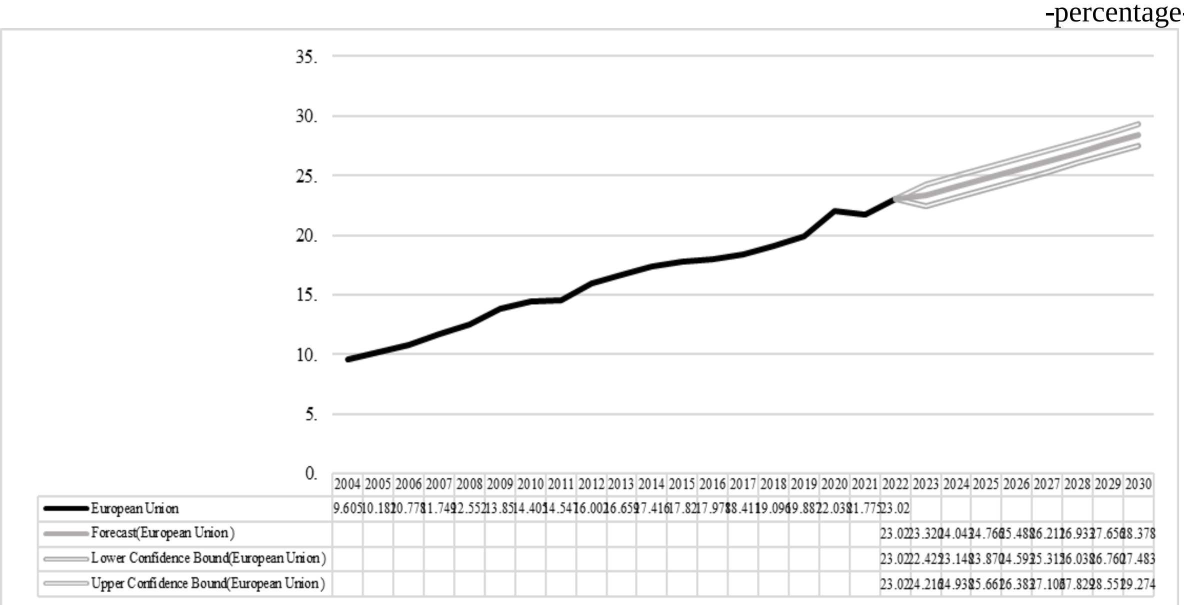
In the following, we analyse the current situation in the European Union regarding the use of renewable energy and whether the ambitious EU targets can be achieved. Thus, we will analyze the data available on the Eurostat website regarding the share of renewable energy production in the period 2004-2022 of EU Member States.

The use of renewable energy sources is seen as a key element in energy policy, reducing dependence on imported fuel from non-EU countries, reducing emissions from fossil fuel sources, and decoupling energy costs from oil prices. Directive 2009/28/EC on the promotion of the use of energy from renewable sources set accounting criteria for renewable energy targets.

The Renewable Energy Indicator focuses on the harmonized calculation of the share of renewable energy. The main benefit derived from this is that Member States are committed to following the same method to calculate the desired values. Its application prevents any irregularities from varying the parameters and rules used in different calculation methods. [4]

Figure 1. Share of energy from renewable sources forecast in the European Union

-percentage-



Source: Author owns processing based on Eurostat data (2024)

As it can be seen in Figure 1, in 2022 the share of renewable energy in total energy production slightly increased. In 2022 the share of renewable energy sources in gross final energy production at the EU level was 23,02%.

The forecast showed that in 2030 the share of renewable energy production in the European Union will be, with a 95% probability, in the range 27,48% - 29,27%. Through the natural evolution of the indicator, the forecasted value is 28,37%, European Union falling short of the proposed target of 42,5% renewable energy consumption.

The situation of the share of renewable energy production in 2022 in each of the EU Member States is shown in Table no.1.

Table no.1. The share of energy from renewable sources in the EU member states in 2022

States	Share of energy from renewable sources (%)
Sweden	66,00
Finland	47,88
Latvia	43,31
Denmark	41,60
Estonia	38,47
Portugal	34,67
Austria	33,75
Lithuania	29,59
Croatia	29,35
Romania	24,14
European Union	**23,02**
Slovenia	22,93
Greece	22,67
Spain	22,11
Germany	20,79
France	20,25
Cyprus	19,42
Bulgaria	19,09
Italy	19,00
Czechia	18,19
Slovakia	17,50
Poland	16,87
Hungary	15,19
Netherlands	14,97
Luxembourg	14,35
Belgium	13,75
Malta	13,40
Ireland	13,10

Source: Eurostat (2024)

From the data presented in Table no.1 we can see that, in terms of share in production of the renewable energy sources, in 2022 ten EU Member States are above the EU average. This group of 10 countries includes Romania with a production of 24,14% of energy from renewable sources compared to the EU average of 23,02%. The country with the highest production of energy from renewable sources is Sweden with a percentage of 66,00% and the country with the lowest production of energy from renewable sources is Ireland with a percentage of 13,10%.

As mentioned above, each EU Member State has set a target of 45% renewable energy production in total energy by 2030. In the following, we will forecast the evolution of the Share of energy from renewable sources for the 10 countries that are above the EU average in 2022.

Table no.2. The share of energy from renewable sources in the first 10 EU member states in 2022 and 2030 forecast

States	Share of energy from renewable sources 2022 (%)	Share of energy from renewable sources forecast 2030 through the natural evolution of the indicator (%)
Sweden	66,00	72,15
Finland	47,88	52,76
Latvia	43,31	48,79
Denmark	41,60	47,72
Estonia	38,47	46,93
Portugal	34,67	40,72
Austria	33,75	42,49
Lithuania	29,59	34,61
Croatia	29,35	35,91
Romania	24,14	30,13

Source: Author owns processing based on Eurostat data (2024)

With more than half of its energy from renewable sources in its final gross energy production, Sweden (66,00%), relying mainly on a mix of biomass, hydropower, wind power, heat pumps and liquid biofuels, has by far the highest share among the EU Member States in 2022 and already exceeds the 2030 EU target of 45% renewable energy production. According to the forecast, through the natural evolution of the indicator, in 2030 the share of renewable energy production in Sweden will be 72,15%. Sweden has steadily increased its wind energy production and as the cost becomes lower, wind energy will replace nuclear energy in the country's energy system. We can mention that, since 2016 Sweden set a target of running entirely on renewable energy from 2040. [3]

Wind turbines have mainly provided power consumption in the Nordic countries (Finland, Estonia, Latvia, Denmark), even at peak demand. Renewable energy sources are proving their efficiency in Finland. Thanks to wind generators, electricity in Finland is free for consumers, 17 February 2020 made history in the state of electricity, as electricity became free for the first time in Finland's history. [1]

Currently, Finland ranks second in the EU in terms of share of renewable energy production, with 47,88%, using mainly biomass, hydropower, wind power, and already exceeds the EU target of 45% renewable energy production by 2030. According to the forecast, the share of renewable energy production in Finland in 2030 will be 52,76%, through the natural evolution of the indicator.

The third largest share of renewable energy production in the EU is in Latvia with 43,31%, mainly using biomass and hydropower. According to the forecast, in 2030 the share of renewable energy production in Latvia will be 48,79%, through the natural evolution of the indicator, and thus, Latvia will exceed the 2030 EU target.

Denmark (41,60%, using mainly biomass and wind energy) occupies the next position in the ranking. According to the forecast, the share of renewable energy production in Denmark in 2030 will be 47,72%, through the natural evolution of the indicator and it will thus exceed the 2030 target.

In Estonia the share of renewable energy consumption is 38,47%, mainly based on biomass and wind energy. According to the forecast, in 2030 the share of renewable energy production in Estonia will be 46,93%, through the natural evolution of the indicator, and will exceed the 2030 EU target.

In Portugal, the share of renewable energy production is 34,67%. According to the forecast, in 2030 the share of renewable energy production in Portugal will be 40,72%, through the natural evolution of the indicator. Thus, Portugal will fail to reach the 2030 target.

Austria (33,75%, using mainly hydropower and biomass) is currently in the next position after Portugal, but due to the different growth rates, Austria will overtake Portugal by 2030. According to the forecast, in 2030 the share of renewable energy production in Austria will be 42,49%, through the natural evolution of the indicator. This will bring Austria closer to the 2030 target. We believe that a series of investments in renewable energy production in Austria can lead to the target achieving of 45% renewable energy consumption. In 2021, more than 700 river hydropower plants and around 3100 small hydropower plants were in operation in Austria, supplying around 60% of the generated electricity. Austria is number one in Europe in the use of hydropower and offers innovative companies' know-how and a dynamic environment. By the end of 2020, 1307 wind turbines with a total output of 3120 MW have generated clean and environmentally friendly electricity for around 2 million households, or about 50% of all Austrian households.

The forecast showed that the share of renewable energy production in Lithuania, Croatia, and Romania in 2030 will be 34,61, 35,91 and 30,13 respectively. Thus, these countries will fail to reach the target of 45% renewable energy consumption in 2030.

3. CONCLUSIONS

By the nature of its uniform distribution, renewable energy overturns the traditional model of energy supply. Electricity no longer flows in one direction from the utility provider that generates it to those who consume it. The new energy ecosystem comprises a complex network of 'prosumers': individual consumers and businesses who produce their own energy locally, use what they need and, in many cases, want to feed excess energy back into the grid. Electrification of transport, residential systems and industrial processes will also lead to significant increases in electricity demand in the coming decades. Data centers, offices, factories and similar locations can participate in this transition, through battery-powered systems, thermal energy storage, and uninterruptible power systems that interact with the grid.

This process will give rise to large two-way electricity flows, which will require a grid that has the flexibility to cope with volatility and increasing demand.

Experts estimate that by 2026, global renewable electricity capacity will increase by more than 80% from 2020 levels (to more than 5022 gigawatts). Of this increase, two-thirds will come from wind and solar, an increase of 150% (3404 gigawatts). By 2035, renewables will generate 60% of the world's electricity. [5]

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PRINCIPLED VS. PRAGMATIC IN APPROACHING CRISIS SITUATIONS

Corina-Maria ENE[12]
Hyperion University of Bucharest

Marius-Florin GHIBERDIC[13]
A.S.E. Bucharest, „Hyperion" University of Bucharest

ABSTRACT: *Despite the fact that many hypotheses have been formulated regarding decision-making in crisis situations, we do not really know how leaders approach such a challenge in current practical work. In this context and considering the imminent emergence of crisis situations, we proposed to analyze two established approaches in the specialized literature regarding the adoption of decisions under conditions of uncertainty: the principled perspective, respectively the pragmatic one. The principled approach focuses mainly on "minimizing damage" and "reducing as much as possible socio-economic restrictions", desiderata applied to each decision that is imposed at any given moment. In contrast, the pragmatic approach rejects the idea of principles that shape decision-making in the context of uncertainty and proposes an experimental, trial-and-error strategy based on the combination of reasoning and feedback. In other words, try something that seems to work, study the consequences and adjust where necessary*[14]*. Without claiming completeness, the purpose of this paper is to study whether the theoretical distinction presented has practical applicability for organizational leaders, when they design response trajectories under conditions of uncertainty.*

Keywords: *crisis management, management system, crisis situation, main approach, pragmatic approach*

JEL Classification: *H12, D23*

1. INTRODUCTION

Established researchers include as a common element in defining a crisis, regardless of its nature and the field in which it occurs, the concept of "*abnormality*". It is about "*a period in the dynamics of a system, characterized by a sharp accumulation of difficulties, conflictual outbreak of tensions, which makes normal functioning difficult, triggering strong pressures to change*"[15]. In other words, we are dealing with a sudden and unpredictable imbalance of a

[12] Ph.D., Associate Professor, corina.maria.ene@gmail.com
[13] PhD. Stydent, ASE Bucharest, corinamariaene@gmail.com
[14] Ansell C. K., Boin A. (2019), Taming deep uncertainty: The potential of pragmatist principles for understanding and improving strategic crisis management, Administration & Society, 51(7), p. 1079–1112, https://doi.org/10.1177/0095399717747655
[15] Chiciudean I., Țoneș V. (2002), Gestionarea crizelor de imagine, Comunicare.ro, p.39

system, thus lacking immediate means of recovery, which exceptionally affects the integrity, functioning, structure, norms, reputation or even existence of individuals or organisations.

Uncertainty about causes, dynamics and potential consequences is, by definition, a key issue in a crisis[16]. Decision makers do not have information or the time to collect it. Moreover, they are not sure whether the information they need will become available, nor whether it is true and correct. In such a context, they are forced to make quick decisions without being able to assess their effectiveness or the extent of potential damage. As such, making decisions under conditions of uncertainty can be described as a "*fuzzy game of chance*" without understanding the odds of winning. The situation is all the more thankless for decision-makers in crisis situations, as it is aggravated by the knowledge that their decisions can have irreparable consequences, and they can subsequently be held accountable for their lack of inspiration.

In this "fuzzy gambling" can intervene the two ideal approaches: *the principled and the pragmatic*. From a theoretical perspective, both have both political and administrative advantages, but both also have disadvantages that can be exploited by competitors, as we will present below.

2. UNCERTAINTY AND CRISIS MANAGEMENT

A crisis involves situations of a different nature, but with a strong emotional charge characterized by uncertainty and complexity. Once they become public, crisis manifestations attract negative reactions from stakeholders, generating the potential to threaten the very survival of a company.

Crises are characterized by complex situations, uncertain conditions and multiple interpretations, a context in which the cognitive schemes of the actors involved play a fundamental role in shaping the perceptions of their manifestations. As a result, knowledge is an element of fundamental importance to crisis perception, as it affects how involved and affected individuals identify optimal solutions for solving challenges. Strategic knowledge and cognitive schemas are essential because they help to make decisions and correctly interpret uncertain situations. However, such cognitive schemes are based on prior beliefs and knowledge, because only in this way is it possible to interpret current data.

Leaders and/or decision makers play a central role in shaping the effectiveness of groups and organizations. They are the ones who build relationships, motivate people and communicate feedback. Moreover, leaders develop plans for organizing people and tasks, anticipate the consequences of plans and policies, and generate new solutions to organizational problems.

Therefore, success or failure in interpreting the signs of a crisis is based on the cognitive limits that decision makers experience. It becomes extremely important to understand what these cognitive limits or constraints are because, during a crisis, individuals experience totally different behaviors than they do in non-crisis circumstances. A selective interpretation of the context of a crisis is generated precisely by the cognitive constraints that intervene, those that intervene between the real environmental conditions and subjective perceptions and generate a distorted view of the information, reducing the chance of adopting optimal decisions that mitigate the effects of the crisis . Passivity and lack of pro-activity can lead to the degeneration of the effects of a crisis.

[16] Boin A., Ekengren M., Rhinard M. (2021), Understanding and Acting Upon a Creeping Crisis, in: Boin A., Ekengren M., Rhinard M. (eds) Understanding the Creeping Crisis, Palgrave Macmillan, Cham, https://doi.org/10.1007/978-3-030-70692-0_1

Given the complexity and, at the same time, the ambiguity of contemporary business environments, cognitive activities prove to be critical to the performance of individuals and leaders, being likely to be remarkably complex. Despite the fact that the importance of thinking for performance is a recognized matter, and cognitive abilities (intelligence and creative problem solving) are what influence performance, no general framework can be drawn regarding the specific way in which individuals think about and approach organizational problems in a crisis context.

As mentioned, the context in which individuals must engage in cognitive activities makes the problem of knowledge not only particularly critical, but also exceptionally complex because knowledge manifests itself in tumultuous environments marked by ambiguity and uncertainty, disruptions, demands competing, constant changes and high-risk consequences for all stakeholders. Not infrequently, these conditions or contexts become extreme and even reach a crisis point, making knowledge especially important for diagnosing the situation, solving problems and establishing a plan of action.

Individuals apply a mental framework that provides a basis for defining a situation and identifying critical causes, goals, and relevant experiential knowledge. They then formulate an initial plan of action that can be evaluated in terms of likely outcomes, necessary changes, and back-up plans and implemented in an adaptive manner. Given the complexity and ambiguity of a crisis situation to be understood and the multiple courses of action that could be devised, individuals may interpret a problem in multiple ways. Therefore, drawing unique frames of reference (principled or pragmatic) are essential to the outcomes of their attempts to understand the situation and to solve the problems that a given situation entails. Focusing on the positive encourages seeing opportunities. An opportunity orientation can promote divergent thinking and risk-taking to pursue achievement, thereby providing individuals with ideas that are not encouraged by a negative focus. Instead, focusing on the negative emphasizes the threat and the need to protect oneself to prevent catastrophic consequences.

Therefore, positivity should facilitate thinking about abstract, less predictable elements of problems, and on the other hand, negativity should facilitate thinking about more tangible, predictable elements such as resources and capabilities. Given that individuals must examine a wide range and type of items, balancing opportunism with practicality, it is likely that a balanced strategy is required.

3. PRINCIPLED IN CRISIS MANAGEMENT

One of the easiest ways to deal with crisis-induced uncertainty is to make decisions based on a basic principle. This is actually the essence of the principled approach, as defined in the literature [17].

The adoption of a guiding principle to guide all interventions in a crisis situation is envisaged. For example, in the context of the Covid-19 pandemic crisis, the main priority was represented by public health, namely the protection by all means of the physical integrity of the population against the virus. Of course, this was the primary value of the response to the health crisis, concrete actions being subsumed by other adjacent principles.

However, we appreciate that in this context the principled approach corresponds rather to a theoretical perspective on crisis management, requiring rather a contextualized vision, in terms of critical decisions and ownership. Focusing on a certain dominant principled value

[17] Ansell C. K., Boin A. (2019), Taming deep uncertainty: The potential of pragmatist principles for understanding and improving strategic crisis management, Administration & Society, 51(7), p.1079–1112, https://doi.org/10.1177/0095399717747655

leads to almost total ignorance of the complexity of a crisis situation, which generally arises with unknown and previously undefined values and aspects. As a result, decision-makers need concrete and practical actions, not more or less comprehensive rhetoric.

Moreover, adopting a single principle is tantamount to implementing a command and control model that starts from the top of the bureaucratic implementation structure, without taking into account the values and interests of lower structures[18]. Therefore, the principled approach creates only an idyllic picture of what constitutes a total and complete response to a crisis.

As stated above, we can conclude that the main disadvantage of the principled approach is its binary character, in the sense that the choice of a single course of action (e.g. health safety) excludes or ignores at least temporarily other significant aspects (e.g. social welfare, economy, freedom). In this context, we give the principled approach a high degree of inflexibility, especially since political decision-makers will support the maximum importance of the adopted approach and will not admit any sudden change of direction, nor the invalidation of the strategies they have formulated.

4. PRAGMATISM IN CRISIS SITUATIONS

Introducing the concept of pragmatism in addressing crisis-induced uncertainty is a viable alternative to the principled approach outlined above. The pragmatic approach to crisis management essentially involves seeking answers to the challenges of prolonged uncertainty by identifying certainty factors, based on which political decision-makers can adopt the most appropriate decisions adapted to the practical context generated by a particular situation[19].

In other words, there is the question of solving a research puzzle. A situation of uncertainty must be addressed in close relation to the environment in which it has arisen and its practical characteristics. The formulation of an initial working hypothesis is the initial stage of the approach, which allows to outline a mental picture of the identified situation. Inevitably, a reaction will be triggered, which will provide essential information about that environment and its characteristics, and the hypothesis formulated will be validated, disproved or will have to be adjusted. Such action and reaction provides the framework for continuous experimentation, learning and adaptation. Feedback plays an essential role in the context of the pragmatic approach because understanding the reaction of the environment to actions is the only one that can mitigate uncertainty.

From a theoretical perspective, this approach seems more realistic than principled. On the one hand, it recognises uncertainty as the main characteristic of a crisis situation and, on the other hand, it does not block or postpone the adoption of decisions, as it is not based on a complete picture of the facts, but offers decision-making flexibility, i.e. rapid changes of direction, depending on the evolving context of the crisis.

Of course, there is no social preference for uncertainty, which is why decision-makers shy away from experimenting to identify the nature and characteristics of a crisis, the principled approach being somewhat easier and without involving social resistance. In other words, the

[18] Parker C. F., Persson T., Widmalm S. (2019), The effectiveness of national and EU level civil protection systems: Evidence from 17 member states, Journal of European Public Policy, 26(9), p.1312–1334, https://doi.org/10.1080/13501763.2018.1523219

[19] Ansell C. K., Boin A. (2019), Taming deep uncertainty: The potential of pragmatist principles for understanding and improving strategic crisis management, Administration & Society, 51(7), p.1079–1112, https://doi.org/10.1177/0095399717747655

pragmatic approach is promoted only by a bold and strong leader, while the principled approach is the one that gives a leader the impression of boldness and strength.

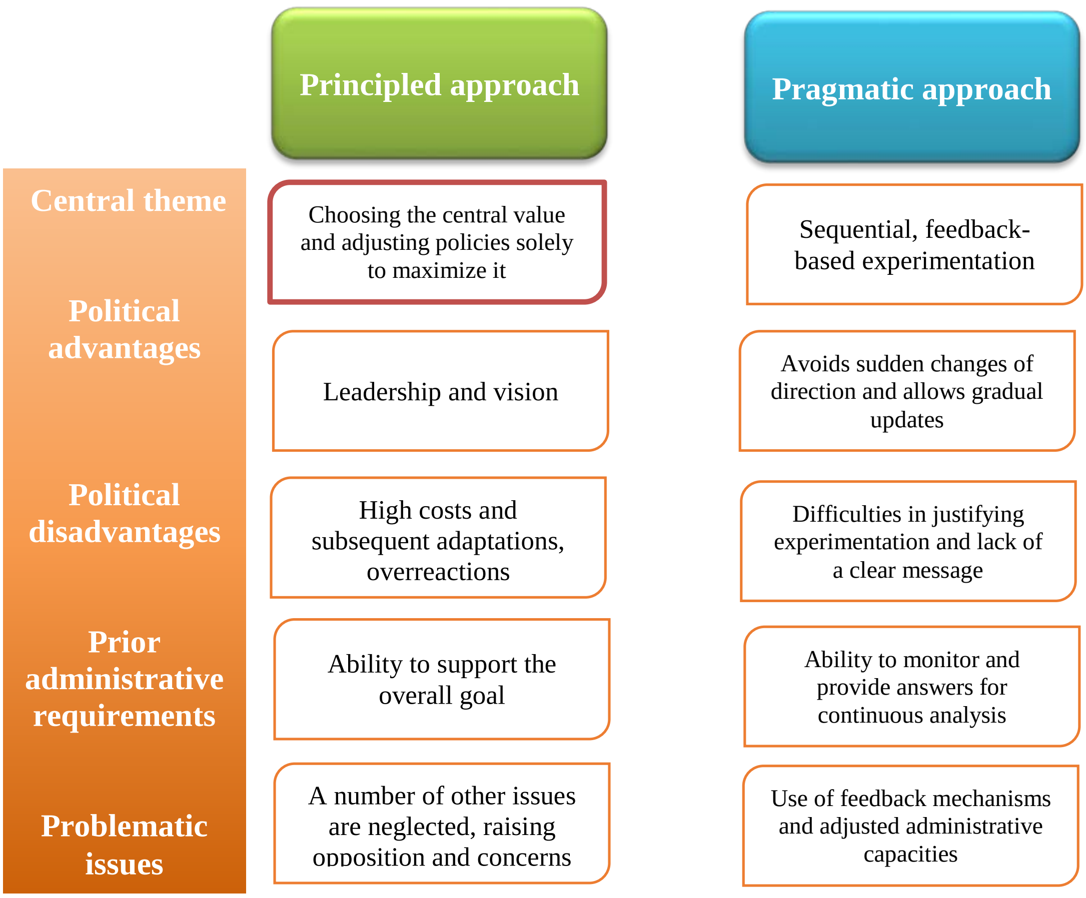
The pragmatic approach is based on a decidedly technocratic worldview, in which fine-tuning of administrative and political level is feasible even in conditions of deep uncertainty. Reliance on immediate feedback processes, however, requires reliable data flows, processing capacity, and a very fast adaptive response[20].

5. PRINCIPLED VS. PRACTICAL

Given the premises of the pragmatic approach, the principled approach seems easier, in the context in which the costs of extensive information collection are eliminated by reducing the decision-making process to a single direction/indicator/value. In other words, the principled approach is more rational. It can also provide time to allow learning and adaptation without constantly having to adjust.

In the light of the aspects analyzed in the previous paragraphs, we consider that the main differentiating elements between the two types of approaches refer to: the central theme, political advantages and disadvantages, administrative prerequisites and problematic issues.

Figure 1. Elements of differentiation: principled vs. pragmatic approach



Source: adapted from Boin A, Lodge M. (2021), p. 1136

[20] Boin A, Lodge M. (2021), Responding to the COVID-19 crisis: a principled or pragmatist approach? Journal of European Public Policy, 28:8, p. 1131-1152, https://doi.org/10.1080/13501763.2021.1942155

6. CONCLUSIONS

The purpose of this article was to distinguish between principled and pragmatic approaches, which intervene in crisis management. We also tried to identify some of the factors that can determine the choice of one or the other of the two types of approaches.

We believe that the comparative theoretical study we proposed represents a first step in terms of description, classification and comparison of responses that decision-makers can formulate to crisis situations characterized by more or less prolonged uncertainty. Sure, in addition to the differences presented, there are also a number of overlaps.

A principled approach will not avoid or completely ignore informational feedback processes and will not rule out adjusting response policies. Similarly, a pragmatic approach cannot work without some form of establishing basic (principled) policies on how to choose between different objectives. And, indeed, a pragmatic approach can culminate in a strategy that may seem rather principled.

A pragmatic approach can serve decision-makers in times of uncertainty, but it can only work if certain preconditions are met. Moreover, it must allow for the possibility of more principled approaches, at least for a period of time.

There is no crisis response formula that can be considered a winner, so at some point, when the context calls for it, either of the two approaches can be implemented.

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THEORETICAL FRAMEWORK OF COST ACCOUNTING AND FIRM PERFORMANCE

Nicolae MĂGDAȘ[21]
Babeș - Bolyai University of Cluj - Napoca, Faculty of Economics and Business AdministrationRomania,

ABSTRACT: *This paper explores the foundation of cost accounting and its impact on firm performance, emphasizing the importance of financial information for planning, financial control and tax compliance. Emphasis is focused on environmental cost accounting as mean of improving corporate decisions by integrating environmental considerations and management accounting practices as an essential tool for sustainability and competitiveness in today's economic context. By analyzing the structure and principles of cost accounting, the paper highlights the distinctions between different types of costs and the allocation approach, providing a comprehensive perspective on how accounting practices directly influence the performance and efficiency of firms. Finally, future research directions are suggested, highlighting the importance of continuous exploration of this vital area for effective corporate resource management.*

Keywords: *cost accounting, centers, performance, firms*

JEL Classification*: M40*

1. INTRODUCTION

For future operational purposes, companies require the information elaborated in financial reports. This data is necessary for several purposes, for instance planning and controlling the company's finances, assessing performance, and checking solvency and taxes due (Gale and Stokoe, 2001; Gale, 2006; Al-Delawi et al., 2020; Murti, 2023). Additionally, the company's financial reports emphasis on cost control, which is linked to environmental and accounting facets. In particular, environmental costing highlights the importance of identifying and reclassifying environmental influences and costs to support improved decisions (Okafor et al., 2013; Chaudhry et al.,2020; Sari et al., 2021). The implementation of environmental cost accounting is likewise a phase of the company to design an environmentally responsive accounting system and supports the collection of information regarding the reclassification of environmental costs: material flows, social responsibility and cost accounting related to sustainable development (Zeng et al., 2019; Okafor et al ., 2013; Chaudhry et al., 2020; Afifa et al., 2021).

On the other hand, management controlling practices implemented in companies can support the accessibility of significant and effective data for managers, especially to maintain the sustainability of companies in the present global competition (Sunarni, 2013; Shahzadi et

[21] nicolae.magdas@econ.ubbcluj.ro

al., 2018; Bartolacci et al., 2020; Oyewo, 2021). In addition, Pavlatos and Kostakis (2015) stated that the recent worldwide economic situation, mainly influenced by the climate of financial recession, has highlighted the need to implement management controlling practices for continuous improvement and maintaining profitability to cope with market dynamics (Sunarni, 2013; Shahzadi et al., 2018; Pelz, 2019; Oyewo, 2022). Furthermore, Farouk Abdel and McLellan (2017) found that management controlling practices determine a significant influence on the performance of a company. Therefore, management controlling practices are considered comprehensive for various reasons in an organization's perspective, for instance cost control, strategic planning, resources and operational actions, and are considered complementary methods to managing the many mechanisms of organizational performance (Al-Delawi et al., 2020; Wagner et al., 2021). Islam and Kantor (2005) described management controlling practices as approaches of management accountants that apply present approaches and techniques to provide management controlling data to managers in carrying out their management functions (Lepistö et al., 2020). Over the last 40 years, numerous studies have been carried out in the area of management controlling. The development of management controlling refers to the professionalization of the function.

We believe that the present research provides a better understanding of this topic and suggests some future research directions in the field of management controlling. After a detailed analysis of cost concepts, the research highlights conclusions, limitations, and suggests areas that future researchers should further explore.

2. SCOPE AND ROLE OF COST ACCOUNTING

For a better understanding of the topics covered and to shed light on the main concepts, we review the main aspects covered by cost accounting and company performance.

Since the aspect of spending money is in the foreground with this financial variable that dominates household management, yet the aspect of consumption is decisive in business practice. A distinction must be made between capital-forming expenses and income-generating expenses as to be transferred to the concept of business management of costs (Abernethy et al., 2019). The distinguishing criterion in this case is the consumption time.

In the case of capital formation expenses, the purchased goods are used only at a later time. They do not include any direct depreciation, however representing only a transformation of funds into material resources. They flow into a business administration system and into a storage account. Capital formation expenses are therefore present if the purchased goods represent an increase in fixed or current assets. Depreciation is taken into account at the time of consumption as imputed costs in cost accounting (Afifa et al., 2021).

In the case of expenses that affect income, on the other hand, the consumption of production factors or services provided by third parties coincides with the occurrence of associated expenses (Oliveira Fontenelle et al., 2021). The part of effort that is causally related to the company's performance process is called intentional effort (Al-Delawi et al., 2020). All other expenses are summarized as neutral expenses and are not included in the cost calculation. The sum of operating expenses and imputed costs form the total costs of a company.

From this distinction follows the subsequent definition of the cost concept: Costs are defined as the value expressed in money of goods consumed and services used, insofar they are necessary for the provision of services and can be allocated to the billing period considered.

It should be emphasized that there is no generally accepted definition of the concept of costs, since cost accounting is always a tool with a purpose and must be designed in a way appropriate to the defined objective. The concept of costs must therefore be structured according to the accounting objective pursued. The following figure illustrates the described derivation (figure 1):

Figure 1 The relationship between expenditure, effort and cost

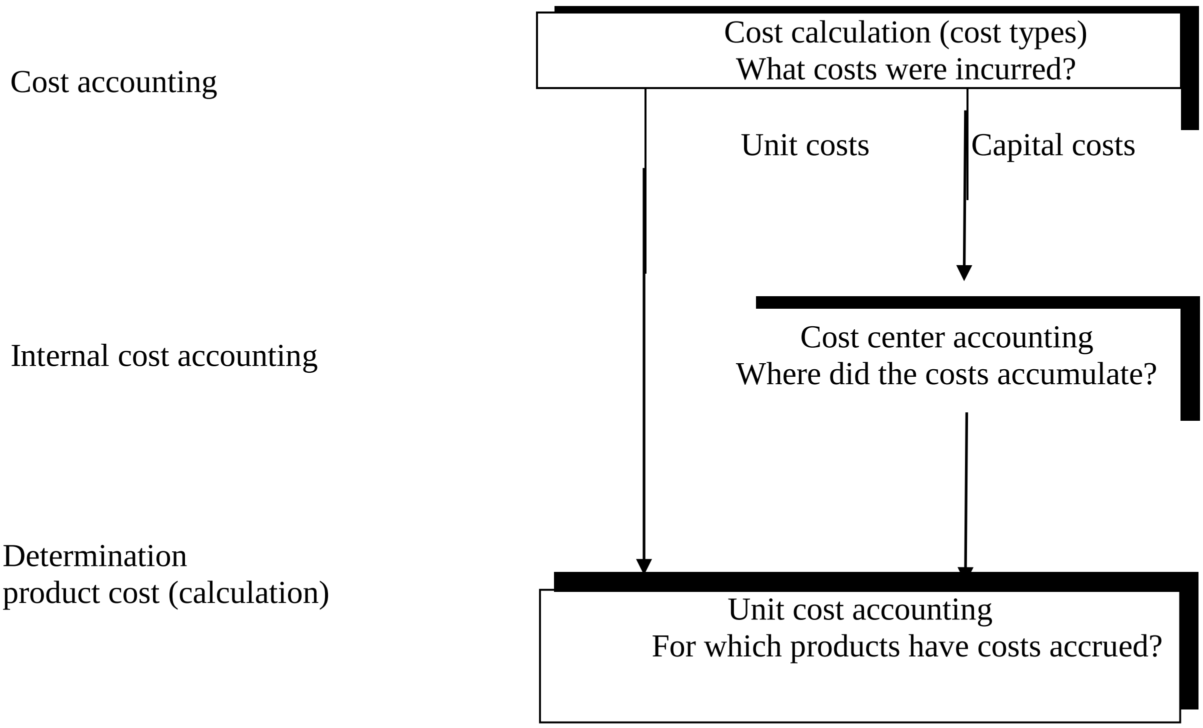
	Costs (time of receipt of goods)		
	expenses related to income		capital expenditure
	Effort (In force during the period under consideration; date of consumption of goods)		
imputed costs	expense of the purpose	neutral expenses	
Costs			

In the following, we present the formal structure of a cost accounting system and it's different forms will be highlighted. Cost accounting systems used in business practice are grounded on three basic elements:

- the type of costs,
- the cost center,
- and the unit cost.

The cost type is designed as a recording system, all primary costs incurred during operation are recorded and broken down into cost types. Cost unit overhead is assigned to cost centers within cost type accounting and cost unit direct costs to cost units without going through cost center accounting. A cost center is perceived as the accounting units of the company. In general, cost units are any independent unit of service or product. The three elements of cost accounting are interdependent and therefore must demonstrate structural equality. The basic scheme of cost accounting is shown in the figure below (figure 2).

Figure 2 Cost accounting



As follows, the various possible classifications of the cost concept are presented and discussed.

3. FIXED AND VARIABLE COSTS

Costs can be separated into fixed and variable depending on the ability to influence them in he short term. In principle, when distinguishing between fixed and variable costs, there is need of specifying as to which influencing variable the costs are fixed or variable.

Fixed costs are the ones whose value does not change with employment. They can only be influenced by a change in the company's capacity. Fixed costs arise mainly from maintaining operational readiness. Therefore, they are also called preparation costs.

Variable costs, on the other hand, summarize costs, the value of which depends only on employment. Variable costs can be further divided into proportional, progressive and regressive. Proportional costs react in the same ratio as the occupancy factor. Progressive costs change more than the baseline benchmark, while declining costs change less. Regressive costs behave in the opposite direction to the underlying influencing variable, therefore, costs decrease with increasing occupancy.

Although theory and practice distinguish between variable and fixed costs, it should be noted that on longer periods all costs tend to be variable, since in long timelines run also fixed costs can also be adjusted based on employment through changes in capacity. This fact also directly affects the type of cost accounting system used. The great advantage of partial costing is precisely the calculation of short-term earnings, since only variable costs are taken into account.

➢ Individual costs and overheads

As the costs can be attributed directly or indirectly to the services or products provided, they are called individual costs or overheads.

- Individual costs: - can be assigned directly to the products or services created (cost bearers).
- Overhead costs: - can only be charged indirectly to cost units using cost center accounting.

In principle, as many costs as possible should always be charged as individual costs to ensure a high degree of accuracy in cost accounting (Lepistö et al., 2020). When dividing into individual costs and overheads, it is important that the separation is done consistently in all areas of cost accounting, otherwise double counting of costs might be encountered.

➢ Costs related to the factor of production

Depending on the type of production factors consumed, the concept of costs can be subdivided as follows:

- Personnel costs: include all costs incurred in performing HR functions. In addition to direct wages and salaries, so-called auxiliary wage costs are included in personnel costs. This includes all additional statutory and voluntary costs.
- Material costs: All costs for materials that are physically used in the production process are included in this category. Depending on the type of use, the material concept can be further subdivided into raw materials, auxiliary materials and operating materials.
- External Costs: are incurred when the operation or administration uses services from other business units.

- Capital costs: In addition to the types of costs listed, the costs related to the capital engaged must also be considered in the cost calculation.
- Primary and Secondary Costs: A cost distinction that is particularly important for cost accounting is the division into primary and secondary categories. Primary costs are understood as the ones that the company incurs by using goods, services and other factors of production from outside. These costs are recorded in cost accounting and, if they are individual costs, further allocated to cost units. Provided the costs are overhead, they are included in cost center accounting. Secondary costs, on the other hand, are generated for internal services. They are not offset by any expenses or payments, as they reflect the re-use of the goods or services produced by the business. Each cost type is made up of several primary and/or secondary cost types. Secondary costs are offset in cost center accounting.

4. PRINCIPLES OF COST ACCOUNTING

The task of cost accounting is to record all costs and allocate them according to their cause. The basic purpose of cost accounting is therefore the realistic and value-based representation of the use of goods. It serves primarily to document operational events and internal information. These results are mandatory requirements for the development of cost accounting, which are briefly outlined below.

Cost recording principles: The basic principle of cost accounting is the congruence between the costs actually incurred and the figures recorded in the cost accounting. In addition, the recording of costs must comply with the subsequent principles:

- Completeness: all costs must be recorded;
- Accuracy: costs must be recorded with as accurate as possible;
- Timeliness: costs should be recorded as soon as possible after they are incurred.

Of course, not all three principles can be fully fulfilled at the same time. Another principle to bear in mind when recording costs is the "principle of efficiency"; any information gain must be commensurate with the additional costs incurred.

Principles of cost or distribution accounting: When recording using cost element accounting, these are distributed in cost object accounting. Different principles must be followed when distributing, depending on the desired information and billing objectives:

- Principle of causality of costs: Allocation must be made to the bearers of costs that caused them. Defining the costs caused by the provision of the service is of central importance when applying this principle. There are different opinions on this matter in the literature. Proponents of partial costing argue that only variable costs can be allocated to cost units in accordance with causality. On the other hand, total cost accounting strives, as much as possible, for a causal distribution of fixed costs. The extent to which causality-based cost allocation is possible is questionable and depends on the application.
- Carrying capacity principle: Costs that cannot be directly allocated based on who caused them must be allocated to cost bearers using a proportional distribution key. Overhead is allocated to individual services based on their contribution margin. This principle assumes that overhead costs should be allocated to services based on their viability.

The principle of averaging evenly distributes overhead costs among all services by averaging. As can be easily seen, this type of cost allocation is inappropriate for multi-product companies because the principle of cost causality is violated by the uniform distribution of overhead costs among individual cost units.

➢ Cost center accounting

Cost center accounting is the allocation based oncost type. The primary task of cost center accounting is to distribute elements recorded in cost accounting to where they originate. An additional function is represented by determining allocation rates for distributing overhead costs to cost units and monitoring compliance with budget specifications for cost centers. Through cost center accounting, all overheads that cannot be directly assigned are recorded and prepared for clearing. It thus combines cost type accounting with cost unit accounting (Wagner et al., 2021).

The structure of cost centers must be individually adapted to the organization of the company or administration. In most companies, therefore, classification according to organizational functions prevailed. In a manufacturing firm, functional breakdown results in cost centers of materials, sales, administration, research and development, and production, with the same or similar activities grouped together. Ideally, cost centers, which are broken down by function, coincide with areas of responsibility so that the cost center manager can immediately identify budget deviations and intervene to control them. The level of detail depends on the need for information and must be individually aligned with the objectives of cost accounting. In this case, taking into consideration the whole concept of cost accounting, the principle of economy must also be observed.

Each cost centre breakdown must also meet the following criteria:

- The structure must be clear to be able to allocate all costs to cost centres using accounting assignment documents
- The structure must allow an economic accounting of costs
- Costs must be able to be assigned to cost centres based on where they were incurred. This applies to both primary and secondary cost distribution. Also, it is compulsory to find reference values for both stages, as basis on which costs can be compensated
- To enable a control function, each cost centre should represent its own area of responsibility.

5. CONCLUSIONS

As major ideas this paper on cost accounting and firm performance underlines some essential aspects for the management’s effectiveness within company. First, detailed financial information, including financial statements and cost control, is vital for strategic planning, performance evaluation, and tax compliance. Environmental cost accounting emerges as a key element, encouraging companies to integrate sustainability considerations into the decision-making process, thus contributing to more environmentally responsible management.

On the other hand, management accounting practices have proved to be fundamental instruments to continuous improvement and maintaining competitiveness in the face of global market challenges and economic changes. These practices provide a solid foundation for cost control, strategic planning, and resource optimization, with a direct impact on overall company performance.

The detailed analysis of different types of costs, as well as the structure and principles of cost accounting, reveals the importance of a deep understanding of how costs are allocated and managed within an organization. The distinction between fixed and variable costs, individual costs and general expenses, as well as the different costs related to production factors, highlights the complexity and the need to adapt accounting practices to the specifics of each company.

The principles of cost accounting and the effective implementation of cost center accounting are the foundation for the accurate and responsible allocation of resources, enabling managers to better monitor and control costs, thus making informed decisions to optimize performance.

In conclusion, cost accounting and associated managerial practices are essential for the strategic and operational management of companies, contributing to long-term sustainability and success in a dynamic and competitive business environment. The study also highlights the importance of continuous research in this area to develop new approaches and practices that respond to contemporary challenges in cost management and corporate performance.

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SOLUTION FOR THE MAIN PROBLEMS BY IMPLEMENTING NON-FINANCIAL MOTIVATION WITHIN ORGANIZATIONS

Bogdan ȘTEFĂNESCU[22]
Valentin RADU[23]
"Valahia" University of Târgoviște, Romania

ABSTRACT: *This research focuses on the benefits of implementing non-financial motivation in organizations to support managers in solving multiple problems and highlights the significant advantages in terms of employee engagement, job satisfaction and overall company performance. I analyzed the issue focusing on the main problems that can be solved by implementing non-financial motivation such as: employee involvement, job satisfaction, retention, organizational climate, professional development, creativity, innovation, up to employee health and well-being.The benefits of feedback, development opportunities, activities that enhance the quality of life, collaborative working environment, mentoring programs, flexibility of work schedule and encouraging the exposure of innovative ideas that break traditional patterns and contribute to the progress of the organization were discussed. Implementing these non-financial motivational practices can lead to significant improvements in employee morale, performance and retention, contributing to the long-term success of the organization.*

Keywords: *organization, efficiency, motivation.*

JEL Classification: *A12, M54*

1. INTRODUCTION

Implementing non-financial motivation in an organization can address several issues and bring significant benefits in terms of employee engagement, job satisfaction and overall company performance. Some of the main issues addressed by implementing non-financial motivation in organizations are directly related to employee engagement, job satisfaction, retention, organizational climate, professional development, creativity, innovation, through to employee health and well-being.

Thus, non-financial motivation can contribute to increasing employee engagement in work. Recognising their efforts and contributions through positive feedback, appreciation and development opportunities will create an environment in which employees feel valued and involved in achieving the organization's goals which will have a motivational effect on them (Vasile et al, 2018).

Creating a pleasant and stimulating work environment where employees feel motivated to come to work also contributes to increased job satisfaction. Activities such as team-building,

[22] PhD. Researcher, bogdanstefanescu@yahoo.com
[23] PhD. Professor, valentin.radu@valahia.ro

flexible working hours and other initiatives that enhance the quality of working life will certainly play a significant role in this respect.

Non-financial motivation can contribute to the retention of high performers. When people feel valued and fulfilled at work, the likelihood of seeking new opportunities in other organizations will trend downwards (Giju et al, 2012).

Implementing actions and ideas that promote mutual recognition and appreciation can help create a positive organizational climate. And a positive environment will influence not only employee morale, but also team collaboration and communication.

The existence of programs for professional development and career advancement will motivate employees to improve their skills and thus contribute to the organization's goals. Coaching and mentoring programmes, continuous training and personal and professional development programmes can be effective tools in this respect.

Creativity and innovation can be stimulated in an environment where employees feel free to express their ideas and share their work-related visions. Non-financial motivation can contribute to creating an organizational culture that encourages original thinking and innovative approaches across conventional barriers (Zhan et al, 2020).

Last but not least, attention to employee health and well-being can be a form of non-financial motivation. Offering wellness programmes as part of the benefits package, or support for work-life balance can help improve employees' overall health and reduce stress.

Implementing these non-financial motivation practices can lead to significant improvements in employee morale, performance and retention, contributing to the long-term success of the organization.

2. RESEARCH METHODOLOGY

The use of the qualitative method in writing this article on the implementation of non-financial motivation in organizations is an essential approach to gain a deep understanding of this complex topic and to reveal the subtle aspects underlying successful implementation. Qualitative methods allow researchers to explore in detail the perspectives and experiences of individuals involved in implementing non-financial motivation. Qualitative methods provide the opportunity to obtain data on non-financial motivation from a holistic perspective. In implementing this type of motivation, it is not sufficient to assess only financial figures and indicators. It is necessary to understand why certain approaches, such as public recognition, personal development or programme flexibility, work or not in the specific context of the organization. These qualitative methods can reveal employees' deeper reasons for choosing or rejecting such initiatives.

In addition, qualitative methods can help to identify obstacles and possible solutions in implementing non-financial motivation. By exploring in depth the stories and experiences of employees, the researcher can identify cultural, structural or communication barriers that may hinder the success of these initiatives. This enables the development of more effective strategies to overcome these barriers and increase the effectiveness of non-financial motivation in the organization.

Qualitative methods are essential in writing about the implementation of non-financial motivation in organizations as they allow researchers to gain a deep, holistic and contextualised understanding of the topic. These methods help to reveal the perceptions, experiences and difficulties involved in the implementation process, thus providing a solid basis for developing effective solutions and strategies. Therefore, the use of qualitative methods in researching this topic is essential to contribute to the development of HRM practices and policies in organizations.

3. LITERATURE REVIEW

Today, most companies are faced with the need to develop new management strategies, which are a key innovative factor for economic development. This is crucial in a rapidly changing business environment, both internally and externally. Given these circumstances, the importance of each employee's contribution to improving a company's operational efficiency is steadily increasing. This contribution is crucial for the leadership and continuous development of people management methods that will ensure the mobilisation of human resources (Hewage and Ruwanpura, 2006, 1075-1089). Therefore, a fundamental task for the success of a modern organization in this context is the development of a quality management system, which involves building and implementing an effective motivation system. Because economically motivated employees are the key to success in the work of a company and its strategic development to strengthen its position in the market (Porotova, 2016, 615-617). However, defining the role of employees and their motivation in different areas of human activity has specific characteristics.

The study of modern motivational concepts, both from a material and non-material perspective, is a theoretically and practically significant problem. This determines the relevance of the selected research topic, establishes its conceptual basis and involves the choice of appropriate instruments for scientific research.

The aim of the study is to analyse the existing concepts, approaches and theories in academic literature and practice on the development of employee motivation systems. It also aims to investigate foreign experience in developing both tangible and intangible motivation systems in the service sector and to define modern conceptual approaches to their development.

In the history of management development, motivation has been a constant concern for researchers, although motivation theory became a subject of scientific interest only in the 20th century. Although most human incentives, motivations and needs have been known for a long time, there is a considerable diversity of approaches to understanding the essence of the motivation process. Scientific research has generated numerous concepts of motivation, but there is still no single, universally accepted classification of these concepts (Stegaroiu et al., 2020).

Lynda Gratton (2007), Professor at London Business School, has devoted her scientific research and practical experience to investigating the meaning and significance of the purposes of work. In a ten-year study of multinational companies, Gratton concluded that, despite similarities in their processes and organizational structure, there were significant differences in employee loyalty and financial performance. According to him, increased levels of productivity were directly related to the degree of alignment between company goals and employee aspirations (Rock et al., 1991, 628).

In the book "The Compensation Handbook: A State-of-The Art-Guide to Compensation Strategy and Design", Lance and Dorothy Berge argue that it is essential to avoid any contradictions between reward and compensation philosophy on the one hand and company strategies, values and mission on the other. They argue that these elements should complement each other harmoniously. In addition, they emphasize the importance of analyzing the changes needed to implement motivation programs in relation to the company's organizational structure, status and operating principles (Rock et al., 1991, 628).

Stephen Baldwin also highlights the need to check whether the chosen motivation system is in line with the existing corporate culture and, if not, can become a demotivating factor. He stresses the importance of ensuring consistency between the motivation system and organizational culture (Baldwin et al., 2014, 827-847).

The benefit of the French work motivation model is that it significantly boosts work efficiency and quality. This model also functions as a self-regulating mechanism for the work compensation dimension. It is important to note that in France, as in the US, the main focus is on financial motivation in the service industry. However, within the French motivation model, non-financial motivation tools are also used, such as: publication of performance-based employee evaluations; recognition of merit (both privately and publicly), which consists of employees distinguishing themselves through their commitment in reports to senior management or through personal recommendations; and special attention by management during holiday periods or during employee family-related events.

In contrast to previous countries, Sweden adopts a model of work motivation based on a strong social policy, with the aim of reducing income inequality by redistributing national income to the poorer segments of the population. This model has a significant impact on low-paid service workers. Its implementation contributes to income equalisation, through wage increases for low-wage groups and wage restraint for high-income groups. In addition, during collective bargaining negotiations, trade unions insist on including specific elements to control the pace of wage increases for low-income groups. In addition, non-material motivation tools include facilities such as rehabilitation and reduced-price meal offers, as well as a modular system of time-off compensation (Mortaheb et al., 2007, 1111-1120).

A distinct aspect of time-off motivation applicable in France is that differences in workloads caused by working hours at different times of the day and days of the week are compensated through direct time-off, instead of financial compensation as is common in the traditional system.

In Germany, social justice and solidarity are the basic elements of the motivation mechanism, especially in the service sector, where high demands for service quality and the adaptability of employees to market expectations are essential, especially in technical and automotive service centres. The market system in Germany is known as "social" because the state creates a level playing field for all workers, reduces inequalities and provides protection for less secure professions. Numerous studies have conclusively demonstrated that a harmonious combination of work incentives and social security applied in Germany is one of the most optimal and efficient models known in the history of economic theory. This model enables the provision of equivalent economic and social benefits for employees (Chandra et al., 2016, 49).

In most post-Soviet countries, the motivation to work, both in the service and industrial sectors, is largely focused on fixed wages and formal salaries, which is proving inefficient. When we look in detail at the characteristics of motivation of employees in the service sector in Ukraine, we note first of all that there are no significant differences from the motivation mechanism in the industrial sector. Secondly, domestic companies focus mainly on the quantity of work done, ignoring the quality of work, professional skills and qualifications of employees. Basically, they do not use profit-sharing and equity capital as motivational tools, as they do in developed countries (Lukashev and Iandola, 2015, 496-499).

We can see that the personality and identity of each employee plays a key role in the motivation system in the service sector. The main purpose of motivation is to ensure that each employee feels valued and motivated at work, without requiring significant resources from the company. It should also be emphasised that organising motivation is important both at company level and at the level of the industry as a whole, working with the government. The main motivation tools include a system of rewards and sanctions based on key performance indicators, education, personal example, employee involvement in company decisions, etc.

From a macro perspective, motivation should be mainly non-material in a market system that promotes competition and does not give material preferences or handouts, except for projects with social significance. Managing motivation at the macro level involves developing public policies that stimulate productive work, economic reforms to create the right conditions for efficient work, developing a sound legislative framework to regulate economic activity and using administrative and legal instruments to improve the financial and credit system, tax policy, wage reform, employment, social protection and human rights, promoting democratisation and competition. Presents a general model of the modern concept of material and non-material motivation in service industry companies.

At the micro level of motivation management, it is based on socio-psychological criteria, organizational and economic tools, which provide a number of benefits, including:

1. Improved organizational structure and internal control system.
2. Development and implementation of objective methods of evaluating employee performance, as well as the development of flexible and effective systems of remuneration and incentives that are aligned with the final results of work.
3. Support the development of competition in the workforce and the introduction of progressive forms of work organization.
4. Create a competitive environment at work, promoting a focus on achieving excellent results.
5. Stimulating productive employment of workers and generating new job opportunities.
6. Ensuring favourable health and safety conditions in the workplace.
7. Adopting strategic management principles and methods.

In order to increase the share of material motivation of staff in service industries by increasing the share of variable income of employees, the following factors need to be taken into account:

1. Level of competence, where a higher level of competence has a greater impact on company results.
2. The degree of influence of company results, with a focus on the impact of sales on company results and the amount of profit that depends on them.
3. Closeness of supply, which promotes and supports the company's products and services.

he relationship between the fixed and variable parts of salaries in the overall service sector motivation mechanism depends on the significant differences identified in the different activities and the assessment of the influence of staff on the final financial result. The share of the variable part of remuneration increases in proportion to the increase in customer interaction and sales activities (Radu et al, 2019).

Socio-psychological tools are essential for ensuring genuine employee participation in management processes, for developing effective systems for recognition of merit and for creating a work environment with a favourable moral and psychological climate. (Eisele et al. 2013, 527 - 543).

4. RESULTS

Non-financial motivation plays a crucial role in developing and maintaining a healthy and productive work environment in organizations. While financial rewards are important and necessary to ensure the livelihood and security of employees, non-financial motivation is often the key to inspiring them to make their maximum contribution to the organization's success. Implementing this type of motivation can have a significant impact on employee morale, engagement and performance.

Organizations can implement non-financial motivation in this way:

A simple "thank you" or word of appreciation can have a significant impact on the employee. Organizations can organise recognition ceremonies, awards and other special events to highlight the contributions of their employees.

Employee recognition and appreciation is one of the most effective and accessible methods of non-financial motivation in an organization. This is often underestimated, but can have a significant impact on employee morale, engagement and performance. Examples:

- An employee who receives a simple "thank you" or a word of appreciation from their superiors feels that their work is valued and that they have an important role in the organization. It is essential that these words are sincere and genuine, so that employees feel it as real feedback.
- Organizations can hold special recognition ceremonies to celebrate the achievements and contributions of employees. These events may take the form of meetings or parties to which all employees are invited, during which awards or certificates of recognition may be presented. These types of ceremonies add a social and community element to the appreciation process, and can create a sense of pride and belonging among employees.
- Organizations can establish awards programs to reward employees for their outstanding contributions. These awards can be in the form of bonuses, extra days off, trips, or even honorary titles. It is important that the criteria for these awards are clear and fair to avoid dissension or misunderstanding in the organization.
- Implementing a culture of appreciation in the organization involves encouraging employees to appreciate each other and provide positive feedback on a regular basis. This can be promoted through a system of regular appraisals and by encouraging employees to share their recognition and appreciation for their colleagues.
- In addition to recognition, it is important that employees also receive constructive feedback in order to develop in their careers. Providing guidance and support in developing skills can also be a form of appreciation.

ecognising and appreciating employees not only motivates them, but can also increase their satisfaction within the organization and improve working relationships. It is important that this approach is consistent and embedded in the organizational culture to achieve the best results. Employees who feel valued and appreciated are more likely to remain loyal to the organization and actively contribute to its success.

Professional development opportunities, such as training courses, seminars and mentoring, can motivate employees to grow and improve their skills. The fact that the organization invests in their development can create a sense of appreciation and loyalty. Professional development is one of the key pillars of non-financial motivation in organizations. Learning and development opportunities offered to employees can have a significant impact on their engagement, job satisfaction and performance. Professional development can be a powerful tool for motivating employees by:

Organizations can provide employees with access to training and development programmes that enable them to improve their skills and develop their knowledge. These courses can cover a wide range of areas, from technical skills to leadership and communication skills. Employees value the opportunity to learn and grow professionally, and this can help create a positive atmosphere in the organization.

- Seminars and workshops provide an interactive way of professional development. These events can address current topics and allow employees to share ideas and interact with their colleagues. Active participation in such activities can boost employee interest and motivation.
- Offering mentoring and coaching programmes can be a great way to help employees develop their skills and grow in their careers. Mentors and coaches can provide guidance, support and personalised feedback, which helps to develop skills and increase employees' confidence in their own ability.
- Organizations can work with employees to create personalised development plans that take into account each employee's career goals and provide resources and support to achieve

them. This demonstrates a commitment on the part of the organization to employees' professional growth and can create a strong sense of loyalty.

- Organizations can recognise and celebrate employees' achievements in their professional development. This can include awarding certificates or diplomas for successful completion of training programmes or for reaching important milestones in their development.

Professional development helps employees improve their skills and advance their careers, but also contributes to building a work environment where employees feel valued and supported. Investing in professional development shows employees that the organization is willing to invest in them and provide opportunities for growth. This can create a strong sense of appreciation and loyalty among employees and can contribute significantly to the long-term success of the organization.

Organizations can offer flexible working hours, the opportunity to work from home or paid leave programmes to help employees achieve a work-life balance. Flexibility and work-life balance are increasingly important aspects of managing and motivating employees in modern organizations. Offering these benefits can have a significant impact on employee engagement, satisfaction and performance. These elements can be developed and integrated into an organization in this way:

- A flexible work schedule allows employees to choose their working hours according to their personal needs and workplace responsibilities. This can include shift work, reduced or variable hours, or the ability to work from home remotely. Flexibility in working hours allows employees to better adapt to the demands of personal life and avoid the stress of transport or managing other responsibilities.

- Telecommuting or working from home has become increasingly popular, especially in the age of digital technology. Offering this option to employees allows them to work from home or other locations without having to spend time in traffic or commute to the office every day. This can increase quality of life and help reduce transport-related stress.

- Organizations can offer employees paid leave schemes or flexible leave to enable them to better manage their personal lives and spend time with their families or relax. These benefits may include time off for special events (weddings, births, family events) or additional time off to prevent burnout.

- Organizations can create a family-friendly work environment by providing facilities such as crèches or nurseries for employees' children, or childcare facilities for children and older adults. This can help employees feel more comfortable with work-life balance.

- Organizations can promote a culture that encourages employees to prioritise and pay attention to work-life balance. This may involve setting clear limits on working time or encouraging employees to take regular breaks to relax.

By providing flexibility and promoting work-life balance, organizations can create a working environment where employees feel supported and encouraged to maintain their mental and physical health. These benefits can help increase employee satisfaction and loyalty, as well as attract and retain talent in the organization.

Employees can be motivated through their involvement in decision-making and the development of organizational strategies. Organizations can organise brainstorming sessions, focus groups or other forums for employees to express their ideas and suggestions. Opportunities for employee involvement and participation in decision-making and strategy development can play a crucial role in strengthening employee motivation and improving organizational performance. Organizations can develop this approach and harness the potential of employees by:

- Organizations can organise brainstorming sessions and working groups where employees are invited to participate in solving problems, identifying opportunities and generating new ideas. These sessions can be open and informal, giving employees an environment where they feel free to share ideas and offer suggestions without fear of criticism.

- Organizations can set up special employee committees to actively involve employees in decision-making and the development of organizational strategies. These committees can cover different areas such as internal communication, innovation, diversity and inclusion, health and safety at work or sustainable development. Members of these committees may be elected by employees or appointed by management.

- Organizations can establish formal feedback and consultation mechanisms, such as regular surveys or regular discussion sessions with employees. This can give employees the opportunity to express their concerns, needs and ideas, and management can respond appropriately to the feedback received.

- Transparent communication about the decision-making process and the reasons behind decisions can contribute to better employee understanding and acceptance of management decisions. Organizations can provide clear explanations of the strategic direction and how employees can contribute to achieving objectives.

- Recognising and rewarding contributions: To motivate employees to get actively involved, organizations can recognise and reward valuable contributions. This can include awards, public recognition or promotion of employees who have made significant contributions to the development of the organization.

By offering employees opportunities for involvement and participation, organizations can leverage their knowledge and experience to improve processes and strategies. Moreover, employees who feel involved and listened to are more motivated to actively contribute to the organization's success and feel part of it. Thus, this kind of approach can lead to greater employee engagement and loyalty and to a better adaptation of the organization to changes in the business environment.

An organizational culture based on values such as respect, collaboration and trust can create a working environment where employees feel motivated and supported in their work. A positive organizational culture is an essential element of employee motivation and commitment in an organization. A culture that promotes values such as respect, collaboration and trust creates a working environment where employees feel comfortable and encouraged to make their maximum contribution. Such a culture can be developed and maintained in an organization by:

- To create a positive organizational culture, it is essential to clearly define the organizational values and vision. These should be communicated to all employees and integrated into all aspects of the organization's work.

- Leadership plays a key role in setting the tone for the organizational culture. Leaders should model behaviour based on organizational values, demonstrate respect and trust in employees and promote a culture of open and transparent communication.

- An important component of a positive organizational culture is open, two-way communication. Employees should feel encouraged to voice their ideas, concerns and suggestions, and management should actively listen and respond to feedback.

- Promoting respect for all employees, regardless of race, gender, religion or sexual orientation, is essential to a positive organizational culture. Organizations should create an environment where diversity is valued and appreciated and discrimination is eliminated.

- Promoting collaboration and teamwork can help develop a positive organizational culture. Employees should be encouraged to work together, share ideas and support each other in achieving common goals.

- Organizations can recognise and reward employees who make significant contributions to promoting a positive organizational culture. This may include awards, public recognition or promotion of employees who exemplify organizational values.

- A positive culture also implies a commitment to continuous improvement. Organizations should create mechanisms for collecting feedback and implementing changes needed to improve organizational culture.

A positive organizational culture motivates employees, but can also improve their job satisfaction, productivity and retention. Employees who feel comfortable within such a culture are more likely to remain loyal to the organization and make valuable contributions to its success. Thus, investing in developing and maintaining a positive organizational culture can have significant long-term benefits for the organization.

Organizations can offer employees the opportunity to take on new and challenging responsibilities or to advance within the company. These opportunities can motivate employees to improve their performance and remain committed to the organization for the long term. Opportunities for responsibility and growth play a key role in motivating employees and their continued professional development. Organizations that offer employees opportunities to take on new and challenging responsibilities or to advance within the company create an environment that is conducive for employees to develop their potential and remain committed to the organization for the long term. These opportunities can be developed and implemented in an organization in this way:

- Organizations can promote exceptional performers and high potential employees within the company. This promotion can include advancement to senior positions, taking on leadership roles or expanded responsibilities within the current team.
- Organizations should work individually with employees to develop customized development plans that take into account each employee's goals and abilities. These plans may include additional training, on-the-job learning, assistance with skills development, or preparation for future promotions.
- An effective way to offer employees opportunities for growth is to involve them in job rotation or special projects. This allows them to gain experience in different areas and develop their skills in a varied environment.
- Organizations can offer mentoring and coaching programmes to help employees develop their potential. Mentors provide personalised guidance and advice, helping employees learn and grow in their careers.
- Organizations can develop special programmes to develop leaders within the organization. These programs can help employees with leadership potential develop their leadership skills and be prepared for larger leadership roles.
- Regular performance reviews and constructive feedback can be used to identify opportunities for employee growth and development. They can help identify strengths and weaknesses and set clear development goals.

By offering such opportunities for responsibility and growth, organizations motivate employees, but also help them develop and improve their skills. Employees who feel valued and supported in their professional development are more likely to remain committed to the organization and make significant contributions to its success. Thus, investing in employee development can help increase loyalty and long-term organizational performance.

Open and transparent communication between management and employees is essential to keep employees motivated. Organizations should provide regular feedback and keep employees up to date with the organization's goals and direction. Effective communication is a fundamental pillar in keeping employees motivated and engaged within an organization. Open and transparent communication between management and employees contributes to a healthy and motivating work environment. Communication can be developed and implemented to motivate employees in many ways, among which we mention:

- It is essential that the organization encourages open, two-way communication where employees feel free to share ideas, concerns and feedback with management. This communication must be accessible and without fear of repercussions.

- Employees value regular and constructive feedback on their performance. Organizations should provide regular performance reviews, recognise achievements and identify development opportunities for employees.

- Management should clearly communicate organizational values, vision and goals. Employees need to understand the purpose of the organization and how their contribution fits into achieving these goals.

- Organizations should be transparent in their decision-making. Employees should be informed about the reasons behind decisions and their impact on the organization and on themselves.

- In times of change, such as restructuring or mergers, it is crucial to provide clear communication and support to employees. They should be informed about changes and have the opportunity to voice their questions and concerns.

- Organizations should use a variety of communication channels to reach employees. These channels can include face-to-face meetings, emails, newsletters, online collaboration platforms and other internal communication tools.

- Management should demonstrate active listening when employees share their thoughts and concerns. This means listening carefully and responding appropriately to employee needs and feedback.

- Organizations can use communication to recognise and reward employees for their achievements. Public and honest recognition can motivate employees to continue to perform at a high level.

Effective communication keeps employees informed and engaged, but also shows them that they are valued and listened to. Employees who feel involved in the communication process and have a clear understanding of their role in the organization are more motivated to contribute to its success. Thus, developing and maintaining an effective communication culture can contribute significantly to employee motivation and commitment and to the long-term success of the organization.

5. CONCLUSION

To ensure efficient operations, every company depends on responsible, well-organized, and motivated employees who are proactive, seek professional development, enjoy their results, have a sense of responsibility and initiative. Motivating employees to work effectively and meet both company and personal needs, as well as moral, social and internal reasons, goes beyond simply identifying and addressing employee needs. It is necessary to develop an effective motivation concept that uses both material and non-material tools to motivate employees.

In order to identify and examine modern approaches to material and non-material motivation, we reviewed existing motivation theories that have proven to be effective and have been widely used in various fields.

The theoretical analysis allowed us to find that there is no single, universal conception for staff motivation or for material and non-material work motivation in general. As a result, in order to formulate modern conceptual approaches to staff motivation in the service industry, this article has analysed and clarified key concepts related to motivation theory.

The analysis of successful international practices used by companies in the service sector revealed that the personality and individuality of each employee plays a key role in the motivation system.

Implementing non-financial motivation in organizations can be an ongoing and complex process, but the long-term benefits can be significant. When employees feel motivated and engaged in their work, they are more likely to make valuable contributions and remain loyal to the organization. Thus, investing in non-financial motivation can contribute to the long-term success of an organization.

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URBAN REGENERATION – INDICATORS FOR MONITORING AND EVALUATING THE PROCESS

Anna Maria VASILE[24]
National Institute for Economic Research ”Costin C. Kirițescu”, School for Advanced Studies, Romanian Academy

Luminita CHIVU[25]
National Institute for Economic Research ”Costin C. Kirițescu”, Romanian Academy

ABSTRACT: *This article aims, in a first step, to identify the indicators used by different scientific publications to evaluate and monitor the complex process of urban regeneration. Starting from this inventory, in a second stage, the analyzes carried out aim to identify the most relevant indicators available in Romanian statistics, at the level of urban localities, in order to outline a possible system of indicators for the evaluation and monitoring of urban regeneration. As result were identified 112 indicators which capture defining elements of the urban regeneration process, which can be an important support for decision-makers in organizing the process.*

Keywords: *urban regeneration, urban strategy, sustainable development, case studies, monitoring indicators*

JEL Classification*: O18; R51; J18.*

1. INTRODUCTION

Urban regeneration must start with a vision and include broad and integrated measures to identify and solve problems affecting the area under review. This will improve the economic, physical, social and environmental conditions of the neighborhood, city and region. The process of improving the quality of life in areas identified by local actors as degraded, as well as brownfields, historically destroyed or damaged areas, is known as urban regeneration.

According to the scientific literature, urban regeneration is based on three main pillars: physical, economic and social. Interventions are proposed for each of the three pillars by creating an urban regeneration plan after the assessment of the respective area and according to the results. Also, an integrated approach to economic, social, demographic and environmental issues is the only way to guarantee the success of urban regeneration projects, as well as ensuring sustainable urban development.

Interventions for urban regeneration must respect the following principles: maintaining the uniqueness and specificity of the place; economic and sustainable revitalization of built

[24] PhD Student, National Institute for Economic Research ”Costin C. Kirițescu”, School for Advanced Studies, Romanian Academy.
[25] PhD., National Institute for Economic Research ”Costin C. Kirițescu”, Romanian Academy.

heritage; establishing and/or developing a local partnership; integrated planning of operations aiming at sustainable development and regeneration.

In the context of the complexity of the urban regeneration process, its monitoring and evaluation involves the selection of a set of indicators, extremely diverse, which provide an image of the whole, but also the interconnections between its various components.

Starting from a synthetic characterization of the urban regeneration process, this article aims to identify the indicators used so far in the evaluation and monitoring process in other contries, as a first step in building a set of indicators for the evaluation of the urban regeneration process in Romania, taking into account the statistical information available at city level from different officially sources.

2. MONITORING AND EVALUATION OF THE URBAN REGENERATION PROCESS

As economic development consumes renewable or less renewable resources, it influences the ecological balance of the environment. In this context, the goal of sustainable development and regeneration is to find a development model that balances the pillars of sustainable development: economic and technological, social and human.

Sustainable urban regeneration and development can be achieved in a variety of ways, using a variety of interventions, which are needed by different communities and different types of people. These needs can be communicated to the public administration in different ways.

Solutions for urban intervention programs are difficult to identify and apply. Usually, these intervention methods involve well-defined processes, but do not include the possibility of unforeseen situations from the perspective of local dynamics (Valente, 2013). Innovative programs must include tracking and evaluation mechanisms. Others, on the other hand, require the creation of their own indicators to measure the impact of urban regeneration interventions.

Decision-makers have an important task to measure, track and evaluate urban regeneration, as these actions are usually carried out in partnership with the local community and it is essential to demonstrate the benefits of the projects. If it is found that the actions do not lead to the expected results, monitoring through a system of collecting and reporting the results of the interventions helps to correctly estimate them and to take remedial measures effectively. Thus, timely new steps can be taken to reorient interventions to achieve desired outcomes.

Ministers laid the foundations of a tool for creating integrated and sustainable urban policies, a Reference Framework for Sustainable Communities (CRCS) (European Commission, 2019) at the time of the creation of the Leipzig Charter. The CRCS helps to define the integrated interventions that are essential for an integrated urban regeneration. Through a system of indicators, this interactive web facilitates discussions about integrated and sustainable urban development. It also provides a tool for qualitative assessment.

This framework is designed to support the achievement of objectives that are organized around the four pillars of support: economy, social, environment and administration. This tool helps track the progress of urban revitalization plans over time (Winter, 2018).

3. INDICATORS USED IN THE EVALUATION AND MONITORING OF THE URBAN REGENERATION PROCESS

The aim of urban regeneration is to solve urban problems and bring long-term physical, social, economic and environmental improvements to an area in need of change.

Indicators must be identifiable, measurable and easily understood elements that measure the elements considered essential to the urban regeneration process. They must be correlated with the objectives of the process, the way the activities are carried out, the calendar, the resources, the target group and other elements identified by the analysis techniques used.

To build the system of monitoring indicators, it is necessary to find the information that is needed to determine the level of performance of a program. This is done using sound analysis methods and in relation to the needs that have been identified through the SWOT analysis.

The process of selecting indicators for evaluating the performance of regeneration on sustainability criteria is directly affected by their use. Regeneration actions can be evaluated and analyzed using indicators that are relevant to the community. An indicator should be measured systematically. Debts should be collected by independent entities that are not directly involved in the process. Data may come from a variety of different sources. These include the project or program documents containing the theory and the funding request, as well as inputs, the program schedule and primary sources such as official statistics, reports and research, as well as observations, sociological surveys and interviews.

The general purpose of indicators is to provide reasonable, measurable and verifiable information about the current situation. In order to monitor and report conditions and processes more effectively, as well as to improve data collection and storage capacity, indicator systems were needed.

There are several trends in the development of indicator systems that can be identified based on the current literature. First of all, they involve redefining the concepts of socio-economic development, standard of living and quality of life. The frequent re-evaluation and reconstruction of the composite indices, as well as the introduction of new indices when necessary, constitute a second line of development (Pronk, J. and Haq, M., 1992).

The development of cities will determine the future of Europe, according to the EU's Urban Agenda. This is because the complex process of urban regeneration requires cooperation with a variety of regional and national policies, as well as the use of local energy and experiences generated by non-conventional actors of urban development (European Investment Bank, 2005).

In social terms, sustainable urban regeneration means the compatibility of economic efficiency with social equity, which are characteristics of the competitive market, and the equitable distribution of benefits from environmental protection activities.

Urban regeneration helps to achieve the environmental objectives of the European Union by creating cities where the environment is protected (with efficient energy, clean water, clean air, accessible and livable open spaces). To maintain socioeconomic cohesion, as imbalances occur at different levels, including urban functional areas, cities and urban regions; obvious economic disparities are obstacles to economic progress in general, regardless of the size of the region in which they occur. For this reason, engines must be developed to propagate the methods identified by local actors to improve the quality of life.

The use of indicators to assess change in social studies has spread worldwide since the early 1990s (Wong, 2006). The systematic progression of indicators from abstract notions to particular and tangible measures to provide policy information is the foundation of their value as a type of knowledge. Over the last generation, the idea of monitoring changes in certain indicators has been continuously explored to evaluate the results of initiatives (Reeve et al, 2008). Based on the features that the research framework highlighted, a subset of circumstances was identified to allow for a full assessment.

Unlike other forms of intervention, which prioritize only the value of the land and preserve it through traumatic demolitions and by replacing the rest of the entire urban capital and, most regrettably, the social one, an integrated urban regeneration operation "aims to optimize, conserve and revalue the whole existing urban capital (social, built environment, heritage, etc.)".

To meet the expectations of everyone, regardless of financial level, "measures should be taken to make cities attractive again", and the fulfillment of these objectives can only be determined by the local community. Questionnaire is one of the methods of analysis that distinctly defines the requirements of the community. The findings of this analysis technique "should encourage all levels of government to consider these imbalances in all urban sector policies that are part of integrated urban regeneration strategies" (Committee of Regions, 2010).

The needs of the local community can be examined using a questionnaire to ensure that all variables contributing to the decline of the study area are taken into account.

Depending on the interpretations of the results of the application of this questionnaire, it is possible to precisely identify the area that needs to be revitalized, for which to develop specific programs of urban regeneration, to identify creative ways of using the available space, to improve the quality of the services offered by the city and to solve the problems identified on the 3 levels of major importance for the development of the city; economic, social and environmental.

A comparative indicator of life expectancy, literacy, education and living standards is the human development index (HDI). It is a useful tool to compare the development levels of nations, other than GDP per capita, which only considers material well-being and ignores other socio-economic indices. Mahbub ul Haq, a Pakistani economist, created this index. Each year, the United Nations Development Program updates the human development index for most UN members, which is then published in the Human Development Report. In 2016, the latest Human Development Index was created using projections from 2015. The HDI divides nations into four index categories: extremely high, high, medium, and poor (Mărginean, 2019).

Such a tool would also be extremely useful at the level of urban localities. But the lack of city-level statistical information is an important constraining factor.

4. OUTCOME INDICATORS FOR THREE CASE STUDIES - MODELS OF URBAN REGENERATION

The result indicators of the urban regeneration project can take different forms depending on the specifics of the project, objectives and funding sources. The following example shows the outcome indicators for three urban regeneration models that have succeeded in the EU Member States.

3.1 The London Docklands (1981-1998)

The 2,200 ha of land was surrounded by the East London urban grid, which included 710 ha of brownfields and 180ha of water.

After they were contaminated, the docks were removed. On site, 40,000 employees lived in outdated and inconvenient housing. To create "a new city within the city", all industrial or sea activities were stopped or relocated.

For the development and implementation of the project, the state selected Docklands Corporation (LDDC) as the main contractor.

The method was largely empirical and had no plan or strict zoning. LDC had a conversation with developers whose proposals were accepted by most people. Emphasis was placed on developing multiple functions, preserving as many existing buildings as possible, such as renovated warehouses, and preserving all of the sea-related heritage of the past. Additionally, 150,000 trees were planted as part of the project.

Global raters:

- The population grew to 80,000 and was largely revitalized by the emergence of the new middle class. 7,700 houses were renovated and 19,000 new homes were built and sold;
- The local economy underwent a complete transformation as 2.3 million cubic meters of industrial space was built for light industries such as printing and service activities, as well as 1 million cubic meters of office space on Canary Wharf.
- A higher education institution was built and established.
- A lot of hotels were built and established.
- Compared to the 27,000 jobs proposed by the project, 100,000 jobs were created in total.

Sufficient urban mobility and rail traffic were weak points, but these issues have been resolved.

3.2 Barcelona (1979-2003)

The regeneration of Barcelona took place in extremely different areas, all with different interventions from complete renovation operations to specific rehabilitation programs.

First of all, the area that was revitalized was the former port, which had 56 hectares of platforms, docks and piers where activity had been suspended for a long time. The aim of the urban regeneration project was to build public spaces as well as commercial and leisure areas. Following the Olympics, defunct industrial land was used to build 150 ha of sports buildings and housing for athletes. These properties are now fully owned, as well as a marina and 40 ha of public space.

In the old working-class neighborhood of Barceloneta, the urban regeneration project was also implemented there. Authorities helped landlords renovating rental properties with government funds. This helped to maintain the population.

The old town is now under a new urban regeneration project. A plan for the rehabilitation of 17,000 homes was drawn up and 4,200 obsolete buildings were demolished and others were turned into cultural centers.

Other districts of the city are still undergoing the urban regeneration project, which includes the construction of new universities and libraries.

3.3 Marseilles – Euromediterranean (1995-2010)

The operation began in 1995 and took 15 years to consolidate and economically revitalize the 310 ha area in the city center, which included old housing, port areas, warehouses, railways and a high-speed train station.

A public organization, which receives financial support from the state and local authorities, was appointed as the main contractor by the state. The organization was able to meet the demands and needs of the autonomous port development project which is still ongoing by the local authority.

According to the initial assessment, changes are needed on several levels:

1. new activities focusing on cultural (Palais de la Méditerranée) and artistic aspects (transformation of a tobacco factory);
2. new structures built to house high-tech centers, offices and business locations;
3. creating large public open spaces to meet the requirements of port authorities;
4. rebuilding areas that have been affected and turned into ghettos;
5. the development of a stronger central area and an upgraded high-speed train (TGV) station.

The newly built area should be able to accommodate twice its original population of 30,000 people and provide 30,000 jobs, according to the urban regeneration plan.

As a result of the non-heterogeneity of the Euro-Mediterranean territory, the interventions were carried out in eight strategic locations.

5. AN ASSESSMENT AND MONITORING OF URBAN REGENERATION IN ROMANIA. CASE STUDY

Urban regeneration is a process that addresses urban problems and ensures a long-term improvement of the economic, physical, social and environmental aspects of the area. Urban regeneration is a challenging process because it must address multiple dimensions to successfully respond to social issues that are becoming increasingly urgent in Romania's cities and regions, such as urban sustainability, climate change, innovation and digitalization.

In this context, it is important to identify strategies at the local level that are intended to address the various challenges that the community is currently facing. These approaches must take into account development principles and local development priorities, as well as be included in integrated strategies that will later be found in investment programs and accompanying projects.

A managerial process known as strategic planning has the role of creating and maintaining a real correspondence between the objectives, resources and available possibilities of the city. Urban regeneration aims to improve living conditions, organize public space, provide sustainable solutions for urban mobility, increase quality of life, etc. in difficult urban regions.

A dynamic economy, strengthening urban resilience to natural disasters and the effects of climate change, as well as protecting and promoting built heritage are tasks that can be more easily managed when connected to the desired effects established through the local strategic framework.

In this complex context, in Table 1 we have summarized the indicators available in Romanian statistics regarding different components of urban regeneration.

Table: List of available indicators at city level in the statistic of Romania

No. crt.	**Territorial indicator category**	**Indicator name**	**The period for which it is available**	**Data source**
1.	Equipment of the territory	DER109A - Amount of drinking water distributed to consumers for domestic use that returns on average per inhabitant (Cubic meters/inhabitant)	2000-2021	eDemos database, National Institute of Statistics
2.	Equipment of the territory	DER110A - The amount of natural gas distributed for domestic use that returns on average per inhabitant (Cubic meters/inhabitant)	2000-2021	eDemos database, National Institute of Statistics
3.	Equipment of the territory	DER103A - Capacity of drinking water production facilities per inhabitant (Cubic meters per day/inhabitant)	2000-2021	eDemos database, National Institute of Statistics
4.	Equipment of the territory	GOS107A - Capacity of drinking water production facilities - Cubic meters per day	2000-2021	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
5.	Equipment of the territory	GOS111A - Flow rate of stations in operation for wastewater treatment - Cubic meters per day	1993-2000	eDemos database, National Institute of Statistics
6.	Equipment of the territory	GOS111A - Flow rate of stations in operation for the treatment of residual water - Cubic meters per day	1993-2000	eDemos database, National Institute of Statistics
7.	Equipment of the territory	GOS109A - Distributed thermal energy - Gigacalories	1993-2021	eDemos database, National Institute of Statistics
8.	Equipment of the territory	GOS105A - Length of modernized city streets - Km	1990-2021	eDemos database, National Institute of Statistics
9.	Equipment of the territory	GOS110A - Simple total length of sewage pipes - Km	1990-2021	eDemos database, National Institute of Statistics
10.	Equipment of the territory	GOS106B - The total length of the simple drinking water distribution network- Km	1990-2021	eDemos database, National Institute of Statistics
11.	Equipment of the territory	GOS104A - Length of city streets - Km	1990-2021	eDemos database, National Institute of Statistics
12.	Equipment of the territory	GOS116A - Total length of gas distribution pipelines - Km	1990-2021	eDemos database, National Institute of Statistics
13.	Equipment of the territory	GOS116A - Total length of gas distribution pipelines - Km	1990-2021	eDemos database, National Institute of Statistics
14.	Equipment of the territory	GOS102A - Urban area of municipalities and cities - hectares	1993-2021	eDemos database, National Institute of Statistics
15.	Equipment of the territory	GOS103A - Area of green spaces (municipalities and cities) - hectares	1993-2021	eDemos database, National Institute of Statistics
16.	Equipment of the territory	DER139A - Share of the length of modernized streets in the total length of city streets (%)	1990-2021	eDemos database, National Institute of Statistics
17.	Equipment of the territory	DER141A - Proportion of the length of city streets with sewer network in the length of city streets (%)	1990-2021	eDemos database, National Institute of Statistics
18.	Equipment of the territory	DER142A - Share of the length of city streets with gas network in the length of city streets (%)	1990-2021	eDemos database, National Institute of Statistics
19.	Equipment of the territory	DER140A - Share of the length of city streets with water network in the length of city streets (%)	1990-2020	eDemos database, National Institute of Statistics
20.	Equipment of the territory	DER145A - Area in municipalities and cities covered with green spaces per capita (square meters/inhabitant)	1993-2021	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
21.	Equipment of the territory	DER157A - Cars registered per 1,000 inhabitants (Cars/ 1000 inhabitants)	2015-2021	eDemos database, National Institute of Statistics
22.	Equipment of the territory	WEB21 - Cars - natural persons (Number)	2015-2021	eDemos database, National Institute of Statistics
23.	Culture and art	DER146A - Visitors to museums and public collections per 1000 inhabitants (Visitors/1000 inhabitants)	2005-2021	eDemos database, National Institute of Statistics
24.	Culture and art	ART121A - Personnel employed in libraries - number of people	2015-2021	eDemos database, National Institute of Statistics
25.	Culture and art	ART104A - Museums and public collections - number	2005-2017	eDemos database, National Institute of Statistics
26.	Culture and art	ART103B - Institutions and companies of performances or concerts	1990-2017	eDemos database, National Institute of Statistics
27.	Culture and art	DER143A - Degree of access of the population to means of information and culture (Libraries/ 1000 inhabitants)	1995-2021	eDemos database, National Institute of Statistics
28.	Culture and art	DER114A - Providing local communities with volumes available to the general public (Volumes/ 1000 inhabitants)	2015-2021	eDemos database, National Institute of Statistics
29.	Culture and art	DER144A - Active readers per 1000 inhabitants (Persons/ 1000 inhabitants)	2015-2021	eDemos database, National Institute of Statistics
30.	Workforce	FOM104D - Average number of employees	1991-2021	eDemos database, National Institute of Statistics
31.	Workforce	DER125A - Average number of employees in active non-agricultural enterprises per 1,000 inhabitants (Employees/ 1,000 inhabitants)	2010-2021	eDemos database, National Institute of Statistics
32.	Workforce	DER126A - Average number of employees in active non-trade enterprises per 1,000 inhabitants (Employees/ 1,000 inhabitants)	2010-2021	eDemos database, National Institute of Statistics
33.	Workforce	DER112A - Registered unemployed returning on average per 100 employees (unemployed per 100 employees)	2010-2021	eDemos database, National Institute of Statistics
34.	Population	DER111A - Infant mortality rate (Deaths under 1 year/ 1000 live births)	1990-2021	eDemos database, National Institute of Statistics
35.	Population	DER153A - Natural population increase (Persons)	1990-2021	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
36.	Education	DER113A - Students from primary and secondary education (including special education) returning on average to one teaching staff (Students/teacher)	1992-2021	eDemos database, National Institute of Statistics
37.	Education	DER158A - The workload of a preschool teacher (Preschoolers/teacher)	1992-2021	eDemos database, National Institute of Statistics
38.	Education	DER136A - Gross enrollment rate of children in preschool education (%)	1992-2021	eDemos database, National Institute of Statistics
39.	Economic development	DER127A - Entrepreneurial capacity (Newly created enterprises/ 1000 inhabitants)	2010-2020	eDemos database, National Institute of Statistics
40.	Economic development	DER131A - Turnover per capita in non-trade businesses (lei/employee)	2010-2021	eDemos database, National Institute of Statistics
41.	Economic development	DER124A - Density of active non-trade enterprises (Enterprises/ 1000 inhabitants)	2010-2021	eDemos database, National Institute of Statistics
42.	Economic development	DER123A - Density of active enterprises (Enterprises/ 1000 inhabitants)	2010-2021	eDemos database, National Institute of Statistics
43.	Economic development	DER117A - Tourist arrivals per inhabitant on average (Number)	2005-2021	eDemos database, National Institute of Statistics
44.	Economic development	DER128A - Natural growth of enterprises (‰)	2010-2020	eDemos database, National Institute of Statistics
45.	Safety and public order	WEB3 - Crimes investigated and solved by the police (Number)	2015-2021	eDemos database, National Institute of Statistics
46.	Safety and public order	WEB3 - Crimes investigated and solved by the police (Number)	2015-2021	eDemos database, National Institute of Statistics
47.	Safety and public order	JUS105C - Convicted/permanently sanctioned persons in penitentiaries (including detention centers and educational centers)	2015-2021	eDemos database, National Institute of Statistics
48.	Safety and public order	JUS105C - Convicted/permanently sanctioned persons in penitentiaries (including detention centers and educational centers)	2015-2021	eDemos database, National Institute of Statistics
49.	Control of administrative activity	WEB19 - The existence of an independent web page	2015-2021	eDemos database, National Institute of Statistics
50.	Control of administrative activity	DER155A - The degree of trustworthiness of the web page (if any) as assessed by PageRank (Rating from 0 (absence) to 10 (maximum trust))	2015-2021	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
51.	Control of administrative activity	DER120A - Residents returning on average to an employee from the local public administration (Residents/ employee from the local public administration)	2015-2021	eDemos database, National Institute of Statistics
52.	Control of administrative activity	WEB5 - Employees from the local public administration (Persons)	2015-2021	eDemos database, National Institute of Statistics
53.	Health protection	DER2002 - Population access to the dentist (Residents/dentist)	1993-2021	eDemos database, National Institute of Statistics
54.	Health protection	DER2001 - Access of the population to the doctor - exclusively dentist (Residents/ doctor)	1992-2021	eDemos database, National Institute of Statistics
55.	Health protection	DER154A - Access of the population to permanent medical services (Units/ 1000 inhabitants)	2015-2021	eDemos database, National Institute of Statistics
56.	Health protection	DER138A - Access of the population to dental services/dental medicine (Cabinets/1000 inhabitants)	2005-2021	eDemos database, National Institute of Statistics
57.	Health protection	DER151A - Prevalence of cardiovascular diseases (patients/ 1000 inhabitants)	2015-2021	eDemos database, National Institute of Statistics
58.	Local finance	WEB13 - Total expenses (execution of the local budget) (Lei)	2015-2021	eDemos database, National Institute of Statistics
59.	Local finance	WEB15 - Total expenses with investments from the local budget (Lei)	2015-2021	eDemos database, National Institute of Statistics
60.	Local finance	DER147A - Budget deficit/surplus (%)	2015-2021	eDemos database, National Institute of Statistics
61.	Local finance	DER150A - The degree of realization of own revenues at the local budget (%)	2015-2021	eDemos database, National Institute of Statistics
62.	Local finance	DER149A - Share of investment expenses in total expenses in the execution of the local budget (%)	2015-2021	eDemos database, National Institute of Statistics
63.	Local finance	DER148A - Share of own revenues in total local budget revenues (%)	2015-2021	eDemos database, National Institute of Statistics
64.	Local finance	WEB14 - Own revenues obtained at the local level (Lei)	2015-2021	eDemos database, National Institute of Statistics
65.	Local finance	WEB16 - Forecast own revenues of the budget at the local level (Lei)	2015-2021	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
66.	Local finance	WEB20 - Total revenues to the local budget (Lei)	2015-2021	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
67.	Local finance	Total revenues (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
68.	Local finance	Own revenues (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
69.	Local finance	Dividends from income tax (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
70.	Local finance	Amounts allocated from the income tax quotas for balancing local budgets (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
71.	Local finance	Amounts broken down from VAT for the financing of decentralized expenses at the level of communes, cities, municipalities, sectors and the municipality of Bucharest (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
72.	Local finance	Amounts broken down from VAT for roads (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
73.	Local finance	Amounts broken down from VAT for balancing local budgets (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
74.	Local finance	Amounts broken down from VAT for the financing of the Program for the development of infrastructure and sports facilities in rural areas (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
75.	Local finance	Amounts broken down from the value added tax for the financing of accredited private or confessional education (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
				at the level of UAT (lei)
76.	Local finance	Subsidies (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
77.	Local finance	Amounts received from the EU/other donors on account of payments made and pre-financing (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
78.	Local finance	Amounts received from the EU/other donors on account of payments made and pre-financing (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
79.	Local finance	Other income (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
80.	Local finance	Total expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
81.	Local finance	Personnel expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
82.	Local finance	Expenditure on goods and services (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
83.	Local finance	Interest expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
84.	Local finance	Expenditures with subsidies (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
85.	Local finance	Expenditure on projects with financing from non-reimbursable external funds (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
86.	Local finance	Social welfare expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
87.	Local finance	Other expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
88.	Local finance	Capital expenditure (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
89.	Local finance	Payments made in previous years and recovered in the current year (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
90.	Local finance	Expenditure on general public services (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
91.	Local finance	Defense, public order and national security expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
92.	Local finance	Education expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
93.	Local finance	Health expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
94.	Local finance	Expenditures for culture, recreation and religion (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
				at the level of UAT (lei)
95.	Local finance	Insurance and social assistance expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
96.	Local finance	Expenditure on housing, services and public development (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
97.	Local finance	Environmental protection expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
98.	Local finance	Fuel and energy expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
99.	Local finance	Transportation expenses (lei)	1999-2020	Ministry of Public Finance database - Revenues and expenses at the level of UAT (lei)
100.	Agriculture, forestry, environment	DER101A - Current expenses from the local budget for environmental protection, per inhabitant (Lei/ inhabitant)	2015-2020	eDemos database, National Institute of Statistics
101.	Agriculture, forestry, environment	DER102A - Investments from the local budget for environmental protection per inhabitant (Lei/ inhabitant)	2015-2020	eDemos database, National Institute of Statistics
102.	Agriculture, forestry, environment	DER106A - Amount of household and assimilable waste collected per inhabitant (Kilograms/ inhabitant) – population and economic units, mixed	2015-2020	eDemos database, National Institute of Statistics
103.	Agriculture, forestry, environment	DER107A - Recovery rate of household and assimilable waste (%) - population, mixed	2015-2020	eDemos database, National Institute of Statistics
104.	Agriculture, forestry, environment	DER106A - Amount of household and assimilated waste collected per inhabitant – collected separately (Kilograms/ inhabitant)	2015-2020	eDemos database, National Institute of Statistics
105.	Agriculture, forestry, environment	DER106A - Amount of household and assimilated waste collected per	2015-2020	eDemos database, National Institute of Statistics

No. crt.	Territorial indicator category	Indicator name	The period for which it is available	Data source
		inhabitant - bulky waste (Kilograms/ inhabitant)		
106.	Agriculture, forestry, environment	DER107A - Recovery rate of household and assimilable waste (%) - unit ec, in mixture	2015-2020	eDemos database, National Institute of Statistics
107.	Agriculture, forestry, environment	DER107A - Recovery rate of household and assimilable waste (%) – unit ec, bulky waste	2015-2020	eDemos database, National Institute of Statistics
108.	Agriculture, forestry, environment	DER2000 - Degree of cover with forests and other types of forest vegetation (%)	2010-2014	eDemos database, National Institute of Statistics
109.	Life quality	Poverty	2018	MMJS-SIPOCA 4 database
110.	Life quality	Working poverty	2018	MMJS-SIPOCA 4 database
111.	Life quality	Existing social services	2018	MMJS-SIPOCA 4 database
112.	Life quality	Social services required	2018	MMJS-SIPOCA 4 database

6. CONCLUSIONS

Urban regeneration is the process by which local authorities collaborate with partners – private organizations, public organizations and civil society organizations – to improve the quality of life of the local community, improve the local business environment and create the conditions for economic growth and place-making for work. This is beneficial to both local communities and the environment at the local level

Many global elements support regeneration and sustainable development, but local efforts are also affected. Studies have shown that people who are an important part of the local or regional community tend to invest only when local circumstances are favorable.

Investors are interested in a number of "localized" factors when choosing a country for the year to invest. These include market linkage, availability of human resources, land and basic infrastructure, cooperating local public authorities, high quality local services, standard of living that would motivate management and employees to want to live near their company, etc. Local actions have an impact on many of these factors (European Commission, 2017).

Urban regeneration plans must be implemented independently and will necessarily include a series of actions with different clear implementation deadlines. The results of the urban regeneration process can be tracked using the previously mentioned indicators to evaluate the impact of this process on the sustainable development of the studied area, through the composite indicator Urbanization Index, which consists of individual indicators that together reflect the state of the study area and the most important , a signal to the local authorities to mark the moment when it is important to start these urban regeneration actions, and to determine local development and to help the local community by attracting investors, by defining new specializations that create places of specialized work and to keep the workforce in the community.

A cross-sectoral response that includes government employment, skills and economic development policies is often required as local issues become more complex. The local level is where government policies can be successfully applied to solve specific problems.

Indicators must be identifiable, measurable and easily understood elements that measure the elements considered essential to the urban regeneration process. They must be correlated with the objectives of the process, the way the activities are carried out, the calendar, the resources, the target group and other elements identified by the analysis techniques used.

To build the system of monitoring indicators, it is necessary to find the information that is needed to determine the level of performance of a program. This is done using sound analysis methods and in relation to the needs that have been identified through the SWOT analysis.

The process of selecting indicators for evaluating the performance of regeneration on sustainability criteria is directly affected by their use. Regeneration actions can be evaluated and analyzed using indicators that are relevant to the community.

In addition, the funding proposals available today can support workers through the digital and green transition by investing in skills opportunities that will enable them to succeed in a more digital, climate neutral and inclusive society. The crisis response system for future emergencies is another aspect that can be influenced by the urbanization indicator, so that actions are adapted to future needs.

The development of cities will determine the future of Europe, according to the EU's Urban Agenda. This is because the complex process of urban regeneration requires cooperation with a variety of regional and national policies, as well as the use of local energy and experiences generated by non-conventional actors of urban development (European Investment Bank, 2005).

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THE CONSEQUENCES OF ECONOMIC-FINANCIAL CRIME ON THE ECONOMY

Cristina Gabriela VASCIUC (SĂNDULESCU)[26]
Florin RADU[27]
"Valahia" University of Târgoviște, Romania

ABSTRACT: *Economic and financial crime is a distinct area of illegal activities involving prohibited financial practices. This form of crime can cause significant damage, not only undermining the credibility of companies and institutions, but also contributing to bankruptcies and job losses. In developed countries, the impact of these crimes can be managed more effectively due to the size of their economies and their ability to implement adequate regulations. In contrast, in developing countries, the long-term consequences for sustainable development and associated costs are significantly greater, due to weaker regulations and limited government capacity. Combating this global threat is a central concern for economic decision makers worldwide. Economic and financial crime is an integral part of what is called "transnational organized crime", and fighting it involves efforts similar to those made in the fight against terrorism. It is a type of criminality that crosses cultural, social, linguistic and geographical boundaries, regardless of boundaries or rules. Tax Fraud and Evasion, Customs Fraud, Currency Trafficking, Drug Trafficking, Migrant Trafficking, Human Trafficking, Money Laundering, Firearms Trafficking, Counterfeiting, Wildlife Trafficking, Protected Species Trafficking, Cultural Property Trafficking and Certain aspects of cybercrime are all activities that fall within the scope of transnational organized crime. The objective of this article is to analyze and highlight the effects that economic and financial crime has on the economy.*

Keywords: *economic-financial crime, market, economy, sustainable development.*

JEL Classification: *G00, G19*

1. INTRODUCTION

Economic-financial crime is a breeding ground for criminal organizations to thrive, despite efforts to develop increasingly sophisticated legal instruments, both nationally and internationally. Effectively addressing this issue requires political will to implement a truly effective policy. This policy focuses on three main directions: a better understanding of the phenomenon, the intensification of prevention efforts and the adaptation of the punitive approach.

In the contemporary world, where the influence of the market economy shapes society and where national economies are involved in a process of globalization of information, trade and finance, physical borders and regulations are emerging that are becoming increasingly

[26] PhD. Researcher, crisabebe2005@yahoo.com
[27] PhD. Professor, florinuniv@yahoo.fr

insignificant. This process facilitates not only the accumulation of capital globally, but also the development of a criminal economy, which is integrated into the legal economy. The criminal economy presents itself as a complex and invisible system that interacts with the legal economy. Today, it is evident that organized crime is moving into commercial activities, especially in terms of money laundering, the rise of cybercrime and even the threat of terrorism. The traditional approach to economic-financial crimes, characterized by violations of technical, accounting or financial standards, or involvement in the field of corporate law and committed by socially well-integrated individuals, must be reevaluated. This process of disintegration of physical and regulatory borders, which facilitates the accumulation of capital globally, also leads to the development of a criminal economy, which has become a component of the global economy as it mixes with the legal economy. The criminal economy thus interacts with the legal economy, forming a complex and hidden system. In this context, it is evident that organized crime is infiltrating the field of commercial crime, with notable aspects such as money laundering, the proliferation of cybercrime and even the threat of terrorism.

Economic-financial crime involves the conduct of illegal activities, often characterized by intelligence (cheating) or fraudulent (forgery and counterfeiting), abuse of power (corruption) or exploitation of trade secrets and confidential information (insider trading). These illegal activities, in principle, require specialized knowledge and skills in the economic, commercial or financial world. With the advancement of new information and communication technologies, the importance of cybercrime is increasing, with the majority of economic crimes being committed with the help of these technologies. Economic crime is a complex, diverse and constantly evolving field.

According to the definition provided by the United Nations Office on Drugs and Crime, the term economic and financial crime generally refers to any form of non-violent crime that results in financial loss. This crime category covers various illegal activities, including fraud, tax evasion and money laundering, the latter being one of the most widespread forms of economic and financial crime.

2. RESEARCH METHODOLOGY

The research methodology adopted to examine the consequences of economic-financial crime was meticulous and comprehensive. Through careful analysis of data from various government sources, international organizations and academic studies, a solid foundation for assessing the impact of this complex phenomenon has been provided. The use of qualitative research in the making of the article was essential to gain a deep understanding of the impact of this phenomenon on society and the economy. Qualitative research provides a detailed and comprehensive perspective on complex issues, such as the consequences of economic-financial crime. The use of qualitative research is essential to deeply understand the consequences of economic-financial crime on the economy. This approach allows researchers to explore individual perspectives, identify the complex causes and effects of the phenomenon, and adapt the research to the specific local context. Through qualitative research, we can obtain a more complete and detailed picture of the impact of this serious problem on society and the economy, thus contributing to the development of more effective policies and strategies to prevent and combat economic-financial crime.

3. REVIEW OF SPECIALIZED LITERATURE

3.1. Definitions

3.1.1. Economic and financial crime

According to Marius PANTEA, economic-financial crime represents the segment of crime that involves the maximum exploitation of profit through illegal means sanctioned by criminal law in the context of commercial relations. Economic -financial crimes include the crimes provided for by special laws with criminal provisions, belonging to the criminal law of business, targeting commercial companies, competition, intellectual property, banking regime, money laundering, securities, accounting regime, tax evasion, customs regime, land fund, public authority etc. [Pantea M., 2010]

3.1.2. Macroeconomic and financial crime

Economic-financial macrocrime is the segment of economic-financial crimes committed by groups of specialized criminals, which results in the creation of major damage or the creation of dangerous situations, which often takes the form of a cross-border crime, involves acts of high-level corruption, are likely to harm the interests of the state and national security, as special laws expressly provide for this. [David M., 2008] Economic and financial macrocrime can be considered the hidden part of crime for at least three reasons [Pantea M., 2010]:

- It is much more difficult to identify and prove, due to its complex characteristics compared to other traditional forms of economic-financial crime;
- Its effects, extremely serious in terms of the damage created and the large number of people (physical and legal) affected, are less immediately visible, they usually spread over a long period of time;
- Since the result of economic and financial crimes is not always spectacular (compared to murder, drug trafficking, etc.), such facts have less media coverage.

3.1.3. Economic-financial microcrime

Economic-financial microcrime refers to the category of economic and financial crimes characterized by minimal violation of social values protected by criminal law. However, due to its repetitive nature and negative impact on individual lives, it can cause significant harm and pose a potential danger in the future. [Burlacu G., Patroi D., 2005]

Illegal profits generated by criminal activities require the introduction of the money laundering process within the legal financial system. Through money laundering, criminals obtain a flow of cash and capital that they can reinvest. Similar to other forms of economic and financial crime, countries with poor regulations and controls in the financial sector are most vulnerable to this phenomenon. This situation undermines the integrity of financial institutions in these countries, distorts capital markets and discourages foreign direct investment.

3.2. Money Laundering

According to Paul Ashin, money laundering is the process of giving the appearance of legality to funds from illegal activities. Profits from crimes such as fraud, theft or drug trafficking are funneled into seemingly legal bank accounts, real estate or luxury goods to make them appear to have come from legitimate activities. This allows criminals to obtain wealth and lead a life without attracting suspicion. In addition, they can use the laundered capital to develop illegal businesses and thereby increase their wealth and influence. This gives them the opportunity to corrupt government officials and obtain protection from them. [Ashin P., 2012]

If there were no crimes such as fraud, tax evasion, insider trading, drug trafficking, corruption or other profitable criminal activities, then the concept of money laundering would not exist either. The close existence of the crime that generates illegal income and the process of laundering this income makes it very difficult to separate the two aspects, although, from a legal perspective, they are considered distinct. Money laundering is an essential component of any profitable crime, because without this process, the crime could not generate profits.

From a legal point of view, money laundering is defined as any attempt to involve in a financial transaction goods of illicit origin. To obtain a conviction, prosecutors must prove that the defendant was involved in financial transactions or transferred funds between countries in the context of "specified illegal activity." The list of these illegal activities is long and includes bribery, counterfeiting, drug trafficking, espionage, extortion, fraud, murder, kidnapping, fraud and certain banking practices. [Bauer P., U. Rhoda, 2001]

Under the legislation, inspired by the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) (Vienna Convention) [Convention de Vienne, www.unodc.org/pdf/convention_1988_fr.pdf]. and the United Nations Convention against Transnational Organized Crime (2000) (Palermo Convention), are considered money laundering: [Convention de Palermo, http://untreaty.un.org/English/TreatyEvent2001/].

- the transformation or transfer of goods, with the intention of masking or disguising their illicit origin or to help any person involved in the commission of the main crime to avoid the legal consequences of his actions;
- masking or concealing the true nature, origins, locations, dispositions, movements or properties of assets;
- the transformation or transfer of goods, in order to hide or mask their illicit origin or to assist any person involved in the commission of the main crime to avoid the legal consequences of his actions;
- masking or concealing the true nature, origins, locations, dispositions, movements or properties of assets;
- the purchase, possession or use of an asset by a person who knows that the asset in question comes from a crime.

Money laundering is classically carried out through three successive stages:

- the placement phase (also called the pre-washing or immersion phase), during which the money of criminal origin is introduced into the financial system;
- the stacking phase (dispersion or mixing), during which numerous transactions are accumulated to reduce the traceability of funds;
- the integration phase (recycling or spinning), consisting in the integration of funds in various sectors in the form of investments.

3.2.1. Placement phase

In this first phase, a transformation of illicit funds is carried out to mask their origin. For example, the proceeds of drug trafficking are initially in the form of small banknotes, which are bulkier and heavier than the drugs themselves. Thus, these funds must be converted into higher value notes, checks or other negotiable financial instruments. This conversion often occurs through businesses that handle large amounts of cash, such as restaurants, hotels, ATM management companies, casinos, or car washes. These businesses can be used to "clean" money and make it look legitimate.

3.2.2. Stacking Phase

In this phase, the money launderer carries out a series of complex financial transactions to dissociate the funds from their original source. For example, those looking to launder significant amounts of money may set up shell companies in countries known for strict bank secrecy laws. Here, funds of uncertain provenance are transferred from one company to another until they appear to be seemingly legitimate. Various tactics are used to mask these maneuvers, including "own loans" and double billing.

In the first scenario, the money launderer deposits the funds in an offshore account that he secretly controls and then obtains a loan. This method is effective because it is difficult to identify who really controls the offshore accounts in certain jurisdictions. Double invoicing involves the transfer of capital from one country to another through an offshore financial institution that maintains two separate ledgers.

Other layering techniques involve expensive purchases, such as securities, cars, airplanes, or transportation tickets, registered in the names of friends in order to further hide the illicit origin of the funds. Sometimes money launderers use casinos because they handle significant amounts of cash. After the funds are converted into chips, they become indistinguishable from legitimate winnings at the gaming tables and can later be exchanged for checks issued by the casino.

3.2.3. Integration phase

The last stage, integration, is the most profitable for the washer. In this phase, the launderer can invest the funds in legal economic activities, including the purchase of businesses, real estate or luxury goods. This stage allows him to use the funds legally and earn profits from these investments.

3.3. Fraud, tax evasion and tax havens

Fraud and tax evasion represent economic crimes of the most serious nature. The links between money laundering and tax fraud are often discussed, especially in the context of territories that enforce bank secrecy. In some cases, these territories may lift bank secrecy in money laundering cases, provided no tax fraud is involved. However, some observers argue that money laundering and tax fraud are two separate problems. In reality, the two crimes are often closely related, as income from illegal activities is rarely declared for tax purposes and money resulting from tax fraud is often laundered to be reinvested in the legal economy. Therefore, efforts to combat money laundering can only be effective if they are supported by comprehensive measures to combat tax fraud and if adequate resources are allocated to this purpose [Radu et al., 2022].

3.3.1. Tax evasion

Tax evasion is an intentional form of violation of tax laws, usually punishable by criminal law. This includes situations where false statements are made or false documents are knowingly produced. The practice involves the evasion or fraudulent attempt to evade the full or partial payment of tax. The government suffers fiscal losses as a result of taxpayers' abusive claims for illegitimate tax advantages, such as abusive tax credit or fraudulent tax refund claims. These losses may also include incorrect payments of taxes collected by government agencies.

Tax evasion is often associated with illegal practices that seek to evade or ignore tax obligations. This means that taxpayers pay less tax than they should under the law, often by hiding income or information from the tax authorities. A significant source of tax evasion is the black economy, which includes all legal economic activities hidden from the state by individuals or companies. This can involve undeclared or underreported work, hiding income or understating turnover for companies. [Florescu D. A.P., Dan Bucur, Theodor Mrejeru, Marius Pantea, Andreea Martinescu, Vasile Manea, 2013].

Besides the black economy, illegal activities are also a major source of tax evasion. These activities divert significant amounts of money to shadow networks, instead of fueling the legal economy and providing tax revenue to the government. There are various reasons why a person may resort to tax evasion, including saving money by paying lower taxes or purchasing goods and services at reduced costs. Sometimes the high level of taxes can be a factor that motivates tax evasion. In the case of certain companies, tax evasion can be used to increase profits by hiding income, reducing production costs or avoiding government regulations. [Florescu D. A.P., Dan Bucur, Theodor Mrejeru, Marius Pantea, Andreea Martinescu, Vasile Manea, 2013]

3.3.2. Tax havens

A tax haven gives individuals the opportunity to make shady and illegal financial transfers, which allows them to avoid paying taxes in their home countries. Also, these tax havens allow money laundering, i.e. the introduction into the banking system of sums of money from illegal activities, such as drug trafficking or crimes. According to the OECD definition, a tax haven is a financial center characterized by low or non-existent taxes, an opaque tax regime and lack of information exchange with other states. Tax fraud and evasion in developing countries is several times higher than the total amount of development aid given each year. This problem is furthered by the existence of tax havens, which provide the necessary infrastructure and services to carry out opaque financial transactions.

3.4. Shell companies and offshore companies

As far as organized fraud is concerned, it is necessary to have a certain number of structures to guarantee both anonymity and to slow the flow of information as much as possible in case of investigations. The purpose is to make the illegitimate outflow of funds from a particular company credible. [Dascălu I., 2001]

Companies and other legal entities that are anonymously owned and controlled play a key role in facilitating tax fraud. To transfer their assets, tax evaders often use the same techniques as criminals involved in corruption, terrorist financing, nuclear proliferation, arms trafficking and other illegal activities. Money laundering and crime thrive mainly because of the opacity of these entities and other complex legal arrangements. [Dascălu I., 2001]

3.4.1. Shell Companies

Shell companies, also known as shell companies, are entities, either with real legal activity or only in appearance, that those involved in money laundering create in order to introduce funds into the banking system or to hinder investigations by the authorities. In many cases, these companies only serve as intermediaries and do not carry out actual commercial activities. A shell company acts as an intermediate layer between two complicit entities, thus hiding the links that exist between them. This involves legal manipulation, where once established, the legal entity (whether a shell company or not) exists and is legally compliant. Through these companies, a result can be achieved that would not normally be authorized by law, and thus they become the vehicle for criminal arrangements. In money laundering, the most common shell companies are the offshore ones, which offer significant advantages for such operations.

3.4.2. Offshore companies

Offshore companies are only allowed to conduct business outside the country in which they are incorporated. They are located in countries reputed to be financial havens and are not subject to tax. In addition, they are exempt from a large number of rules that are normally imposed on onshore institutions. [Buzan, C., G., 2012] Transactions of such companies are also exempt from taxes, reserve requirements, free from any restrictions on interest rates and often, but not always, exempt from any regulatory checks on cash flow or value of capital. [Trandafir, C., 2012]

Being in business with non-resident clients, and almost always with other financial institutions, they usually carry out wholesale transactions denominated in foreign currency. [Buzan, C., G., 2012]

Shell companies play a crucial role in giving legitimacy to illegitimate products, which otherwise could not be easily integrated into a company's financial statement and transferred through banks without raising suspicion. By combining multiple companies, entities and using offshore locations into a single operation, the risk of prosecution can be minimized if necessary. These front companies can produce an impressive variety of fake documents, which they use as a means of camouflage. The creation of chains of companies generates complex flows of cross-invoicing, which complicates control efforts and facilitates fraud. They can also serve as effective intermediaries for those involved in fraud, providing credible and quickly available supporting documents when an urgent withdrawal of ill-gotten cash is required. In the case of internal fraud, a purchasing or sales manager may use such companies to organize corruption schemes, overbilling, or illegally increase their bonuses.

3.5. Transnational organized crime

Transnational organized crime encompasses a wide range of serious, profit-motivated criminal activities that take place internationally and involve multiple countries. These activities can include drug trafficking, migrant smuggling, human trafficking, money laundering, firearms trafficking, counterfeit goods smuggling, wildlife trafficking, cultural goods trafficking and even various aspects of cybercrime. Transnational organized crime is a threat to human peace and security, undermining human rights and undermining economic, social, cultural and political development as well as civil society around the world. It involves massive amounts of money, which can undermine the legal economy and influence governance, particularly through corruption and influencing election results. Various forms of transnational organized crime include: drug trafficking, human trafficking, migrant smuggling, illegal arms trade, traffic in natural resources, illegal wildlife trade, sale of fraudulent medicines, cybercrime, laundering of ill-gotten gains.

These are just a few examples of transnational criminal activities and their various manifestations that threaten international order and require considerable efforts to combat them.

Money laundering and terrorist financing

Terrorism and transnational organized crime are growing phenomena, influenced by several factors, including the free movement of capital, goods, people and services, as well as the progressive elimination of customs barriers at the regional level. These factors facilitate the emergence of organized criminal groups. Terrorist financing refers to the process by which a person attempts to raise or make available funds for the purpose of using them to commit a terrorist act or to support a terrorist organization. After the events of 11 September 2001, the member states of the United Nations recognized the links between terrorism, transnational organized crime, international drug trafficking and money laundering. Thus, they urged States that had not yet done so to become parties to the relevant international conventions, including the 1999 International Convention for the Suppression of the Financing of Terrorism.

The term "terrorist act" refers to any act that constitutes an offense under international conventions and treaties on terrorism or any other act intended to cause death or serious injury to a person not directly participating in hostilities in a situation of armed conflict. These actions are intended to intimidate the population or force governments or international organizations to take or refrain from certain actions.

The techniques used to launder money are similar to those used to conceal the source and use of funds in terrorist financing. Funds used to finance terrorism can come from legitimate sources or from illegal activities, and concealing their origin is crucial, regardless of their nature. This allows further financing of other terrorist activities. It is also important for terrorists to disguise how they use funds to avoid detection of terrorist financing activities. There is a significant difference between money laundering and terrorist financing, namely that terrorist financing can also involve legitimate sources, while money laundering mainly refers to funds resulting from criminal activities. However, both threats must be effectively countered, as laundered funds pose the same threat in terms of economic power generated, whether it serves the mafia or terrorist cause. Combating these threats involves tracking money and uncovering the hidden financial circuits used by terrorist and criminal groups.

4. RESULTS

The main influences on economic-financial crime are divided into two levels: the micro level, which focuses on issues related to corporate governance, including the quality of financial auditing and reporting, and the macro level, which involves a range of economic, political, legal and sociocultural.

At the micro level, corporate governance plays a crucial role in determining economic and financial crime. This refers to how organizations are run and overseen, as well as their transparency and accountability to shareholders and other stakeholders. The quality of financial auditing and reporting is also critical as it ensures the accuracy and integrity of financial information, thereby reducing the risk of fraud or illegal behavior.

At the macro level, several factors influence economic-financial crime. Economic factors such as economic development, fiscal pressure, development of the financial and banking system, technical and scientific revolutions, technology and the digital economy have a significant impact [Danaila et al., 2023]. For example, healthy economic growth can reduce the motives for committing financial crimes, while technological innovations can open up new opportunities for crime.

Political and legal factors such as public governance, the effectiveness of institutions, the quality of regulations and the rule of law are also essential. Transparent and efficient governance can reduce corruption and criminal behavior in government and organizations. In turn, sociocultural factors such as tax attitudes, tax morale, culture, religion and education, including the level of trust in institutions, can influence the economic-financial behavior of individuals and companies. These determinants are detailed in the following chapters to provide a deeper understanding of how these factors interact and contribute to economic and financial crime at the micro and macro levels. [Achim M. V. & Borlea S.N., 2020]

The main categories of financial crimes usually include the following:

- Cybercrime - crimes committed using computer technology, such as online fraud, identity theft and cyberattacks.
- Bribery and corruption - illegal actions involving giving or accepting money or advantages to influence the decisions or actions of other people for personal or illegal purposes.
- Fraud - includes various types of financial fraud such as insurance fraud, bank fraud and fraudulent investments.
- Money laundering - the process by which illegally obtained money is "laundered" to appear to come from legal sources, thereby concealing its illegal origin.

- Information security - crimes related to unauthorized access to sensitive data and information, as well as their theft or manipulation.
- Market abuse and insider trading - include illegal activities that affect the functioning of financial markets and insider trading, such as price manipulation and insider trading (transactions based on confidential information).
- Terrorist financing - involves providing funds or financial resources to terrorist organizations to support their illegal activities.

These categories of financial crimes represent a wide range of illegal behaviors that impact financial systems, economies and societies. Combating these crimes requires concerted efforts by authorities and financial institutions to prevent, detect and investigate such illegal activities. [Bharti, S., 2022]. There is a close connection between crime and development. A society cannot progress in an environment where crime dominates. Development is a complex process involving the transformation, reorientation and restructuring of socio-economic systems in a holistic manner, with end results leading to the improvement of the overall well-being of the people. This process includes changes in mindsets, changes in institutions and structures, promoting economic growth, reducing inequalities and eradicating poverty. It is important to emphasize that no society will succeed in developing in an environment characterized by a high crime rate. Therefore, governments around the world are making considerable efforts to minimize the crime rate in their countries. Crime knows no geographical boundaries and does not take into account the social status of individuals, affecting people from all walks of life.

It is a well-known fact in the academic community that economic-financial crime tends to diminish public safety, disrupt social order, and generate chaos and confusion. This negatively affects collaboration and trust within the community and can lead to significant economic costs for both individuals and the nation as a whole. An increase in the level of crime tends to hinder the development of a community, identifying its social, psychological, economic and behavioral consequences on society.

The socio-psychological consequences of crime include the tendency of people to avoid involvement in street events, increased distrust between neighbors and decreased cooperation between individuals. Also, the behavioral consequences of crime may lead people to limit their activities in public space, participate less in local community affairs, and consider migration from their neighborhood in response to high levels of crime.

In essence, crime has a significant impact on community life, undermining social cohesion, trust and sustainable development. It is important to understand these effects in order to develop effective crime prevention and control strategies.

The negative effects of money laundering on the economy

Money laundering has a devastating impact on the economy, affecting key financial institutions essential to driving economic growth. This favors the proliferation of crime and corruption, which in turn slow economic progress and compromise efficiency in the real sector of the economy. Global research predominantly focuses on two major areas of money laundering: drug trafficking and terrorist organizations. The effects of success in withdrawing money from the drug trade become evident in its amplification, crime and violence.

The link between money laundering and terrorism can be complex, as terrorists often adopt tactics to hide funds to avoid authorities' oversight and prepare planned attacks. Money laundering is a threat not only to global financial markets and maritime hubs, but also to emerging markets. As developing economies open up their financial sectors and economies, they become increasingly vulnerable to money laundering activities. This phenomenon generates unpredictable changes in the demand for money, causing significant fluctuations in international capital flows and exchange rates.

The impact on money demand is often evident in countries with minimal money laundering risk. In economies where there are no money laundering regulations, where bank secrecy is strictly practiced and there is a system for keeping bank information and customer data, the informal economy can represent a significant proportion of the national economy. This aspect facilitates easy cash flow laundering. The speed and lack of control of the inflow of money into the country can lead to significant increases in the consumption rate, especially in the luxury sector. However, these increases can cause significant changes in exports, imports, the balance of payments deficit, inflation, interest rates and unemployment, adversely affecting monetary policy.

False signals about money laundering activities can prevent authorities from taking the necessary steps to address problems such as budget deficits and high inflation, particularly in developing countries. These aspects negatively influence the efficient management of the economy. From a global perspective, such activities endanger the stability of financial markets, and financial crises in one country can have consequences for other states. The reaction of central banks to this unstable demand for money can lead to failures in their monetary policies.

Effects of money laundering on the economy

Impact on growth rate: Financial instability in a country can exert a significant impact on real sectors of the economy. As a result, foreign investors become essential for companies. However, attracting foreign investors to countries affected by money laundering is proving to be a difficult task. The price instability generated by the presence of black money in the financial system diminishes economic credibility at the international level. Thus, rational investors may be reluctant to invest in such countries, given the risk associated with them. If the flow of legal capital is not sufficient, investment may decline, leading to lower long-term economic growth. Countries with high volumes of black money are considered risks for investors. In order to attract international capital, an effective fight against money laundering is a crucial message that strengthens investor confidence. Through the effectiveness of this struggle, investment can increase, having a positive effect on the growth rate and the economy as a whole.

Impact on income distribution: Significant losses of black money from sources of income create significant problems in the financial system and have social consequences. Significant increases in the wealth of specific individuals and groups can contribute to the degradation of social cohesion. One of the worst effects of money laundering is the negative impact on income distribution. While it is difficult to precisely measure the negative impact of declining incomes and differentiation in the income distribution, it is equally difficult to offset the social damage. Differences in income distribution can stimulate the propensity to commit crimes and make black money extremely attractive. Furthermore, since tax evasion is often found in informal economies, the tax burden on those operating in the formal sector may increase, having a negative impact on income distribution.

Impact on tax revenues: Tax revenues represent a significant part of public revenues. The reduction of these revenues can lead to the inability to cover public expenses and, implicitly, to the appearance of budget deficits. Profits generated from money laundering activities are not subject to taxation, leading to a decrease in tax revenues. When tax revenues fall, the state is faced with two options. The first option is borrowing, which reduces productive investment by the private sector, impacting the economy. In addition, as the value of bonds increases due to borrowing, market interest rates rise, creating new problems. The second option is coin issuance, with similar results. Both choices negatively affect the economy.

Consequences and measures to combat economic and financial crime

Economic-financial crime, through its negative consequences, threatens the development and economic growth of vulnerable countries, accentuating their state of underdevelopment and poverty. Money laundering exerts a direct adverse impact on economic growth, channeling resources to less productive activities. Laundered illicit funds follow a different route through the economy than legal funds. Instead of being productively invested or integrated into the economic circuit to support development, these funds are often directed to passive investments, designed to retain their value or become more easily transferable. Such investments may include, for example, real estate, works of art, jewellery, antiques or luxury goods such as expensive cars. Such investments contribute in a limited way to the economy as a whole. Worse, criminal organizations can manipulate productive businesses to use them for useless purposes, focusing on laundering illegal proceeds instead of generating legitimate profits. These economic entities do not adequately respond to consumer demand or other productive and ethical purposes of capital. The inefficient allocation of the country's resources in unnecessary investments ultimately contributes to the reduction of overall economic output.

In addition to the direct impact on economic growth, a country's reputation as a hotbed for money laundering or terrorist financing can significantly harm its development. International financial institutions may decide to impose restrictions on transactions with institutions in that country, scrutinize these transactions, subject them to more stringent requirements, or completely terminate their credit or correspondent banking relationships with those institutions. Companies in that country may find it difficult to access global markets or incur additional costs due to stricter regulations on internal control, business structuring and ownership of their capital. For developing countries, this can severely limit eligibility for foreign government aid. In addition to these detrimental effects on development, economic and financial crime can cause significant capital losses for a developing country, including declines in tax revenues and capital outflows from the country. In terms of illicit financial flows, attention has focused primarily on phenomena such as bribery and corruption, which, however, represent only a small part of the overall problem. Tax losses related to tax evasion practices used by multinationals in tax havens are in fact the most significant problem, especially for developing countries. This tax evasion mainly involves manipulation of transfer prices between subsidiaries and shifting of profits and losses between different jurisdictions to minimize taxes paid.

It is necessary to implement more effective measures at the community and international level to combat economic and financial crime, especially money laundering. A High Level Panel on Threats, Challenges and Change has identified transnational organized crime as a critical threat to the global community and recommended the negotiation of a comprehensive international convention on money laundering. Today, the recommendations of this group serve as the reference framework on which international financial institutions are based for evaluating the efforts of states in the fight against money laundering and are structured around three main pillars:

1. Legislative harmonization: **This involves the introduction of the money laundering offense in the national legislation of the states. The aim is to harmonize legal concepts and definitions to facilitate international judicial cooperation and to enable effective prosecution of money laundering offences.**

2. Cooperation between public authorities, monetary authorities and the financial sector: This aspect is based on cooperation between the various entities involved, including financial institutions, government organizations and firms in industries with a high risk of money laundering. Here particular emphasis is placed on the need for taxable persons to declare suspicious, complex, unusual or high value transactions. These statements are based on deep knowledge of customers and their activities, so that money laundering activities can be more easily identified.

3. International cooperation: Money laundering is a global phenomenon, and therefore requires a global solution. Cooperation between states must be intensified through bilateral or multilateral conventions, to facilitate the exchange of information and collaboration in the investigation and prosecution of money laundering crimes at the international level.

These measures are essential for successfully combating economic and financial crime and preventing the negative effects it can have on national economies and global financial stability.

5. CONCLUSIONS

Economic and financial crime is a significant challenge for the global economy in general and developing countries in particular. The implications of this phenomenon are not only limited to economic aspects, but also have repercussions on social and security dimensions. With its considerable impact on global financial resources, this issue threatens global stability and security. Criminals are exploiting the advantages of economic and financial globalization, as well as advances in technology and communications, to hide the origin of funds obtained through illegal activities. They use a variety of techniques, such as fast money transfers between countries or manipulating social structures to mask the true holder of the funds.

The activities of powerful criminal organizations have serious consequences for society. Laundered money provides drug traffickers, organized crime groups, arms dealers and other criminals with the means to continue their activities and expand their businesses. Without effective countermeasures and prevention measures, money laundering can undermine the integrity of a country's financial institutions. The withdrawal of billions of dollars annually from legal economic activities represents a concrete threat to the financial health of countries and compromises the stability of global markets. Economic and financial crimes only exacerbate poverty, turning the economy into an increasingly vulnerable entity. Even if actions have already been taken to control this spread, given the dimensions of the phenomenon, the authorities still have a lot to do. It is essential to strengthen control systems and step up education and enforcement efforts so that results in the fight against money laundering and related crimes become tangible.

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