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FOREWORD

In difficult times, people tend to stick to their habits and to get surrounded by what they are familiar with, as an attempt to find themselves in normality. COVID SARS 2 has hit humankind worldwide and it seems that time is stopped. Fear, uncertainty, compulsive shopping, unemployment are emotions and behaviours somehow unexpected and distractive.

Healthcare systems from many developed countries are facing their inability to manage a pandemic crisis especially not because of human resources but mainly due to insufficient material resources.

In all this nightmare, a fact is clear climate conditions changed positively: pollution decreased, aer quality in big cities improved, green spaces revived in a spleador of green shades and people become aware of what means to pay attention to sustainable development.

JEDEP Vol.9, Issue 2, 2020 proposes interesting topics to our readers and reunite authors from Indonesia, Romania, India, Germany, Albania which demonstrate the vivant interest to get published by a reputable scientific journal. The international perspective will ensure our authors the expected visibility worldwide

Despite all, our publication has not been affected, authors still sent us their work, reviewers were in time with comments and suggestions and our 2020 current issues were published in time. We would like to thank all for their dedication and committement which makes it possible.

Editor-in-Chief

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Impact of Financial Inclusion, Government Expenditures in Education and Health Sectors on Human Development in Indonesia

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Abstract. *The purpose of this paper is to assess the impact of financial inclusion and government expenditures on education and health sectors to increase the human development index. Government expenditures have an important role to support economic growth and welfare for its people. Fiscal policy expenditures in education and health sectors are a kind of significant government policy to increase human development. It is believed that financial inclusion has also an important role to reduce poverty and indirectly increase the human development index. Financial inclusion has positive impacts on the human development index component along with government expenditures in the education and health sector. In the years ahead, The Government should prioritize and increase the budget in order to increase human resources quality in Indonesia.*

Keywords: financial inclusion, government expenditures, human development index

JEL Codes: E62, H51, H52, I18, I28

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1. Introduction

1.1. Background

The success of a nation's development is not only marked by high economic growth but needs to be accompanied by improvements in other aspects of development. Economic development with a high economic growth rate can be accompanied by increasing income and poverty disparities (BPS, 2011). Since the end of World War II, the most popular indicator used by authorities measuring development

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achievements has been per capita income (GDP / capita). The United Nations Development Programme, UNDP (1990) proposed a new alternative performance in measuring development achievements, namely the conception of Human Development. Human development is measured through the Human Development Index (HDI) indicator.

Our study considers access to formal financial services for the community (which was the so-called financial inclusion), as one of the determinants of subcomponents in the analysis of human development. The reason that formal financial access and its relation to human development has not been much adequately explored in previous studies. In fact, several previous studies discussed the role of the financial sector, showed that differences in the quality of financial services between them were the distinguishing factors in the economic progress of countries in the world. On the other hand, a previous study on the interaction of financial inclusion and Government spending in the education and health sector on human development is still limited. This study is one of the efforts to bridge the gap.

1.2. Formulation of the problem

The Human Development Index (HDI) is formed from components related to health, education, and decent living (Suhariyanto, 2015). The human development index figure at the national level is the aggregation of the Human Development Index at the regional level. To improve HDI, it needs an affirmative policy to provide a better opportunity for all people, especially for disadvantaged or marginal groups to improve their quality of life.

Central government fiscal policies and fiscal transfers through expenditures in the education and health sector could improve HDI. To support government expenditures, adequate funding is needed. This is influenced and sometimes limited by the condition of the financial capacity of the Government in financing and funding the state budget. This funding needs to be supported by positive performance from the financial sector and conducive global macroeconomic and global conditions.

Financial sector support is needed through the collection and distribution of funds to the public and capital accumulation for investment that can increase the capacity of the real economy. Achieving this is not easy considering there are obstacles/challenges including the current conditions in which some Indonesian people, especially from marginalized groups, do not yet have access to the so-called formal financial sector.

2. RESEARCH METHODS

2.1. Framework for Thinking

The Human Development Index (HDI) explains how the population can benefit from accessing the results of development in obtaining income, health and education. To increase the Human Development

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Index is basically to boost it HDI components, namely: (1) life expectancy at birth, (2) period of school expectations and mean years of schooling, and (3) purchasing power.

Some previous studies on the Human Development Index are conducted by Usmaliadanti (2011), Saraswati (2012), and Sumas (2012), to name a few studies related to the issue. Saraswati (2012) examined the benefits of allocating education funds by the Government. Sumas (2012) found that the Government's fiscal policy through increased purchasing power can increase the human development index. Simply stated, HDI explains how residents can benefit from development by accessing the results of development in obtaining income, health, and education. According to BPS (2015), there are some purposes of the human development index, including:

1. an indicator in measuring the success of the central and regional government in an effort to build a better quality of life for the population (the community);
2. can determine the rank and level of the development in an area/province;
3. HDI in Indonesia is one of the determinants to determine the amount of the General Allocation Fund (DAU) from the central government to regional governments conducted through the ministry of finance, Directorate General of Fiscal Balance, Budiriyanto (2011), BPS (2011) and (BPS 2017).

The value of the Human Development Index ranges from 1 to 100. The increase in the Human Development Index is the result of an increase in the value of a combination of various indicators that influence it, namely life expectancy at birth (AHH), expected years of schooling (HLS) and mean of years schooling (RLS) and purchasing power indicators (gross national income / GNI per capita).

According to BPS (2019) and Situmorang (2016), the HDI is calculated based on the geometric average of the health index (which is reflected by AHH), the knowledge index (reflected by HLS and RLS) and the decent living index (reflected by GNI per capita). The calculation of the three sub-indices is carried out by BPS by standardizing the minimum and maximum values of each index component. These variables are then used to calculate the value of each HDI dimension. As for the long life (health) index and the education index are calculated using the following formula:

$$\text{Index } X_i = (X_i - X_{min}) / (X_{max} - X_{min})$$

Where :

X_i = each index of long life, expected years of schooling (HLS) and mean years of schooling (RLS)

X_{imin} = minimum value of X_i.

X_{imaks} = maximum value of X_i.

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Specifically for the education index (IPEND) because it consists of 2 components, namely HLS and RLS, the formula will be :

IPEND = (HLS + RLS) / 2

For the Decent Living Index (ILAYAK) obtained by comparing the natural logarithm (Ln) value with the current per capita population expenditure adjusted:

$$\text{Decent Living Index} = \frac{\text{Ln (expenditure) - Ln (expenditure)}}{\text{Ln (max expenditure) - Ln (expenditure min)}}$$

The composite HDI values can be obtained by the sum of each HDI forming components:

IPM = ((index X_1 * index X_2 * index X_3) 1/3) * 100

Where :

X_1 = long life (health) index

X_2 = education index

X_3 = decent living index

Regarding the financial inclusion, according to the Indonesia Financial Services Authority (2016), financial inclusion is the availability of access to various financial institutions, products, and services in accordance with the needs and abilities of the community to improve public welfare. Financial inclusion can transform communities that were previously underserved and have access to formal financial institutions to become underserved and have access to the formal financial sector. Also, financial inclusion can contribute to reducing inequality, reducing poverty, and encouraging an increase in the Human Development Index (Bank Indonesia 2014), Ummah (2016).

Table 1. Human Development Index (HDI)

Dimension	Variables
Health	Life expectancy at birth (AHH) : - Maximum treshold : age 85 - Minimum treshold : age 20
Education	a. Expected years of schooling (HLS) -Maxmum treshold : 18 tahun -Minimum treshold : 0 tahun b. Mean years of schooling (RLS / MYS) - Maksimum treshold: 15 years - Minimum treshold : 0 year
Decent living	Adjusted expenditure per capita : - Maxiimum treshold Rp 26.572.352 - Minimum treshold Rp 1.007.426
Human Dev. Index	Geometric average

Sources : Situmorang (2016), BPS (2015)

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Index of Financial Inclusion (IIK) is the level of financial inclusion proposed by Sarma (2010, 2012), Sarma, and Pais (2011). Sarma proposed the calculation of financial inclusion index consists of 3 (three) dimensions, namely: (i). banking penetration, (ii). availability of banking services, and (iii). use of banking services.

Banking penetration (p) This is the ratio of the number of bank third party fund accounts in each province divided by the total adult population aged 15 years and over in the province. The indicator is the number of third party funds accounts per 1000 (one thousand) adult population.

Availability of banking services (a) The availability of banking services reflects the reach of banking to the public. Availability is measured through 2 indicators, namely the number of branch offices and the number of automatic teller machines (ATMs). The indicator used is the ratio of the number of bank branches to 1,000 (one thousand) adult residents and the number of ATMs in a province to the number of 1,000 (one thousand) adult residents.

Use of the banking system (u) The use of the banking system reflects how the use of banking services. The indicator of the usefulness of banking services used is the ratio of the number of outstanding loans and third party funds to the gross regional domestic product (GRDP) in the province.

The calculation of the Index of Inclusion Financial (IFI) includes a composite of the three dimensions. Each dimension has an indicator that can represent that dimension. Before calculating the index of financial inclusion, first, we need to normalize the indicators. Index of Financial Inclusion (IIK) can be obtained if each index has been calculated according to its dimensions from the three dimensions of financial inclusion in question, with the following formula:

d_i = wi (Ai - mi)) / Mi - mi .... (1)

d_1 = Penetration of banking services (p)

d_2 = Availability of banking services (a)

d_3 = Use of banking services (u)

Where :

d_i = Normalized indicator for dimension i

w_i = Weight for dimension i, $0 \leq w_i \leq 1$

A_i = Current value of variables or indicators i

m_i = Minimum value (lower limit) of variables or indicators i

M_i = Maximum value (upper limit) of the variable or indicator i

Previous studies related to financial inclusion and human development include Laha and Kuri (2011), Laha (2015), Gupta et al. (2014). According to Laha and Kuri (2011), improving economic opportunities through banking inclusion in a community has an indirect impact on improving education and health levels. In the next stage, the development is intended to influence the increase in the human development index.

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Meanwhile in Indonesia, several studies on financial inclusion were carried out including Ummah (2015), Anwar et al. (2016), and Fahmy et al. (2016).

2.2. Formulation of Human Development Model

Our human development index model consists of several structural and identity equations as Households with adequate sanitation in province i year t (%)

jjAngka Harapan Hidup (life expectancy at birth)

$AHH_{it} = a_0 + a_1SANI_{it} + a_2AIRL_{it} + U_{1it}$ .... (2)

Angka Harapan Lama Sekolah (expected years of schooling)

$HLS_{it} = b_0 + b_1BSP_{it} + b_2DBELI_t + U_{2it}$ .... (3)

Rata-rata Lama Sekolah (mean years of schooling)

$RLS_{it} = c_0 + c_1BSP_{it} + c_2PDRBKAP_{it} + U_{31it}$ .... (4)

Daya Beli (purchasing power)

$DBELI_{it} = d_0 + d_1KRTCAP_{it} + u_2IIK_{it} + U_{4it}$ .... (5)

Sanitasi (Households with adequate sanitation in province i year t (%))

$SANI_{it} = e_0 + e_1BSK_{it} + e_2BSPU_{it} + U_{5it}$ .... (6)

Air Layak

$AIRL_{it} = f_0 + f_1BSK_{it} + f_2PMTB_{it} + U_{6it}$ .... (7)

Indeks Hidup Panjang (long life index)

$IHPANJ_{it} = (AHH_{it}-20) / (85-20)$ .... (8)

Indeks Pendidikan (education index)

$IPEND_{it} = [(RLS_{it}/15) + (HLS_{it}/18)] / 2$ .... (9)

ILAYAK (decent living index)

$ILAYAK_{it} = (Log (DBELI) - 6.91) / 3.28$ .... (10)

Indeks Pembangunan Manusia (Human Development Index / HDI)

$IPM_{it} = (IHPANJ_{it} * IPEND_{it} * ILAYAK_{it})$^(1/3) * 100 .... (11)

Expected signs of estimated parameters :

a_1 a_2, b_1, b_2, c_1, c_2, d_1, d_2, e_1, e_2, f_1, $f_2 > 0$

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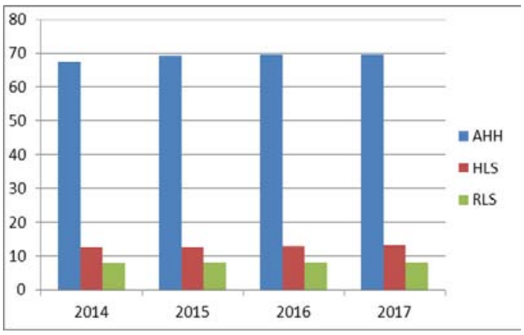
2.3. Data

This study uses time-series data in 2014-2017 and cross-sections of 21 provinces. The data are secondary data from Statistics Indonesia (BPS), the Ministry of Finance, the Financial Services Authority (OJK), Bank Indonesia (BI), the Ministry of Agriculture, and the Ministry of Health. Selection of provinces as a sample is based on considerations: (1) not including provinces with extreme HDI figures (very high and very low), (2) not including the pemekaran provinces, and (3) not including provinces where the realization of financial balance data has technical problems. The technical problem encountered was when there were some provincial data from the main data sources that became a reference from the Directorate General of Fiscal Balance (DJKP)-Ministry of Finance, which was incomplete because there were regencies whose budget realization were reported in other provinces. This happened in the provinces of Southeast Sulawesi, Bali, and the Special Region of Yogyakarta (DIY).

3. **RESULTS AND DISCUSSION**

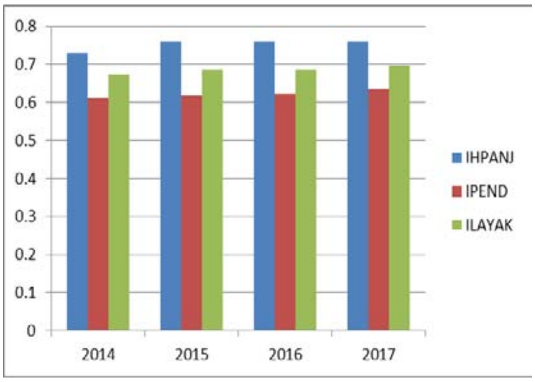
3.1. General description

Various variables that reflected the dimensions of education and health in a sample of 21 provinces showed an increasing trend from year to year during the study period. The average life expectancy at birth (AHH) of the 21 provinces increased from around 67.5 years in 2014 to 69.5 years in 2017. At the same time, the indicator of school year expectancy (HLS) and the average length of schooling (RLS)) also show an increasing trend.



Picture 1. Variables of health and knowledge dimension (years))

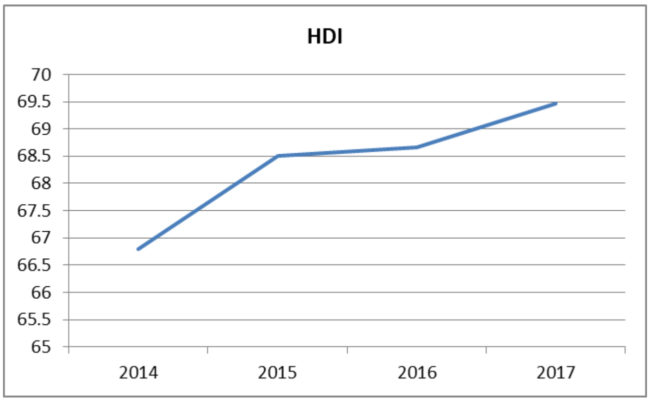
As shown by data, the indicator of expected years of schooling (HLS) has increased from the previous position, which was 12.5 years in 2014 to 12.9 years. As for the mean years of schooling (RLS) increases from 7.8 years to 8.17 years in 2017. The mean years of schooling show that the 9-year compulsory education target that has been set up so far has not been fully achieved. This happens because there are still quite large group of elderly citizens whose education did not complete their junior high school or lower.



Picture 2. Sub-indices of human development variables

The human development index, which is a composite formed from the results of the construction of three sub-indexes, namely, first, the index of longevity. Second, the education index. And third, a decent living index. The data obtained show that the three sub-indexes tend to increase from year to year. This shows if there are an improvement and quality of public access to health and education services in the regions.

The education index which is always lower than the other two HDI forming indexes. In our opinion, this phenomenon needs to be examined and could be an example of common concern. This is because the education index tends to "pull-down" the composite HDI numbers. If education can be encouraged to increase, even more, Indonesia's HDI will increase even higher. This is in line with the government's program to build better human resources and allocate an increase in large amounts of funds.



Picture 3. Human Development Indices (HDI)

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Therefore, parallel with its constituent components, the average value of the human development index in Indonesia based on the sample province also tends to increase during the study period. From around 66.7 in 2014 to 69.5 in 2017. Even though it is increasing, the average HDI value is still a sample province under 70, meaning that the realization of human development in Indonesia is only in the medium category. Human development efforts in Indonesia have not yet run optimally.

Also, the issue of uneven human development needs attention. Some regions, such as West Java, Central Java, East Java, and East Kalimantan have HDIs has more than 70 or already included in the high category. But some provinces are relatively lagging, among others, namely East Nusa Tenggara (NTT), which, although already in the medium category, the HDI score is only slightly above the lower threshold. Therefore, expanding access to education and health needs to be increased. Especially for areas where human development conditions are still relatively low.

3.2. Result of Simple Indonesia Human Development Model

Table 2. Regression Results

Variables	Parameters	Prob > ItI	Notes
1.Angka Harapan Hidup (AHH_{it})			Life expectancy at birth
Intercept	63.9658		
$SANI_{it}$	0.0027	0.4789	Households with adequate sanitation in province i year t (%)
$AIRL_{it}$	0.0738 [c]	0.1624	Households with adequate water sources province i year t (%)
	R-square	0.0223	
2.Harapan lama sekolah (HLS_{it})			Expected years of schooling
Intercept	10.6020		
BSP_{it}	0.00008 [a]	0.0101	Education sector expenditures province i year t (Rp bio)
$DBELI_{it}$	0.0004 [a]	0.0001	GNI per capita province i year t (Rp thousand)
R-square	0.8864		
3.Rata-rata lama sekolah (RLS_{it})			Mean years of schooling
Intercepi	8.6973		
BSP_{it}	0.00004 [a]	0.0155	Education sector expenditures province i year t (Rp bio)
$PDRBKAP_{it}$	0.0030 [a]	0,.0001	Per capita PDRB province i year t (Rp thousand)
R-square	0,.9859		
4.Daya beli ($DBELI_{it}$)			Gross National Income per capita province i year t
Intercep	6,057,35		
$PDRBKAP_{it}$	43.6610 [a]	0.0101	PDRB per capita provinsi i tahun t (Rp thousand)
IIK_{it}	1964.6 [a]	0.0001	Index of Financial inclusion province i year t (0<IIK<1)
R-square	0.9446		

5.Rumah tanggal dengan sanitasi memadai ($SANI_{it}$) Households with adequate sanitation in province i year t (%)			
Intercept	52.0001		
BSK_{it}	0.002 [a]	0.0041	Health sector expenditures province i year t (Rp bio)
$BSPU_{it}$	0.00003	0.4822	Public sector expenditures province i year t (Rp bio)
R-square	0.1432		
6.Rumah tangga dengan air layak memadai ($AIRL_{it}$) Households with adequate water sources province i year t (%)			
Intercept	64,.9244		
BSK_{it}	0.0009 [a]	0.0342	Health sector expenditures province i year t (Rp bio)
$PMTB_{it}$	0.00003	0.3592	Gross domestic fixed capital formation province i year t (Rp bio)
R-square	0.9357		

[a] Significant α = 5%; [b] Significant α = 10%; [c] Significant α = 20%

In the human development model, the parameter mark estimation results are in accordance with the hypothesis. The results of the estimation of life expectancy (AHH) show that both sanitation (SANI) and access to clean water sources (AIRL) have a positive relationship with the improvement of AHH conditions. Even the estimated parameter of access to clean water sources are significantly different from zero at 20%. The AHH equation according to AHH theory is closely related to the availability of adequate facilities and infrastructure. This makes sanitary conditions good and access to clean water is easier to obtain.

Meanwhile, in relation to the expected years of schooling (HLS), this study found that government spending on the education sector (BSP) and purchasing power (DBELI) have a positive and significant direction toward expected years of schooling (HLS). This indicates, the greater the BSP allocation and the purchasing power of the community, the more it will increase the HLS. On the other hand, the estimated results of the mean years of schooling (RLS) indicates that education sector spending and gross regional domestic product per capita (PDRB CAP) have a positive and significant relationship to RLS. Therefore, to increase the mean of years of schooling, it is necessary to boost the allocation of education spending and an increase in GDP per capita. Empirically, this is reinforced by the fact that more prosperous regions are measured by a higher per capita GRDP level that has a relatively higher mean of years schooling.

Related to purchasing power, this study found that an increase in the level of welfare (GRDP per capita) and index of financial inclusion, as a proxy for the availability of affordable formal financial services, can increase people's purchasing power. Therefore, in an effort to increase purchasing power, it is important to pay attention to the depth of the financial sector. In this case, the more people who are served by the formal financial system, the better the conditions are for the regional/provincial economy.

As for the sanitation equation (SANI) and access to clean water (AIRL), this study found that health sector spending (BSK) has a positive and significant relationship towards both. This means that the greater the allocation of health spending, including spending on financing facilities and the greater the health infrastructure, will improve sanitation conditions and public access to clean water. This shows the important role of local government spending in improving the quality of life of the community, especially those related to health aspects.

4. CONCLUSIONS AND RECOMMENDATIONS

Conclusion:

1. Government fiscal policy through spending in the education and health sector through the construction of health facilities as well as infrastructure spending has positive impacts on increasing the components of the HDI.

2. Increased public access to formal financial institutions through financial inclusion also has a positive impact on the human development index, mainly through the increase of purchasing power.

Recommendations

Going forward, efforts should be made to improve the quality of human resources, which is characterized by the continued increase in the annual human development index. This can be done through the increase in the allocation of more progressive and much more government spending in the education and health sector. This theme is in line with the government's main program to improve the quality of Indonesian human resources to achieve an increase in the quality of high level of human resources which is a prerequisite for Indonesia to be an advanced country. Basically, this is the theme of the 74th Independence Day of the Republic of Indonesia.

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The Geographic Determinants of Economic Growth and the Increasing Albania-Kosovo Trade Relations

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Abstract. *For the last few years, the trade volume between Albania and Kosovo has increased considerably, clearly showing that, on top of many other factors, the geographic determinants of economic growth and development must never be underestimated. On the other hand, the ever-closer economic integration of Albania and Kosovo is only natural and should not be considered as a cause for political rifts in the Western Balkans. The paper will go through the various documents and agreements adopted by Tirana and Pristina to promote mutual trade relations, and it will refer to an abundance of data indicating improving trade relations. Subsequently, the paper will shed light on the patterns of economic behavior that Albania and Kosovo show, a behavior which can be better comprehended under the framework of geographic determinants of economic growth and development, such as location, resources, food productivity, population and population growth, regionalization, culture, etc.*

Keywords: *economic geography, economic growth, Albania-Kosovo trade, ethnic economies*

JEL Codes: *O1, O19, O4*

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1. Introduction

The purpose of this paper is to shed light on the patterns of economic behavior that Albania and Kosovo show, a behavior that can be better explained and comprehended under the framework of geographic determinants of economic growth and development. During the last five years, Albania and Kosovo have grown closer in so far as their trade relations are concerned. The two countries have signed numerous bilateral agreements to lower trade barriers. Furthermore, aware of the very difficult road ahead to full European Union integration, the two countries have turned to themselves, even showing the first glimpses of establishing an Albanian trading bloc.

As of today, more than 5 million Albanians are living in the Balkans. However, their number, the resources they possess, the geographic area they live in never played any significant role in promoting

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economic growth or improving their living standards. Albanians in the Balkans never formed a single market, which could have helped enhance their prosperity. However, the independence of Kosovo in 2008 created new possibilities for fostering a bigger market, which could generate greater wealth, even though the expected developments did not happen overnight. During the last five years, the Albania-Kosovo trade relations have grown considerably. Despite the political rhetoric either from Tirana or Pristina, or even from Belgrade, the developments are very much in line with what the experience indicates or the theories uphold. On the one hand, Kosovo has raised the customs tariffs for the goods made in Serbia and, on the other hand, Albania and Kosovo are closely working to eliminate all trade barriers and facilitate greater bilateral exchanges.

There is no dispute that the bigger the markets are, the greater the resources and the population are, the better the geographic position is, the greater are the potentials for economic growth and development. This is the main reason why, throughout history, human societies have struggled to grow bigger. War used to be a means for achieving bigger markets, while now cooperation is the keyword and this trend has some very strong empirical and theoretical footing. To this end, the paper will indicate — by resorting to the facts on the ground and the geographic determinants of economic growth, supported also by the augmented Solow-Swan model of economic growth and the game theory — that the actions undertaken by Albania and Kosovo are fully rational, intending to increase their own benefits.

2. Theoretical framework

Geography plays an important role in either spurring or deterring economic growth and development. The Nobel laureate Paul Krugman (1991, 1999) has emphasized that geography — natural resources, access to the sea, transportation, urban development, population growth, production concentration — influences the economic behavior of a society. Another notable study suggests that geographic determinants, such as location, climate, natural resources, food productivity, population and population growth, regionalization, culture, etc., “affect economic policy choices” (Gallup, Sachs, and Mellinger, 1999, p. 179). The contribution that geography — land, soil quality, natural resources, climate, topography — makes towards promoting or preventing economic growth and development was also underlined by Acemoglu (2009).

Taking a cue from geographic determinants of economic growth and development, it is now proven beyond doubt that economic growth and population growth go hand in hand. The Nobel laureate Simon Kuznets, a great economist, and statistician who consolidated the empirical nature of economics proved the positive relationship between economic growth and population growth. Throughout human history, even before industrialization, “the population of several countries grew and enjoyed a rising per capita product” (Kuznets, 1967, p. 170). Later studies have now led to a wide consensus that a bigger population offers a better chance for greater economic growth and wealth, looking at people as the best factor for ensuring development (Simon, 1994, 1998). A bigger population means a bigger labor force, more brainpower, and more educated people “who will exert their wills and imaginations for their own benefit, and so inevitably they will benefit not only themselves but the rest of us as well” (Simon, 1994, p. 29).

A study conducted by Nicholas G. Mankiw, David Romer, and David N. Weil serve as the foundation for the growth model which takes into consideration the human capital. In fact, that would be the Solow-Swan economic growth model, which is in a way augmented by the addition of the human capital into the formula (Mankiw, Romer and Weil, 1992). They observe that “the augmented Solow model provides an almost complete explanation" to economic growth and development (Mankiw et al., 1992, p. 408). This model was further augmented with the inclusion of other human-related factors, such as health, longevity, education (Knowles and Owen, 1995).

If we are, to put it differently, a bigger population means a bigger market, and human societies have always striven to become bigger. Since time immemorial, markets have tended to expand and enlarge. At the end of the day, almost all wars, throughout human history, have been waged for economic reasons (Howerth, 1916). As centuries went by, the war started to become somewhat obsolete, but the resolve of the markets to grow bigger is still there. To a greater extent, cooperation has taken the place of wars. Especially after World War II, countries have chosen to merge their markets to give themselves greater opportunities. In 1944, Belgium, Luxemburg, and the Netherlands choose to establish the Benelux Union, while the very first traces of the European Union are to be found in 1957, when Belgium, France, Germany, Italy, Luxembourg, and the Netherlands established the European Economic Community in the form of a common market and customs union. In 1960, four other small European countries — Iceland, Liechtenstein, Norway, and Switzerland — established the European Free Trade Association. Such examples are also to be found in other regions of the world: the Economic Community of West African States in Africa, the Economic Cooperation Organization in Asia, the Latin American and Caribbean Economic System, and the Central American Integration System in Latin America, etc. The Central European Free Trade Agreement is also another example of such cooperation trends, bringing together Western Balkans countries and Moldova. The theoretical foundation behind such cooperation initiatives was offered in 1944 by the mathematician John von Neumann and the economist Oskar Morgenstern.

In a ground-breaking work, they presented and consolidated their 'game theory', a theory which attempts to create models and to predict the outcome of a conflict between rational individuals (Von Neumann and Morgenstern, 1953). In a nutshell, the game theory may be defined as "the study of mathematical models of conflict and cooperation between intelligent rational decision-makers" (Myerson, 1997, p. 1) and, from this point of view, the notion of 'game' represents any "event where people interact" (Drechsel, 2010, p. 5). The types of games are many and they are divided into two main groups: non-cooperative games and cooperative games. In all kinds of situations, the intelligent rational decision-makers compete and all of them try to benefit the most from the situation, or the game, but in case of non-cooperative games they do not know each other's actions and in case of cooperative games they are aware and know each other's actions and they form coalitions.

3. Facts on the ground: Albania-Kosovo economic relations

3.1 Albania-Kosovo relations: The cooperative game

In so far as the present situation and economic behaviors of Albania and Kosovo are concerned, the cooperative game is the type that applies best. Of course, both countries are independent rational competing players, but they have come to realize that cooperation serves their interests much better than non-cooperation. Thus, forming a coalition is more fruitful than fighting each other.

Albania and Kosovo are two independent Balkan countries inhabited by the same ethnic group, sharing the very same language, culture, and history. The whole region inhabited by Albanians used to be part of

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the Ottoman Empire and, at the end of World War I, for various geopolitical reasons only one part of it was recognized as an independent country, and that was Albania. Other Albanian-inhabited territories were made part of Yugoslavia. As of now, since Yugoslavia no longer exists, some of the Albanian-inhabited territories are part of Montenegro and North Macedonia. Kosovo was another of those Albanian-inhabited territories which used to be part of Serbia. After the 1999 internal conflict in Serbia, Kosovo was put under the administration of the United Nations and, in 2008, declared its independence.

This particular reality of 'one people, two countries' makes it much easier for Albania and Kosovo to cooperate with each other. In 2009, Albania finalized its biggest public infrastructure project. At the cost of almost 1 billion euros, Albania built a new 180 kilometers long highway from the coastal and port city of Durres to the border with Kosovo. In 2013, Kosovo also finalized the almost 100 kilometers long new highway from the capital city Pristina to the border with Albania. Today, more than 1.8 million vehicles per year travel the Albania-Kosovo highway.

Serbia has not recognized Kosovo's independence and, in fact, tries as much as possible to hinder its sovereignty, economic development, and prosperity of its people. This has made Kosovo grow further apart from Serbia, further apart from trading with the ex-Yugoslavia countries, and to forger even closer cooperation with Albania.

3.2 Albania-Kosovo bilateral agreements

Since 2014, the governments of Albania and Kosovo have held regular annual joint meetings and both countries have signed numerous agreements, memoranda and protocols, mainly focused on promoting greater bilateral trade relations.

Kosovo is a landlocked country and having access to the Adriatic Sea and the Albanian ports is of vital and strategic importance. The greater part of the goods imported by Kosovo goes transit through Albania. On the other hand, the Albanian market is important for the agricultural and other food products made in Kosovo. In so far as Albania is concerned, Kosovo provides the main source of income for the local tourism industry, as well as an important market for construction materials, minerals, electricity, fuel, etc.

The first step was the 2003 free trade agreement between Albania and Kosovo. However, the efforts grew bolder especially after Kosovo declared its independence in 2008. A lot has changed since then. As of now, Albania and Kosovo have signed almost 50 different agreements, a third of which is concerned with promoting wider market integration and greater mutual trade relations.

Albania and Kosovo have now established joint border checkpoints, which have served to greatly facilitate the movement of goods and people. Albanian citizens do not need passports to travel to Kosovo and there is no time limit to their stay there, and the same is true for the Kosovo citizens traveling to Albania. The Kosovo citizens do not need any particular permits in order to work, reside, or do business in Albania, and the same will apply soon to the Albanian citizens in Kosovo.

Since the end of 2018, under a special agreement, any public document issued in Kosovo is fully and automatically recognized in Albania to bear the same value, and the same applies to any public document issued in Albania. This has helped promote bilateral trade, especially the import and export of goods accompanied by various certificates, such as a certificate of origin, certificate of quality, health certificate, veterinary certificate, phytosanitary certificate, etc.

The Kosovo Customs has established an office at the port of Durres, in Albania, which serves now as an entry point for goods destined for Kosovo. Furthermore, both countries intend to fully demolish any notion of the border between them, thus emulating the internal borders among European Union member countries.

3.3 The growing Albania-Kosovo trade

Albania has a population of almost 2.9 million, 72.4 percent of which is younger than 54 years old (Institute of Statistics, 2019a), and Kosovo has a population of about 1.8 million, 84.8 percent of which is younger than 54 years old (Kosovo Agency of Statistics, 2018). The nominal 2019 Gross Domestic Product of Albania was at almost 15.4 billion dollars, whereas the nominal 2019 Gross Domestic Product of Kosovo was at 7.9 billion dollars (International Monetary Fund, 2019). The Kosovo international trade balance is highly negative: during 2019, the exports were at about 383.5 million euros and imports were at almost 3.5 billion euros (Kosovo Agency of Statistics, 2020). Albania represents the same outlook, too. During 2019, the exports were at about 2.45 billion euros and imports were at 5.3 billion euros (Institute of Statistics, 2020).

Both countries are hugely dependent on imports and increasing bilateral exchange is a way to boost their respective economies. In 2018, Kosovo imposed higher customs tariffs on goods made in Serbia. On average, Kosovo applies a customs tariff of 10 percent on the price of the imported goods. At first, Kosovo imposed an increase of 10 percent over the normal customs tariff for the goods originating from Serbia and by the end of 2018 imposed an increase of 100 percent. For the 2005-2018 period, the Serbian exports towards Kosovo amounted to an average of almost 257 million euros per year (Gashi and Berisha, 2019). However, after the customs tariff increase, the Serbian exports towards Kosovo fell by 98.5 percent (Gashi and Berisha, 2019). Subsequently, the same trend applied also to the Kosovo exports towards Serbia, which fell drastically from an average of 18 million euros per year over the period before 2018.

The aggressive promotion of Albania-Kosovo trade relations served to fill the gap, even though such relations had started to gradually improve since 2008. The 2016 exports of Albania towards Kosovo amounted to about 136 million euros (Institute of Statistics, 2018), whereas in 2019 they were at 244 million euros (Institute of Statistics, 2020). During that same period, from 2016 to 2019, the Kosovo exports towards Albania grew by almost 30 percent, even though their gross value is smaller than the imports from Albania. The Kosovo exports towards Albania for 2019 amounted to about 73 million euros.

Kosovo is renowned as a food producer and the food exports towards Albania are increasing steadily, whereas Albania is exporting mainly construction materials, electricity, and fuel.

3.4 Albania-Kosovo economic relations beyond the simple trade

However, to narrow down the whole economic relations between Albania and Kosovo merely to the goods imported and exported between them would not be the right approach.

Albania was founded in 1912 and Yugoslavia in 1918, part of which was also Kosovo. The two Balkan countries, Albania and Yugoslavia, never had any good relations, and this made Albania and Kosovo grow into different directions. Being a country with wide access to the Adriatic Sea and the Ionian Sea, Albania sought its economic exchanges mostly in the regions of the Mediterranean Sea. On the other hand, Kosovo became entirely connected and totally dependent on Serbia for everything. This is the reason why Kosovo, even after declaring its independence in 2008, maintained rather strong and vast economic relations with Serbia, whereas the trade relations with Albania were very sluggish to take off. Studies conducted have emphasized that the "long isolation and lack of communication between the two societies is still casting its shadow on the new emerging relations between Albania and Kosovo, making them somehow difficult" (Sulcebe, 2015, p. 12).

Serbia has never recognized Kosovo's independence and this has made Kosovo seek new alternatives to promote growth and development. Getting closer to Albania was only natural. Everything was right for the two countries to assist each other, to cooperate closely and trade more with each other. The two countries are made up of the same people, sharing the very same language, culture, and history. Things changed for better after 1999 when the Serbian province of Kosovo was put under the administration of the United Nations, and especially after 2008 when Kosovo declared its independence. The two countries, since their respective governments started holding annual joint meetings, have also laid down a sort of roadmap to harmonize their institutional and legal frameworks. The end objective is unifying the two markets in the form of a customs union or a single market, much like the Benelux Union or European Union.

4. Role of geography in the Albania-Kosovo economic cooperation

There is no denying that geography has played a significant role in stimulating the ever-increasing economic cooperation and trade relations between Albania and Kosovo. Each geographic determinant of economic growth and development has its own part in ensuring greater cooperation.

First of all, looking at it from a cultural perspective, it is the population of both countries which serves as an important promoting factor. Both countries, Albania and Kosovo, are inhabited by Albanians. In this context, it is much easier for both people and societies to relate to each other, to communicate, to cooperate and, therefore, trade. The population of both countries shares the same language, culture, and history. This means that both societies can interact very easily, without any underlying fears or biases, and this makes doing business so much more effective.

Looking at it in terms of numbers and size of the market, the population of both countries creates a growth synergy which is far greater than the simple sum of the individual parts. The changing and growing interaction of the population of both countries brings about the synergy effect (Holubcik and Soviar, 2016), which subsequently produces more value and prosperity. Albania and Kosovo are a market of almost 5 million people, and it will prosper better if acting as one rather than two separate parts.

The tourism sector, which is very important for Albania's economy, is an excellent example. During 2018, about 5.9 million tourists visited Albania and more than 2 million of them originated from Kosovo (Institute of Statistics, 2019b). This means that the whole of Kosovo's population chose to spend their summer holidays in Albania. They could have gone anywhere else, but they decided that they were better welcomed, served, and appreciated in Albania. On the other hand, tourists from Albania traveling abroad during 2018 spent more than 1.4 billion euros and 13 percent of them choose Kosovo as their holiday

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destination (Institute of Statistics, 2019b). At first sight, this may not seem very significant, especially if compared to the number of Albanian tourists traveling to Greece or Italy, but it is of great importance since a few years back there were no tourists from Albania going to Kosovo.

The respective geographic positions of Albania and Kosovo help facilitate the increasing relations. Both countries complement each other, stretching from the coasts of the Adriatic Sea and the Ionian Sea towards the hinterlands of the Balkan Peninsula on the east. The Albania-Kosovo highway will soon stretch towards Serbia, in Nish, in order to connect to the European Corridor X, running from Salzburg in Austria to Thessaloniki in Greece. The highway has now become the main facility linking Kosovo with the international markets. During 2019, more than 4 million tons of different goods went through the port of Durres in Albania, and more than 10 percent of them were goods imported or exported by Kosovo. This amount was twice of that registered in 2018 (Shala, 2020). Kosovo is also using Albania as the transit route for its supply of fuels, exploiting the port of Porto Romano for that purpose, which is a bunkering port specialized in importing and exporting fossil fuels. Since last year, the Kosovo Customs has established offices at the port of Durres and the port of Porto Romano, in Albania, thus facilitating, even more, the movement of goods and the import/export activities. On the other hand, in so far as Albania is concerned, closer cooperation with Kosovo means easier access to the inward markets of the Balkan Peninsula, as well as access to the vast producing capacity of the Kosovo agriculture.

The combination of natural resources of both countries makes closer cooperation even more profitable. Electric energy generation is a good example. Albania is by far richer than Kosovo in water resources, especially rivers, which are exploited for generating electric energy. During the rainy seasons, Albania can even export some amounts of electric energy, but it is forced to import rather great amounts during dry seasons, and the price difference is huge. During the early months of 2019, Albania imported electric energy at the price of almost 73 euro/MWh, however, the export price during that period was not higher than 58 euro/MWh (“Importi i energjise”, 2019). Apart from that, a sizeable portion of the import or export price goes to transmission costs paid to other countries or their companies. On the other hand, Kosovo is totally dependent on coal-fired power plants. Almost 97 percent of the electric energy produced in Kosovo is generated from two coal-fired power plants (Beer, Mielczarski and Taylor, 2012). Kosovo holds some of the greatest lignite reserves in the world, and now is planning to build new and modern coal-fired power plants. The electric energy production in Kosovo is far more stable than that of Albania, this is the reason why Albania and Kosovo signed an agreement to establish a common electric energy market and join their power distribution grids. In this way, both countries take advantage of each other’s natural resources and developing potentials. Studies have shown that cross-border electric energy trade or exchange is by far more convenient and advantageous (Antweiler, 2016).

Access to sea is one of the greatest geographic determinants of economic development. Being a landlocked country, Kosovo finds in Albania the much-needed access to international trade routes. Sea transport is a lot more efficient and cost-effective. Studies have underlined that, among other geographic determinants, the ability of a country to have access to the sea “can crucially affect transport costs and the extent of its integration with the world” (Osang, 2006, p. 35).

5. Conclusion: The power of place

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There is no arguing that geography influences the economic behavior of a society. The geographic determinants of economic development and growth are there, even though sometimes they are hard to identify or sometimes we take them for granted. If we are to refer to a book written by De Blij (2009), the role of geography in economic development is viewed as the power of place, whereas Schwarz (2008) holds that "geography is destiny".

Subsequently, whatever is going on between Albania and Kosovo now, whatever steps the two countries and societies take to grow closer and to integrate their economies, even more, is only natural taking into consideration the geographic factors they share.

Albania and Kosovo are inhabited by the same people, speaking the same language, sharing the same history, having the same culture and beliefs. So, it is expected and, normally, they would want to cooperate more with each other, just as they are doing now. In the same manner, because of their location, their vicinity and access to the sea, their climate and their natural resources, Albania and Kosovo find it easier and more advantageous to cooperate with each other.

Even though regional and international politics and powers to be might not feel very comfortable with such close economic cooperation and rapprochement between Albania and Kosovo, since, putting it bluntly, they are two Albanian countries, it is impossible to dispute the power of place.

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The Effect of Progressive Tax, the Number of Vehicles and Tax Arrears on the Revenue Transfer of Motor Vehicle Title Fees in the South Sumatra Province

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Abstract. *The purpose of this study is to analyze the effect of progressive taxes, the number of vehicles, and tax arrears on the revenue transfer fees for motorized vehicles in the UPT Regional Revenue Agency of South Sumatra Province. In this writing, the type of data used was panel data. The sample in this study consisted of 16 District / City UPTs between 2017 and 2018. The analysis technique used was Ordinary Least Squared (OLS) using Eviews 8. The estimation results of the regression equation showed that simultaneously progressive taxes, the number of vehicles and arrears had a positive effect and was significant in relation to the acceptance of the transfer of the motor vehicle title fee, as can be seen by the probability value F of 0.000000 <0.05 (α = 5%). The implementation of a progressive motor vehicle tax has an impact on society, both positive and negative. The positive impact arising from the imposition of a progressive tax on motor vehicles is very influential when it comes to increasing the local revenue. This is useful for financing the routine tasks of local governments for the infrastructure development related to the welfare of the community. However, besides the positive impacts, there are also negative impacts, namely that people are becoming increasingly burdened because the cost of paying the motor vehicle tax is increasing*.

Keywords: Progressive Tax, Number of Vehicles, Arrears of Motorized Vehicle Tax and BBN – KB

JEL Codes: G38, H20, H21, H26, H27

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1. Introduction

According to Law Number 23 of 2014 Article 1 Paragraph 6 Regarding Regional Government, regional autonomy is the right, authority and obligation of an autonomous region to regulate and manage its own government affairs according to the interests of the local community in the system of the Unitary State of the Republic of Indonesia. A regional government with autonomy is in a process of transition from a concentrated system to a decentralized system.

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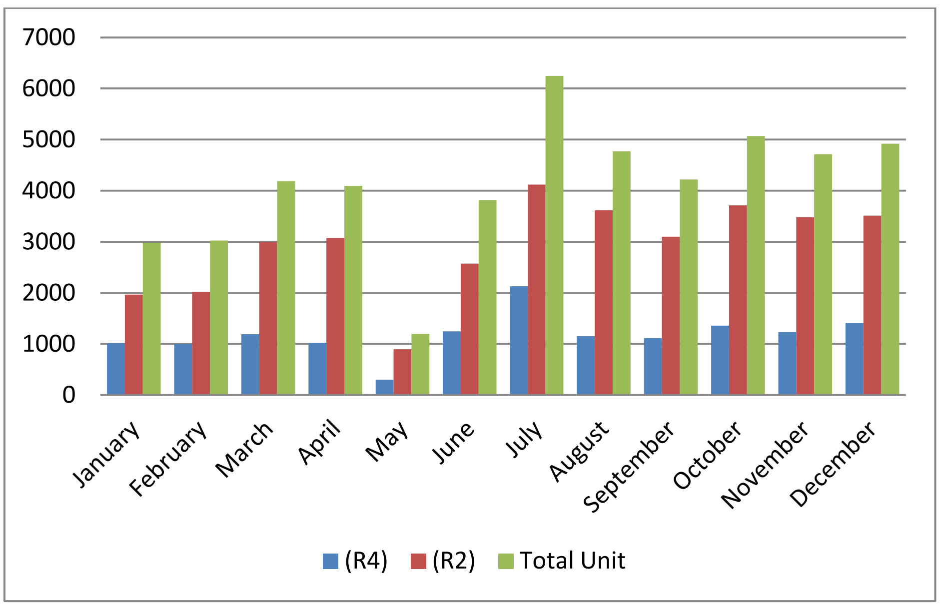
Considering that not all funding sources are viable in the region, the sources of regional revenue must be explored to the fullest. One potential source of revenue is the Regional Original Revenue. According to Law Number 33 of 2004, Regional Original Revenue is aimed at the regional governments by giving them the freedom to finance their regional administration. This is adjusted according to the potential of each region which is an embodiment of decentralization. In terms of improving the services provided to the community, it is necessary to optimally play the role of the government when managing the region. The government has the right to collect taxes to finance the needs of regional autonomy. The role of tax is also often used as a policy instrument by local governments.

The tax that dominates a country's revenue is the Motorized Vehicle Tax. This is because the number of vehicles continues to increase every year, both two-wheeled vehicles (R2) and four-wheeled vehicles (R4). However, the income that has a significant tax value is the Motor Vehicle Tax which is imposed on four-wheeled vehicles. The development of new vehicle units sold in Palembang in 2017 can be divided into two wheels (R2) and four wheels (R4) respectively, which can be seen in Figure 1.



Source: UPT Regional Revenue Agency of Palembang City I, 2018

Figure 1. Chart of New Vehicle Units Sold
In Palembang City in 2017

The potential for an increase in the number of motorized vehicles in circulation has made the government renew the regional laws and regulations. The regional government issued South Sumatra Governor Regulation Number 31 of 2016 concerning Regional Taxes. The provisions of article 2 are outlined in paragraphs (1), (3) and (7) regarding the fact that second private motor vehicle ownership and so on is subject to progressive tariffs. The implementation of a progressive tax on motor vehicles is a step taken by the government to reduce the level of congestion and to curb the administration associated with the ownership of motorized vehicles

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owned. If a taxpayer has a private four-wheeled vehicle at the same address, then a greater amount of tax must be paid by the taxpayer.

This phenomenon of progressive taxation has received various responses from the public. One response that can be seen among the public towards the implementation of this progressive tax concerns people's interest in buying new vehicles, especially private cars. This is because progressive taxes will be levied on four-wheeled motor vehicles such as sedans, jeeps, and minibusses.

Based on the problems previously explained, the researcher intends to analyze the effect of progressive tax, the number of vehicles, and tax arrears on the revenue transfer fee of motorized vehicles in the Regional Revenue Agency of South Sumatra Province.

2. Formulation of the Problem

To analyze the magnitude of the influence of progressive tax, the number of vehicles, and tax arrears on the revenue transfer fees of motorized vehicles in South Sumatra Province.

3. Theoretical and Literature Review

Taxation plays a significant role in the economic development of every nation through the financing of social and infrastructural projects. It also helps in the distribution of resources, the sharing of revenue, and correcting negative externalities such as the protection of the domestic industry by limiting imports. The provision of public services and the infrastructure funded by tax revenues is a key factor for economic growth and development. Many developing countries are not able to generate the tax revenue needed for national development (Fuest and Riedel, 2009; Adamopoulos, 2010). A moving nation with scarce financial resources is similar to the use of a car with little oil. Taxes are the lifeblood of any economy; if there are no taxes, no nation exists (Ankrah, 2014).

Peacock and Wiseman state that their theory is based on the idea that the government is increasing its spending every year. This causes the government to raise taxes. The public will understand if there is an increase in taxes due to meeting government spending, so the community realizes that the government needs the funds to finance government activities. There is often some level of community willingness to pay taxes. This level of tax tolerance is an obstacle for the government to raise tax collection arbitrarily (Mangkoesoebroto, 1993).

Motorized Vehicle Tax, according to Law Number 3 of 2011, is a tax on the ownership and/or control of motorized vehicles. ‘Motorized vehicles’ is used to refer to all wheeled vehicles used on all types of road. They are driven by technical equipment in the form of motorcycles and other equipment that functions to convert certain energy resources into the power behind the relevant motorized vehicles including heavy equipment and tool-large equipment that, in its operations, uses wheels and motors that are operated in water.

Referring to the Governor of South Sumatra Province Number 31 of 2016 concerning Regional Taxes, the provisions of article 2, namely the ownership of a second private motor vehicle and so on, are subject to progressive tariffs. This is related to sedans, jeeps, minibusses, station wagons, microbuses, buses, and the like (private vehicles) at the same address.

According to the Regional Regulation of the Province of South Sumatra Number 3 of 2011, BBN-KB is a tax that is imposed on the change of motorized vehicle owner due to buying and selling transactions, auctions,

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inheritance or grants from other parties and income into business entities. The BBN-KB tax subjects are individuals, agencies, or government agencies that can accept the delivery of motorized vehicles.

According to Law Number 11 the Year 2016, tax arrears refers to the principal amount that has not been paid based on a tax bill in which there is a tax principal owed, an underpaid tax assessment letter, an underpaid tax assessment letter, an additional letter of correction, a letter of objection, a decision-based appeal and reconsideration decisions. This causes the amount of tax accrued to increase including taxes that should not be returned as required by law.

In the study by Gnap and Konecny (2015), the variables used were Motorized Vehicle Tax and Fiscal Decentralization. The research period was 2005 - 2013 in the Slovak Republic. The purpose of this research was to identify the Motor Vehicle Tax rates and the changes in the tax revenue in addition to proposing new tax rates that are cheaper and more environmentally-friendly in the governments of each region. The results of the study indicate gradual changes in the Motor Vehicle Tax's impact on the fiscal decentralization policies in the Slovak Republic.

Hennessy and Tol (2010) used the variables of Motor Vehicle Tax and New Car Purchase using the demographic model of car stock. Their results indicate that the impact on tax revenue is large because car owners switch to lower Motorized Vehicle tax rates. The burden of Motor Vehicle Tax has shifted from car ownership to car use, and the overall Motor Vehicle Tax burden on private car transportation has decreased.

Preece (2016) examined automotive taxation in the era of the ASEAN Economic Community (AEC) in 2015. Various policy areas were identified where coordination between the ASEAN members will strengthen the region's position to allow it to become a leading global car manufacturer. In addition to examining the type of vehicle, the level of CO_2 emissions and fuel efficiency as examples of the types of excise taxes applied in the European Union (EU), South Africa, Cyprus, and Thailand are used to highlight areas that can be overcome, leading to a series of reforms that will increase the number of opportunities to achieve this global role. In conclusion, this journal brings together the policy issues discussed and provides a standard structure for car excises and tax that can be considered by the policymakers.

Konecny et al (2016) discussed the impact of fiscal decentralization on Motor Vehicle Tax. This research was conducted in the Slovak Republic. Radically, from time to time, the transfer of competence when setting the tax rates for motorized vehicles in self-governing regions and the use of income through taxes can realistically be used to assess its development and impact. The aim is to eliminate the differences in motor vehicle tax burden between countries and to maintain the current level of tax revenue in self-government.

Hartanto, Satria, and Sugiharti (2019) discussed the impact of the Motor Vehicle Tax award on the increase in West Java province's locally-generated revenue. Tax awards are expected to be able to trigger the West Java people to pay their motor vehicle tax. However, there was still an increase in the number of non-re-registered vehicles. Therefore the regulation of the tax award needs to be reviewed. This study aims to find a solution so then the award can increase the West Java province's locally-generated revenue and optimize the collection of the motor vehicle tax. The study concludes that the tax award due to motorized vehicle tax is correlated directly with the increase in locally-generated revenue.

Rismayanti et al (2017) discussed the determinants of the Taxpayer Compliance Test in relation to paying the Motor Vehicle Tax. As one component of provincial taxes, motor vehicle taxes contribute significantly to the local revenue. By properly increasing the number of vehicles, the chances related to the reception area of the motor vehicle tax sector are also increased. This study aimed to obtain evidence regarding the factors that affect taxpayer compliance in terms of paying tax on motor vehicles. The independent variables include

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the socialization of taxation, the knowledge of taxation, income taxpayers, service tax authorities, and tax sanctions. The dependent variable is taxpayer compliance. The population includes taxpayer motor vehicles registered on SAMSAT Mataram. The samples were taken using the incidental method of non-probability sampling. The sample size was calculated using the Slovin formula, which produced 100 respondents. The data were analyzed using multiple linear regression. The results showed that simultaneously, the socialization of taxation, the knowledge of taxation, income taxpayers, service tax authorities, tax sanctions and the interaction between the knowledge of taxation and socialization of taxation has a significantly effect on motor vehicle tax compliance. Next, the partial knowledge of taxation, service tax authorities and tax sanctions has a positive and significant effect on taxpayer compliance. The socialization of taxation and income taxpayers do not have a significantly positive effect on taxpayer compliance.
Raharjo, Pambudi and Bieattant (2018) discussed the influence of the taxpayer's formal knowledge and tax awareness against compliance with paying the motor vehicle tax. The purpose of this study is to determine the effect of the formal knowledge of the taxpayers and the level of taxpayer awareness on the compliance of the motor vehicle taxpayers in the company SAMSAT POLDA in South Jakarta. The data used was primary data, collected by distributing questionnaires to the motor vehicle taxpayers registered in the office of the South Jakarta Police, SAMSAT. The population that was the object of the research was all motor vehicle taxpayers registered in the office of SAMSAT POLDA in South Jakarta up until December 2016. The sampling technique used was accidental sampling. This research used the linear regression analysis method. The results show that the formal knowledge of the taxpayers has a significant positive effect on the compliance of the motor vehicle taxpayers. The results of this study conclude that together, the formal knowledge of taxpayers and the awareness of the taxpayers significantly affect the compliance of the motor vehicle taxpayers.

4. Methodology and Data

The type of data used in this study was secondary data obtained from 16 UPT Regional Revenue Agencies in South Sumatra Province which consisted of monthly data from 2017 to 2018. The data used was panel data, which is a combination of time series and cross-sections.
There are three fundamental approaches used to estimate the regression model when using panel data, namely a) Pooled Least Square (Common Effect) Model, b) the Fixed Effect Approach Model and c) the Random Effect Approach Model. Because there was one equation used in this study, the authors used the Ordinary Least Squared (OLS) method.
The panel data regression equation used in this model is:

$$\mathrm{BBNKB}_{it} = \alpha + \beta_1 \mathrm{Tprog}_{it} + \beta_2 \mathrm{NKB}_{it} + \beta_3 \mathrm{TKB}_{it} + e_{it}$$

Where:

BBNKB_{it} = Transfer Fees for motorized vehicles (Rupiah)
Tprog_{it} = Progressive Tax (Rupiah)
NKB_{it} = Number of Vehicles (Unit)
TKB_{it} = Motor Vehicle Arrears (Rupiah)
$\propto$ = Constant
β_1, β_2 = Regression coefficient
e_{it} = *error term*

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Hypotheses

1. Progressive tax has a positive effect on the revenue transfer fee of motorized vehicles in South Sumatra Province.
2. The number of vehicles has a positive effect on the receipt of transfer fees for motorized vehicles in South Sumatra Province.
3. Motor vehicle tax arrears have a negative effect on the revenue transfer fee of motorized vehicles in South Sumatra Province.

5. Empirical Results

To choose the most appropriate model, several tests were done.

5.1 Chow Test

The selection of models between common effects and fixed effects can be done by testing the Likelihood Test Ratio with the provision that if the resulting probability value is significant at alpha (α) 5%, then a decision can be made using the fixed effect model. Tests were carried out using either the Chow Test or the Likelihood Ratio Test:

H0: Model follows Pool.
H1: Model follows Fixed.

Table - Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	9.473540	(15,285)	0.0000
Cross-section Chi-square	122.979023	15	0.0000

Source: Secondary data, processed with Eviews 8

Based on the test results, the Chi-square cross-section probability value is 0.0000 where 0.0000 <α = 5%. Therefore H0 is rejected and H1 is accepted. The chosen model uses a fixed effect.

5.2 Hausman Test

When deciding to use fixed effects or random effects, this can be determined using the Hausman test with the provision that if the probability produced is significant according to its alpha (α) value, then the fixed-effect method can be used. Two tests use the Hausman test:

H0: Model follows the Random Effect

H1: Model follows the Fixed Effect

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The Hausman test in this study was conducted using Eviews 8. The test results can be seen in the following table.

Table - Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	109.523837	3	0.0000

Source: Secondary data, processed with Eviews 8

In the Hausman Test, the random cross-section probability is 0,000 which is smaller than the significance level of α = 5%. Therefore H0 is rejected and H1 is accepted. Therefore the best model that can be used in decision-making for the model estimation is the fixed effect method.
In line with Nachrowi's research, the selection of the fixed effect method and the random effect method can be made with consideration of the objectives of the analysis. There is a possibility that the data used as the basis for modeling can only be processed by one method due to the various mathematical and technical problems that underlie the calculation. Also, according to some econometrics experts, it is said that if the panel data owned has an amount of time (t) that is greater than the number of individuals (i), then it is recommended to use the Fixed Effect method.

Table - Regression Estimation Results of the Fixed Effect method

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.06E+09	2.20E+08	9.343131	0.0000
TPROG?	7.867310	1.465025	5.370086	0.0000
NKB?	2426294.	232269.1	10.44605	0.0000
TKB?	0.103374	0.110435	0.936059	0.3500
		Effects Specification		
Cross-section fixed (dummy variables)				
R-squared	0.980422	Mean dependent var		5.04E+09
Adjusted R-squared	0.979186	S.D. dependent var		7.70E+09
S.E. of regression	1.11E+09	Akaike info criterion		44.55613
Sum squared resid	3.52E+20	Schwarz criterion		44.78845
Log likelihood	-6753.532	Hannan-Quinn criter.		44.64906
F-statistic	792.9031	Durbin-Watson stat		2.051080
Prob(F-statistic)	0.000000			

Source: Secondary data, processed with Eviews 8

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5.3 Estimated Results

BBNKB = 2,06 + 7,867310 Tprog + 2426294 NKB + 0,103374 TKB

The results obtained show that progressive taxes, the number of vehicles, and motor vehicle arrears have a significant effect on the receipt of motor vehicle transfer fees in the period 2017 – 2018. This can be seen from the F-statistic value of 792.9031 that is greater than the F table value of 2.634701 with a significance level of α = 5%. This is supported by the probability value of 0.000000 where the value is significant to alpha (α) 5%.

According to the results of the regression analysis, the progressive tax variable regression coefficient shows a positive value of 7.867310. The positive coefficient indicates the positive effect of a progressive tax on the receipt of motorized vehicle transfer fees. This means that if the progressive tax increases by 1, then the receipt of the transfer of motor vehicle transfer fees will increase by 7.867310, assuming that the other factors outside of the model are considered to be fixed (ceteris paribus). In line with the results of the t test, it shows that the t-value of the progressive tax is 5.370086. This value is greater than the t-table of 1.967877 (t-count> t-table) at the level of α = 5% with a probability value of 0.0000. This means that partially progressive taxes have a significant effect on the receipt of motor vehicle transfer fees.

These results are consistent with Peacock and Wisemen's theory which states that the public will understand if there is an increase in taxes due to meeting government spending. People realize that the government needs funds to finance government activities so they have a degree of community willingness to pay taxes (Mangkoesoebroto, 1993). The public will understand that the tax increase will finance public goods, so the public is aware of paying taxes. This statement is a description of the taxpayers who pay motor vehicle tax in the regency/city of South Sumatra Province where the local government, in this case the Governor of South Sumatra, made a policy of progressive tax enactment contained in Pergub Number 31 of 2016 concerning progressive taxation. People continue to pay taxes.

By implementing a progressive tax policy, it is expected that private motor vehicle ownership can be reduced and the use of public transportation is preferred and encouraged by the community. Indirectly, congestion, which is one of the problems in the province of South Sumatra and especially in the city of Palembang, can be controlled. The implementation of a progressive tax on motor vehicles has an impact on society, both positive and negative. The positive impact arising from the imposition of a progressive tax on motor vehicles is influential when it comes to increasing the local revenue which is useful for financing the routine tasks of the local governments concerning infrastructure development for the welfare of the community. The negative impact is that the people are increasingly burdened because the costs incurred when it comes to paying the motor vehicle taxes are increasing.

The results of this study are consistent with the previous study conducted by Sari et al (2017) in that the existence of the application of progressive taxation received responses from the public that were both positive and negative. Progressive taxation is influenced by the sale of new four-wheeled vehicles, but it is not a factor that dominates the decline in the level of car sales. There is a continued increase in the level of motor vehicle tax revenue. In essence, the application of progressive tariffs on motor vehicle tax is a step taken by the government to reduce the level of congestion and to discipline ownership administration. The more motorized

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vehicles are owned under the same name and identity, the greater the tax that must be paid by the community.

These results are also in line with the research by Nurdin et al (2013). The variables used were Progressive Tax and BBNKB Revenue in the Bandung City Region II Kawuluyaan in 2012. The result was that at a 95% confidence level, Motor Vehicle Tax revenue affects the customs revenue transfer of motor vehicle names. Here, if the value of the Motor Vehicle Tax revenue increases, then it will be followed by an increase in the motor vehicle transfer fee and vice versa.

For the variable number of motor vehicles, the results obtained indicate that the variable number of motor vehicles has a coefficient of 10.44605. This means that if the number of motor vehicles has increased by 1, then the receipt of transfer fees will increase by 10.44605 or 10.45%. A positive coefficient means that the increase in the number of motorized vehicles will be followed by an increase in the receipt of transfer fees in the UPT Regency / City of South Sumatra Province. The results of the t-test show that the variable number of motor vehicles significantly influences the receipt of transfer fees at the UPT Regency / City of South Sumatra Province which was strengthened by the results of the t-statistic probability of 0.0000 significant with an alpha (α) of 5%.

There is a significant influence from the number of motorized vehicles on the receipt of the transfer of Motor Vehicle Title Fees due to their close relationship with one another. The variable number of motor vehicles is related to the level of new vehicle purchases, where each new vehicle purchase will be subject to a New Vehicle Names Transfer Tax (BBNKB I). If the number of new vehicles increases, then the receipt of the New Vehicle Names I Return will also increase. With these results, the amendment to the South Sumatra Province Regional Regulation No. 3 of 2011 to the South Sumatra Province Regional Regulation that states that an increase in BBN-KB I tariff (New Vehicles) in an effort to increase regional income to support the implementation of regional autonomy can be said to be successful.

This reasoning is reinforced by the essence of the justification of buying style theory, namely that tax collection only looks at the positive effect related to the adequacy of the state revenue in terms of financing public expenditure. The good effect is the basis of justice. According to this theory, the implementation of the interests of the taxpayers, both individual, and state, can be regarded as the basis of fair tax collection. This theory emphasizes its teaching based on the second function of tax collection, namely the function of the regulation (Pohan, 2014). The government policy regulating the local regulations that raised the BBN-KB I tariff by 2.5% from previously not making sales of new vehicles in the province of South Sumatra was reduced. This may have occurred because of the taxpayer's reasons for buying new vehicles due to ease, needs, and desires.

Increased public purchasing power and easy vehicle credit facilities have led to an increase in motor vehicle purchases in the province of South Sumatra. With the level of down payments being relatively affordable, the interest rate is considered low and the credit installments are not so large that people want to take on motor vehicle loans. Due to the ease of credit, the purchase of new and used motor vehicles continues to grow.

Inadequate public transportation facilities also affect the number of motor vehicle purchases. With a high level of community activity, adequate public transportation facilities are needed. However, local governments have not been able to provide safe and comfortable public transportation facilities. This means that people prefer to use private vehicles rather than public vehicles, which indirectly increases the number of motor vehicle purchases.

The desire factor is also influential because the production of new vehicles continues to grow and the automotive industry uses new technology and continues to innovate. This makes people interested in owning these vehicles, meaning that the vehicle purchase rate will increase. As a result of the increased purchase of new vehicles, the transfer of the Motor Vehicle Title Fee is also increased.

5.4 Government Policy

Motor Vehicle Tax makes a large contribution to the local tax revenue. To maximize the motor vehicle tax revenue, the local government issued a policy exempting motor vehicle tax penalties as stipulated in Governor Regulation number 22 of 2016, which is often called the "tax bleaching policy." The policy of exempting motor vehicle tax penalties is carried out to increase public awareness, especially those included under the vehicle tax who object to paying. This can hopefully revive the tax objects that have been inactive so far and order the administrative data related to vehicle ownership. Besides, this policy was issued because it pursues the target of receiving local revenue from the motor vehicle tax sector.

6. Conclusion

Based on the results of the study, it can be concluded that progressive taxes, the number of vehicles, and motor vehicle arrears have a significant effect on the receipt of motor vehicle transfer fees in the period 2017 – 2018. This can be seen from the F-statistic value of 792.9031 which is greater than the value of the F table that is equal to 2.634701 with a significance level of $\alpha = 5\%$. This is supported by the probability value of 0.000000 where the value is significant to an alpha value of 5%.

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Investigating the Role of Excellent Model in the Competitive Market with Impact on The Economy

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Abstract. *Nowadays, gaining competitive advantage depends on the organization's capability of moving towards excellence and superiority in various dimensions. Creating competition with ethical principles means that, with scientific methods and strategic planning step towards strengthening the organization's performance in the competitive market. There are many ways to gain a competitive market advantage and all that needs to be appropriate and under the cultural, political, human, and structural conditions. Between all ways, one of the solutions that are more culturally, humane, and structurally appropriate to the organizational and the local business environment, and in practice, some organizations have proven it to be as a high-value or excellent and standard model, can name a model of E.F.Q.M (EUROPEAN, FOUNDATION, QUALITY, MANAGEMENT).*
Research methodology – This paper focuses on a conceptual analysis of the relations among establishing an excellence model in organizations and gaining competitive advantage. Here the EFQM excellence model is considered as a suitable framework for achieving the competitive advantage in the market for the organization. The revision of academic literature and logical analysis are the main methodological tools.
Findings – The study shows that establishing competitive advantage foundations and excellence model in the organization and then evaluate and assessing them based on the components mentioned here, can achieve competitive advantage for the organization in the global scale, and in this sense, it is possible to define relationships and impact between each component of excellent model and those coming from the model on the competitive advantage.

Keywords: COMPETITIVE MARKET, COMPETITIVE ADVANTAGE, COMPETITIVE ADVANTAGE STRATEGIES', EXCELLENT MODEL, EFQM, EXCELLENT MODEL IN ORGANIZATION

JEL Classification: O1, O10, O15, F02

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1. Introduction

Competitive advantage is one of the components that assurance organizational viability. Gaining a competitive advantage cannot achieve without a plane and randomly rather, organizations should

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move forward with mindful consideration and designing scientific frameworks. Customer-oriented, market-oriented, and market-creation approaches require excellence EFQM models in the organization to improve the existing leadership, strategies, and progress the human resources.

The key question of this study is how the EFQM model can create and gains a competitive advantage in organizations and how excellence models can answer the question of, how an organization is superior in terms of competitive advantage? what goals and objectives it pursues, and what are the criteria governing its behaviours' and practices.?

Today, most countries around the world rely on these models to create a competitive national and regional level that is driving organizations and businesses to excellence, growth, and wealth. This model is a set of methods and tools that are used to evaluate the organization and is also used to move toward organizational excellence, constantly identify areas of improvement, and design to achieve optimal improvements and competitiveness through standardized and experienced models, it saves time. An excellent paradigm model, by focusing on enablers, has created foundations for improvement in different dimensions of the organization and with a systematic approach, it creates dialectical coherence within each approach and, on the other hand, by integrating a suite of enablers, it creates synergy in organizational enables that results in improved employee empowerment, increased quality, and new markets. (Dunning and Boyd, 2003) In this case, the profitability of the organization can be ensured by dominating competitive intelligence, and the strategies leading the organization.

2. Main concept of competitive advantage

In general, competitiveness is a process that every organization strives to do better than others in this way. Achieving the competitive capabilities of the world today has become one of the major challenges of different countries internationally. Competitive advantage is the level of attractiveness of the company bids compared to the competitors of the customers. The competitive factor is the distinction in the characteristics or dimensions of any company that enables it to provide better services to its customers than competitors. In general, the components of the competitive advantage are included: Value creation, Market orientation, Customer satisfaction, Diagnosis of potential, Moving actual power, Motivation, skill-building, Reasonable pricing, Accountability, and Innovation.

3. Strategies for enhancing the competitive advantage

There are various ways to gain a competitive advantage in order to organizations to be able to achieve profitability by export orientation. In general, the following strategies can provide a competitive advantage for the organization:

3.1. Creating Competitive Intelligence: Is the one way to gain competitive advantage and boost business internally and externally. To gain a competitive advantage, organizations need to institutionalize competitive intelligence based on figure one.

3.2. Implementing competing strategies in front of the competitors: One way to gain a competitive advantage is to design and execute appropriate strategies for your competitors according to the needs, suitability, and the condition of competitors. Generally, there are five strategies to gain a competitive advantage and they can be used in different conditions of the organization in facing competitors in the international market. (Table 1)

3.3. Strategic Alliance Method: One of the important mechanisms for gaining competitive advantage and conquering domestic and foreign markets is the strategic alliance. The strategic alliance is a partnership agreement between two or more organizations to achieve the competitive success and seek to improve their performance through shared resources.

Strategic alliances can provide a competitive advantage in many areas for the organization, including:

- Mutual Service Alliance
- Mutual investment
- Participation in the value chain
- Licensing Agreement

Strategic alliance methods at the national and international levels will create a new market within and across borders of a country. Therefore, it is necessary to build internal consistency and build strong internal bases and foundations for implementing the strategic alliance, for this aim the organization needs at First, implement it at the local and internal level and then practice and rectified its weaknesses. And in the end, addressed the strategic alliance at the international level.

4. The role of the excellent model in the organization:

In Today's competitive and global markets, gaining a competitive advantage and exporting the products cannot happen accidentally and overnight. Rather, it requires long-term planning, measurement, and design on different aspects of organizational activities, it can be turned into an excellent organization. Whereas the organization achieved greatness and excellent at various levels and to its all parts, we can expect sustainable exports from the organization. Exports and competition at the international market require support and continuity, and that continuity comes from within the organization. Therefore, it is first necessary to create an excellence organization that results is to improving the quality of the product and service, and is dedicated to providing customer focus will be able to reach the market and sell their product or services with the reasonable price, so that competitive advantage can be achieved.

Accordingly, and considering the importance of implementing an excellent model in the organization, taking into account the following issues:

4.1. Creation of foundations for the excellent model in the organization

4.2. Establishing a model of excellence in the organization

4.1. In order for the organization to move more towards the profitability, it needs to build the right foundations. (Cowen and Tabarrok, 2013) An excellent model is like a house to build and maintain it, at first the basis and foundations need to be established properly. In general, the basic foundations of an excellent organization seeking to gain a competitive advantage can be stated as follows:

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- Consequentialism or result-oriented:
- Customer-oriented
- Leadership and purpose stability
- Management based on processes and priorities
- Staff participation and development
- Development of business association
- Social Responsibility

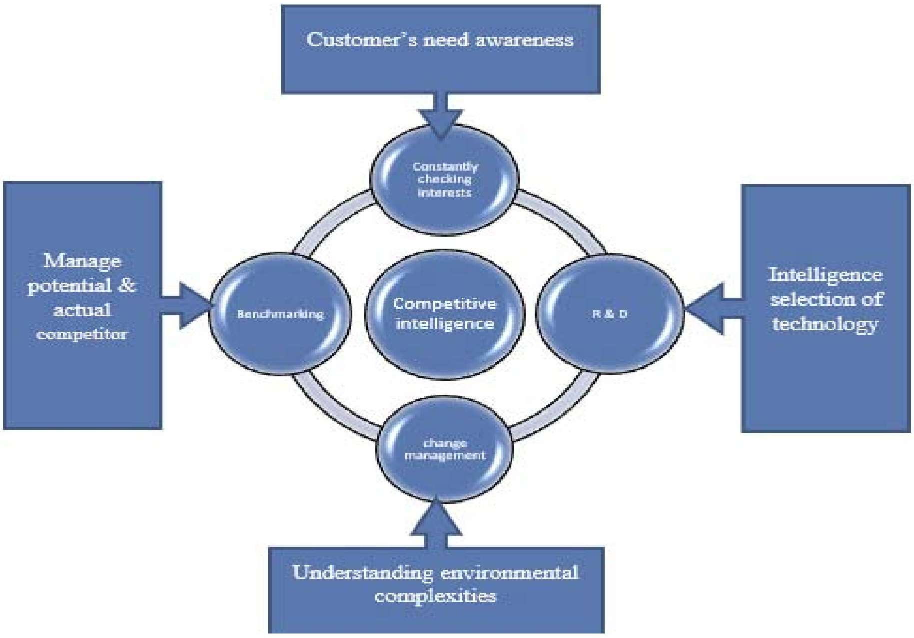

Fig. 1. Competitive intelligence components

4.2. Establishing and implementing a model of excellence in the organization

To establish a business exemplary and excellent model, it is necessary to work in two general areas:

4.2.1. Creating and provide the empowerment for excellence model

4.2.2. Components of excellent model outcome for competitive advantage

4.2.3. Creating and provide the empowerment for excellence: Majority part of the excellence model It is about empowerment and enablers. Business prosperity and competitive advantage are focus and attention to all of the enablers in the organization, and that is because enablers are involved in producing the products and services, the quality of the product, saving, etc. Paying attention to capabilities can save the organization from stagnation and make it a competitive organization. (Howarth and Greenwood, 2017).

Empowerment components of the EFQM excellent model can provide the platform for business prosperity.

A) Leadership: In this respect, the following actions should be taken as it will be the basis of competitive advantage.

- Leaders determine the values, mission, and aims of the organization and behave according to the excellence model.
- Leaders implement, improve, and develop management systems.
- Leaders have multiple roles, they interact with customers, business partners, and community representatives in an organization.
- Leaders reinforce a culture of excellence in the organization.
- Leaders advocate and supporting the change in the organization.

B) Policy and Strategy. They have the following properties:

- It is based on the present and future needs and expectations of the stakeholders.
- Policies are formulated consciously based on performance evaluation and external comparisons.
- Policies and strategies are implemented in a certain way in the organization.

C) Partnerships and Resources: In this context, the excellence organization in terms of partnerships and resources works in the following way to achieve a competitive advantage.

- Environmental companies are managed
- The company's financial resources are managed
- The assets of the organization are managed
- -Technology is managed in the organization
- -skill and knowledge of employees is managed

D) Human resource: plays an important role in profitability must be well-empowered. To gain competitive advantage, human resources, in general, should be treated as follows:

- With planning, human resources can improve sufficiently.
- -Employees' knowledge and creativity have to transform from potential to actual.
- Employee engagement to be used as a development factor.
- Establish a mutual dialogue and relation between staff and managers of the organization.
- -Attention and considering the quality performance of employees in the organization.

Table 1. Five strategies for gaining the competitive advantage
(source: Bell, G. 2002)

Types of Strategies	Application Time	Solutions
Deterrent Strategy	When identifying the products and service development's	Binding customers to organization. Increase source switching costs for the client. Saturation of the distribution duct Ambiguity of space. Contrary to the principles and discipline.
Shaping Strategy	When developments cannot be prevented	Align with developments. Influencing developments through investment. Become a supplier of new developments.
Attraction Strategy	When it is not possible to adapt or adjust the developments	Bring developments into the company. To own the developments, bipolarize the market.
Neutralization Strategy	When the development is universal	Discredit goods with new products through legal means. Continuous improvement of technology and products.
Discredit Strategy	When the developments are deep and rooted	Threats other developments with using the developments that are consistent with your strengths

E) Processes: Processes as a link between all activities of the organization have a great role in empowering and gaining competitive advantage. Therefore, it is necessary to manage the processes of the organization in the following way to profit from their results.

- Designing and managing the processes correctly and creatively
- Reengineering organizational processes based on customer and stakeholder needs.
- Design and develop the product according to customer requirements.
- Timely delivery of products and after-sales service.
- Continuously manage and improve customer relationships with the organization.

4.2.2 Components of excellent model outcome for competitive advantage: working and attention to the empowering and enablers in the organization perfectly, case to the positive result appearing in the organizational performance section. If after paying attention to the enablers the expected results do not achieve, then the organization has not been successful in exporting, profitability, and competitive advantage. Therefore, it is necessary to pay attention to the outcome components of the excellent model and this attention to the components of the outcome model of excellence will lead to the following competitive advantage:

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- **Community Results**: In this category, community outcomes are measured with two categories of indicators.1- Perceptions indicators such as information dissemination, ethical behaviour, welfare services, etc. 2- Performance indicators such as obtaining a certificate, obtaining a license, and etc.
- **Customer results**: In this category, the results are also measured by two categories of indicators.1 - Perception indicators such as surveys, responsiveness, and customer relationship. 2- Performance indicators such as customer complaints, customer satisfaction levels.
- **Human resource Results**: This category is measured by two indicators. 1- Perceptions indices that relate to employees' perceptions of the organization's actions and have a great impact on their satisfaction. Promotion, partnership, leadership, encouragement, and so on. 2- Performance indicators relate to all actions taken by the organization with employees, including service delivery, incident measures, etc.
- **Key Performance Results**: are measured by the following indicators. 1- Key performance benefits such as market financial gains and profitability 2- Key performance indicators such as cash flow, organization costs, etc.

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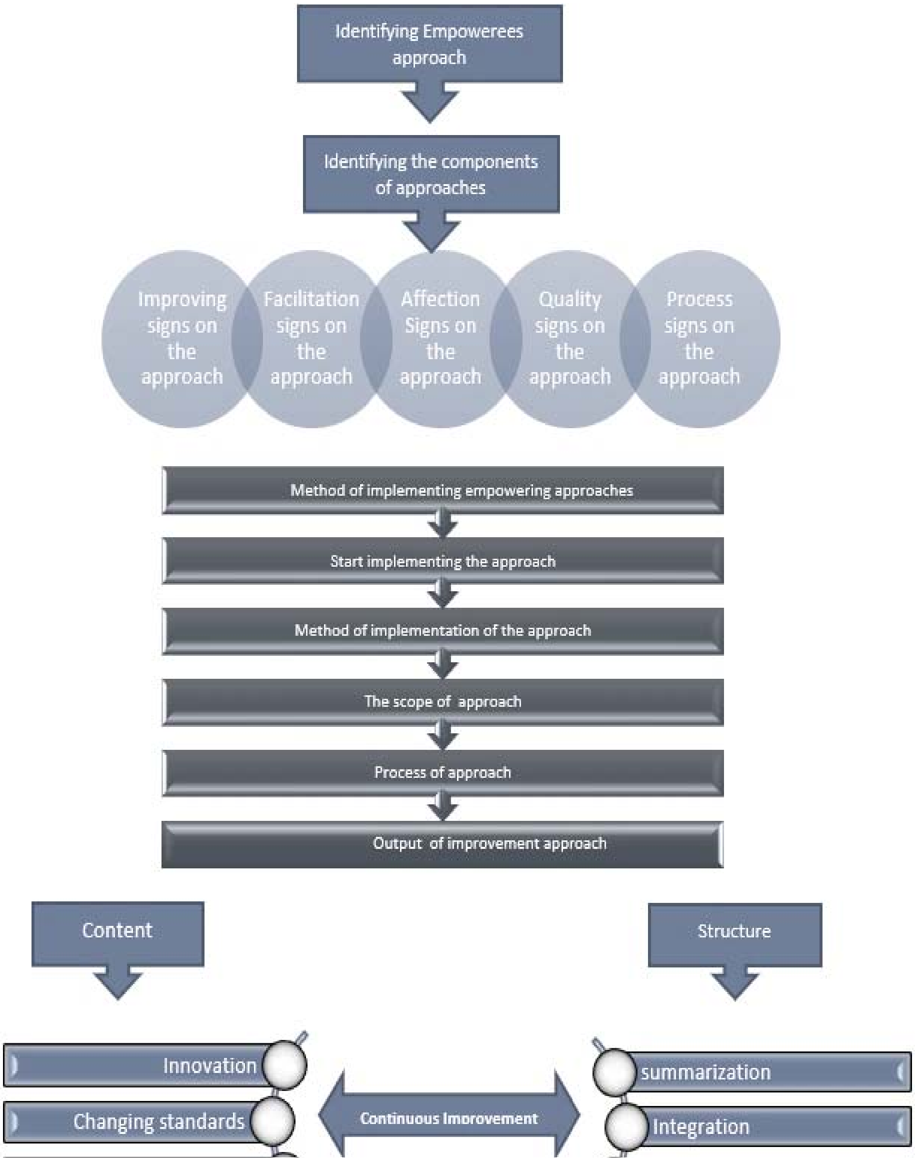

Fig.2. Empowerment Evaluation Components Based on Excellent Model

4.2.3. Self-Evaluation Model Based on excellence model for the organization

Given that evaluating the set of organizational components based on an exemplary excellence model leads to a systematic set of approaches, effective implementation, and improvement of the organization's performance and review of organizational enablers, so we can say it's vital and necessary for any organizations to evaluate themselves. Because the least benefits of the component evaluation or self-evaluations for the organizations are to specifying a set of actions for targeted empowerment foundations and areas of improvement in all sectors.

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-Based on the component's evaluation of the organizational model and also based on the excellence model, we can present a hypothetical model in two parts:

A- General Model and Components for the evaluation Performance of the excellence Model: In general, the model and its related components for formatting the evaluation of the set of organizational enablers according to the excellence model. Figure 2.

B- Provide an example of the evaluation model according to the human resources dimension for the organization: A model can be used to evaluate empowerment and outcomes of the organization's components in practice and evaluate the set of approaches and outcomes in a specific format. According to Figure 3.

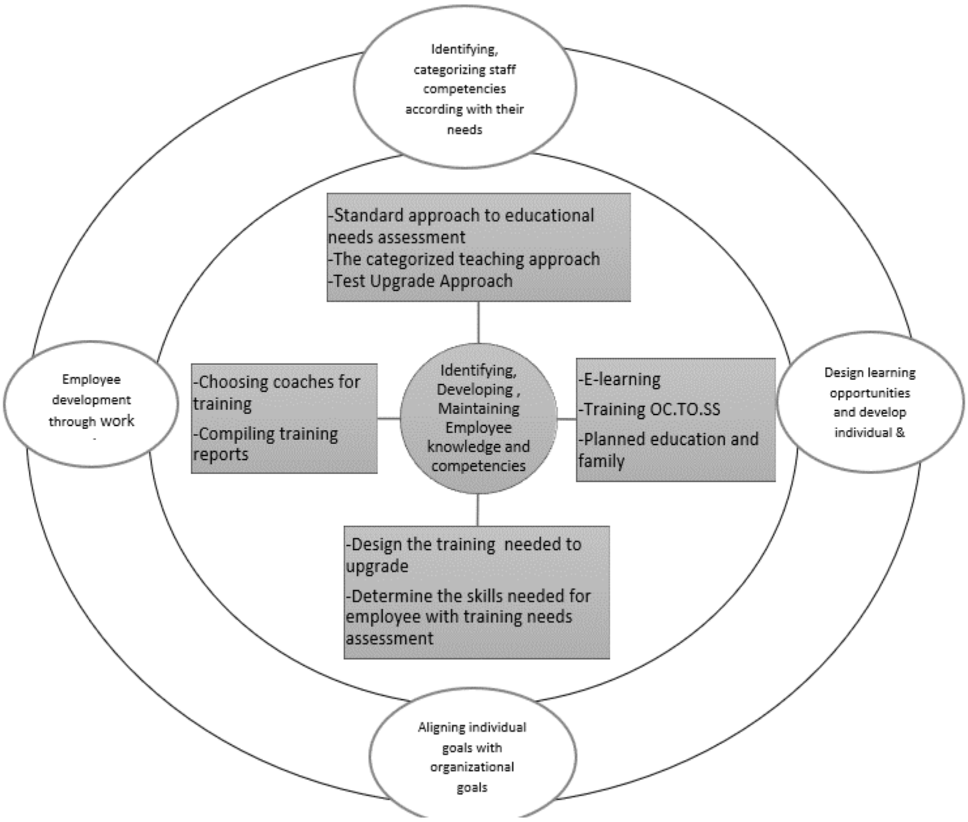

Fig. 3. Design model for evaluating organizational empowerment approaches according to the human resource dimension for the organization

5. Conclusion

Profitability in today's economic world lies and depends only on achieving a competitive advantage in the productions and service organizations. According to the result of this research paper, the competitive advantage must start and continue within the organization in all sections and based on inside of organizations. One of the factors cited in this study as contributing to the organization's success in global competitive advantage is the establishment of the EFQM Excellence

Model. Establishing and applying an excellence EFQM model in organizations has many achievements and advantages, including the creation of competitive advantage and attention to customer demands and needs in all dimensions. The model consists of 9 criteria, five of which are empowerment-related, including leadership, policymaking, employees, partnerships, resources, and processes; and its 4 criteria relate to outcomes including, customer outcomes, employee outcomes, community outcomes, and key performance outcomes.

Organizational Excellence Models are effective tools when used properly, to achieve profitability, it is first necessary to strengthen and empower the organization capabilities' and abilities in various aspects, on the other hand, the results of the enablers become a premium service and optimal products for the customers. For the sustainable export and profitability, the organization environments' and the market at first must be identified and then start to create the new markets and attract other markets.

Of course, there are different ways to make organizations competitive, in this regard one of these mechanisms that lead to competition in the global dimension is to establish a model of excellence in organizations. The excellence model helps the organization's competitive advantage in two ways:

One is through empowerment, which is mainly related to the inside section of the organization, and it provides a platform for competitiveness and profitability in areas such as leadership, human resources, policies, resources, and processes of the organization. And the other one is through, it assesses and modifies the impact and outcomes of this empowerment on the dimensions of employees, customers, society, and overall performance outcomes. Therefore, establishing competitive advantage foundations and excellence models in the organization and then evaluate and assessing them based on the components mentioned in the article can achieve a competitive advantage for the organization in a wide and global scale.

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Combining the characteristics of sustainability, frugal innovations and washing machines in the industrial nations –

A literature-based analysis of the common features for future sustainable developments

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Abstract. *Sustainability is an internationally discussed topic in the development of products and services. Frugal innovations aim to conserve resources in the manufacture and use of such products and services. It can, therefore, be assumed that the areas of sustainability and frugal innovation overlap. This work is intended to show the connection between sustainability, frugal innovations, and household appliances in the form of washing machines in industrialized countries. For the analysis, the characteristics of frugal innovations are compared with the requirements of washing machines in industrial nations, and then the parallels to the social development goals (SDG) are determined as characteristics for sustainability. The existing literature will be reviewed for evaluation. The work aims to show the connection and give an indication of the sustainable development of an everyday product as a frugal innovation in the industrialized countries.*

Keywords: sustainability, frugal innovation, SDG, washing machine

JEL Codes: O39, P36

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1. Introduction

1.1. Social Sustainability

Since the late 1980s, sustainable development has been increasingly discussed in global politics. The World Commission on Environment and Development, also known as the Brundtland Commission, defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). Elkington (1997) describes the concept of sustainable development in the sense of the Triple Bottom Line (TBL). In his decisions,

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companies should be encouraged to adopt a responsible approach that helps to ensure that the ecological, social, and economic spheres are of equal value. The United Nations formulated 17 sustainable development goals (SDG, Annexe 1), which also mirror the simulations ecological, economic, and social (World Health Organization 2015). These three spheres are often called the three pillars of sustainability. In the past, the social pillar has not received the same attention as the ecological and the economical pillar. Nevertheless, social sustainability is seen as a fundamental component of sustainable development (Colantonio, 2007). In the literature, we found different definitions of social sustainability. Sachs (1999) says "social sustainability must rest on the basic values of equity and democracy, the latter meant as the effective appropriation of all human rights—political, civil, economic, social and cultural—by all people". Another important factor is the future generation. Social sustainability should enable improvement for present and future generations and use social resources in a healthy way (Khan, 2016). Chiu defines it in nearly the same way, as social sustainability is the maintenance and improvement of the well-being of todays and next generations (Chiu, 2003).

1.2. Frugal Innovations

Frugal innovations are innovations for people with limited resources and a central to the Bottom of the pyramid (BOP) strategies of many international companies. The products and services are simpler in designing and producing (Radjou et al., 2012). The focus is the meet the needs of the masses, developed for the local economy, with minimum raw material to prevent major loss of the resources. The products should be simpler to use, saves money, and have a less carbon footprint. Tiwari and Herstatt (2012) define frugal innovation as following: "Frugal innovation refers to products (both goods and services), processes, or marketing and organizational methods that seek to minimize the use of the material and financial resources to reduce the cost of ownership while fulfilling or even exceeding certain pre-defined criteria of acceptable quality standards." Firstly these products were developed only for people from emerging markets or BOP markets. Now different research papers show a high relevance of frugal innovations for developing countries in the future. In addition to the sales potential in the growing markets of the emerging markets, there is also a need in the markets of the industrial nations (Bergmann / Tiwari, 2017; Bhatti / Ventresca, 2013; Grassmann et al., 2014; Kroll et al., 2016). The reasons for the development could be, among other things, the more sustainable thinking of each people and the focus from the governments.

The concept of frugal innovation regards the scarcity of resources as an opportunity for needs-based product development. As few scarce resources as possible are used for both production and use. As a result, frugal innovations receive increasing attention from companies, scientists, and political decision-makers. Development takes place across all company sizes and types. These include multinationals, social enterprises, start-ups, and individuals from industrialized and developing countries (Zeschky et al., 2011; Rao, 2013; Radjou et al., 2012). They are particularly important in developing countries, as they address and address sustainability problems in low-income countries, leading to affordability, accessibility, and availability for the populations concerned (Angot / Plé, 2015; Bhatti / Ventresca, 2015).

Various developments in the past lead to possible markets for frugal innovation in several developed countries and TOP-countries (top of the pyramid). For example, the financial and economic crisis, the recession, a stagnant income, and a high level of unemployment (Rao, 2018; RBSC, 2015). Compared with the emerging countries the develop countries have their own BOP population. Even if the level is higher than in typical BOP / emerging countries (Angot / Plé, 2015). Probably frugal innovations look a bit different in TOP-countries than in the emerging countries. It will expect that they include more high-tech elements and digital technologies. Also probable is that the sustainability and circular economy considerations are going to be more strongly as in emerging countries (Gabriel et al., 2016). These are the reasons why this work focuses only on the requirements of industrial nations for frugal household innovations.

Furthermore increasing environmental problems and constraints and the scarcity of resources are expected to increase the demand for frugal innovation in price-sensitive and environmentally conscious consumption of industrialized countries (Kroll et al., 2016; Sharma / Iyer, 2012; Cappelli et al., 2010).

In Germany, the development of incomes, the change in the understanding of values, and a growing consumer view with a demand for complexity-reduced products are promoting the trend towards frugal innovations (Grassmann et al., 2014; Tiwari et al., 2017). Likewise, a student survey by Tiwari in 2017 showed a reduced need for status symbols and the increasing importance of social motivations such as environmental awareness (Tiwari, 2017). It is believed that the factors and the individual perceived benefits vary according to the social context.

1.3. Washings Machines

Large household appliances (washing machines, refrigerators, dishwashers, etc.) are an important part of everyday life in industrialized countries. For example, 95% of households own a washing machine (Statista, 2019a). These products thus belong to an important industrial sector of durable consumer goods (Codini et al., 2012). In this work, the author has placed an emphasis on washing machines. For families, they represent a long-term and relatively cost-intensive investment. They are technically advanced, but occasionally require maintenance and/or repair, but then have a long life cycle for the owner (Bressanelli et al., 2017).

Long-life-circle is one of the main factors in the decision to buy a washing machine. In Germany, a good price-performance ratio also influences the purchase decision. Consumers weigh factors such as quality, features, and price. In addition to the price/performance ratio, consumers also consider energy efficiency or sustainability when making their purchasing decision. Appliances should both require little energy in operation and have been produced in a way that conserves resources. Also, consumers want appliances that are user-friendly to operate (Statista, 2016; Codini et al., 2012).

The sales volume of the washing machine has increased over the last years. In 2010, 2.72 million washing machines were sold in Germany. In 2018 the volume increased to 3.42 million units (+25,74%). At the same time, the average price drops from 367.56 € to 333.56 € (-9.25%) (Statista, 2019b). The same development can be observed in other industrial nations such as Hungary. The sales volume increase from 200,000 washing machines in 2010 to 220,000 washings machines (+10%) in 2018 and the price fell from 408.01€ to 375.26€ (-8.03%) (Statista, 2019c).

Washing machines are very popular household appliances, but they are relatively expensive to buy and therefore not accessible to everyone in the industrialized world.

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2. Comparison

All this information shows, there is a need and interest in sustainability, frugal products, and useful household applications like washing machines. In the next step, the important properties of frugal innovations and washing machines are collected and compared with social sustainability. To answer the question, are there common features between sustainability, frugal innovations, and washing machines.

To demonstrate the important properties of a washing machine, Richter (2010) conducted an online survey. Among other things, he asked the participants to evaluate their preferences when purchasing a new white goods appliance such as a washing machine. His survey was conducted with 4 nations (Germany, UK, Sweden and Italy). The results of the research showed that low water and energy consumption are the most important characteristics (83%). Another factor was the cleaning performance (73%). In third place, they assessed the noise level during operation (48%). 37% voted for a low purchase price. The country comparisons show that for almost all countries energy and/or water-saving appliance is the most important. Germany has the highest value with 95%. Richter also states that consumers trust the energy label (Richter, 2010).

Codini and her colleagues conducted a conjoint analysis to determine the relationship between customer benefit and pricing strategies. That's why they use washing machines as household appliances. The results show that in addition to price, energy consumption has a high significance for the consumer. For durable goods, they show an increased awareness of the impact on the environment and the financial life cycle. Such energy-efficient washing machines consume fewer environmental resources and, at the same time, cause lower usage costs compared to less efficient washing machines (Condini et al., 2012).

In 2016 Statista conducted a survey on the important criteria for buying a new washing machine. The participants rated the longevity, the good price-performance ratio, and the quality in the first three places (all-around 78.5%). Sustainability and energy efficiency ranked fourth (60.5%) and ease of use fifth (59.2%) (Statista, 2016).

Various studies are dealing with the identification of the characteristics of frugal innovations. The next sentences are intended to supplement the aforementioned explanation of frugal innovations. Together they show the most important characteristics of frugal innovations. Tiwari and his colleagues conducted a literature analysis and some interviews with experts and focus groups. The results show that one goal of frugal innovation is to raise living standards and improve healthcare. To achieve this, innovations need to take different attributes into account. The results showed that the most important attributes are the functionality of the products. It must also be easy to use and the price should be significantly lower than for non-frugal products. The long-term perspective is also important. The total cost of ownership should be lower than for non-frugal products. Furthermore, robustness and sustainability are identified as important characteristics (Tiwari et al., 2016).

Prahalad also confirms frugal innovation as products with good value for money characteristics, environmentally friendly products with identifying functionality. He also said that for frugal products we have to think about unconventional delivery channels and consider customer education (Prahalad, 2010).

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Frugal innovations and household applications in general have many parallels with the SDG's. Concerning frugal innovations in water and energy, Levänen and his colleagues have already identified 15 of the 17 SDGs as parallels to frugal innovations (Levänen at al., 2015).

The combination of sustainability of household appliances showed O'Conell and his colleagues by mirroring the properties on the 3 pillars of sustainability. Newer appliances bring advantages for the environment (resource-saving use of raw materials), the economy (e.g. increasing usage rates, employment) and society (cost reduction through lower energy and water consumption, improvement of the quality of life through relief in the household) (O´Conell et al., 2013).

In this work, parallels between washing machines and frugal innovations are first searched for and then the suitable SDGs for these compounds are shown. In this way, the connections between the three areas can be determined.

Table 1 shows the comparison of the above findings on washing machines and frugal innovations and finds agreement with the SDG's for comparing sustainability.

No.	Characteristic	Washing machine	Source	Frugal Innovation	Source	Sustainability (SDG)
1	Long life cycle	x	[5]	x	[12], [18], [33]	9, 12, 13
2	Energy efficient / low water and energy consumption	x	[9], [23], [26]	x	[30], [35]	7, 9, 12, 13, 15
3	Easy to use	x	[9], [26]	x	[30]	-
4	Good price-performance (purchase price and usage costs)	x	[9], [26]	x	[18], [30]	10
5	Cleaning performance	x	[9], [23]	x	[30]	3
6	Less environmental resources	x	[9], [23], [26]	x	[7],[15],[18], [25],[33]	12, 13
7	Raise living standard	x	[27]	x	[2], [15], [30]	3
8	Improve health care	x	[23]	x	[30]	3
9	Consumer education	-	-	x	[13], [18], [31]	4

Tab. 1: Comparison of characteristics.

The table shows economic as well as ecological and social sustainability factors. Economic

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sustainability factors include numbers 1, 4 and 5. From the point of view of ecological sustainability factors, numbers 2 and 6 are included. Social sustainability factors include 7, 8, and 9. Characteristic point 3 could not be assigned to any SDG.

Figure 1 shows the overlap between the three areas and the possibility of developing a product that covers all three areas of environmental, social, and economic sustainability.

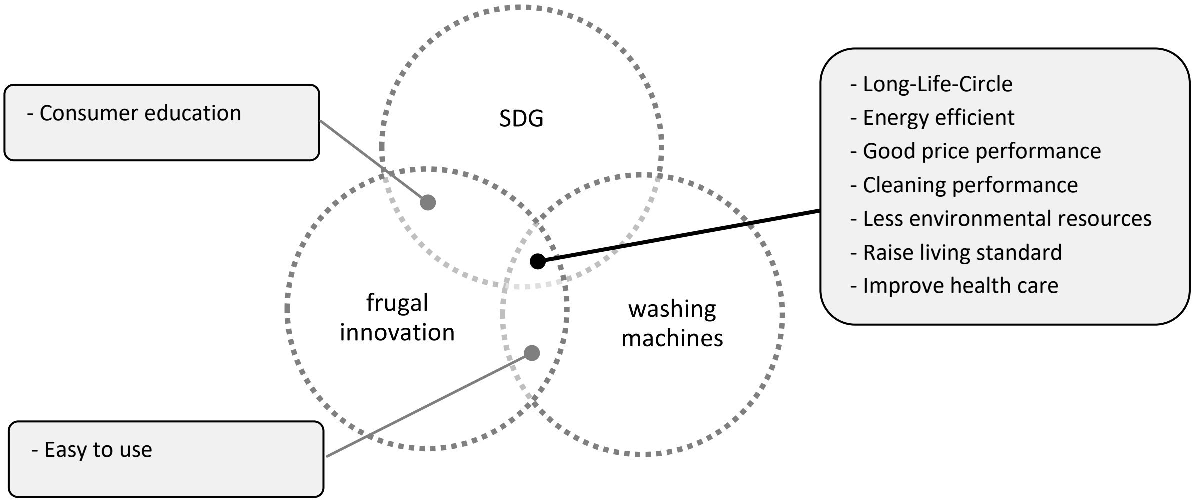

Fig. 1: Overlap between the areas.

3. Conclusion

Sustainability issues are part of today's global environment of political and institutional issues. With the help of sustainability not only the environment should be protected but also the well-being of people should be positively influenced. This includes novel products and services as well as frugal innovations from already known applications.

This paper shows a first comparison of the three areas and that an everyday object can positively influence various areas of sustainability. The washing machine as a frugal innovation could not only become a monetary and resource-saving object but could also improve people's health through cleaning performance. Due to the different starting situations, industrial nations cannot be united with emerging countries in the development of such washing machines. Basically, the requirements for a washing machine will be very similar, but the developed machine will probably have very different characteristics. This is due to the prerequisites, such as the availability of water and electricity resources.

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Finally, it can be said that a washing machine is a sensible and widespread household appliance which, in conjunction with the development of frugal washing machines, can make a positive contribution to sustainability. This paper shows a connection between the three areas that should be considered in the future product development for industrial nations and emerging markets.

In order to protect the environment, issues of sustainability and sustainable products will gain more attention. Besides the pure interest in high-quality sustainable products, consumer acceptance will play an important role in the development (Tiwari et al., 2017) and market establishment of frugal products. According to the findings of this work, the washing machine as a widely used product could be a suitable object for further research on the acceptance of frugal innovations.

Based on the findings of this paper, the author will conduct further research to determine the acceptance of frugal innovations in industrial nations using the appropriate example of a washing machine.

ANNEXE

Annexe 1

Sustainable Development Goals (SDGs) from United Nations

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts

Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

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An Overview on Romanian Strategies regarding Roma Minority Concerning Education and Employment

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Abstract. *According to the Council of Europe, Roma population in Romania is about 8.6% representing the largest minority group, exceeding the Hungarian ones. Demographic trends make the problem of the Roma minority even more stringent, through the fact that the population is aging despite Roma's positive natural increase. Romanian Government elaborated a Strategy to improve conditions for the Roma, which is permanently updated according to political commitment at the international level, based on the following guiding principles: consensuality, social utility, sectorial division, decentralization in execution, legislative compatibility, identity differentiation, and equality. Education is the key to better access to the labor market and in the last two decades authorities have taken several actions concerning Roma social inclusion, but the results are not the ones expected. It is a fact that, especially in the case of children, low life's level, marginalized communities, rural areas, culture, and traditions may generate social exclusion and inequality. The study aims to make an overview of the Romanian governmental policies regarding the improvement of the situation of the Roma minority, especially regarding education and employment. The results of the study could be useful for a better correlation of social policies with an impact on the living of Roma.*

Keywords: Roma minority, education, socially assisted, traditions, employment policies, scattered minorities

JEL Codes: I24, J21, J28, J48, J78

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1. Introduction

This article refers to Roma as a wide diversity of groups: sedentary (caldărari, costorari, gabori, lingurari, etc.) and nomads/travelers (gypsies), too.

The Romanian Census of Population from 2011 reveals that the Roma population was 621,573 people (3.1% of the total population) of which 50.8% were male and about 52% were children and youth. The Roma population increased with 15.6% in less than 10 years (since 2002 Census of Population) and is

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relatively uniformly distributed throughout the country (less than 10% of total but more than 40,000 persons only in counties such as Mures and Dolj).

Other sources consider the number of Roma in Romania is higher, such as the Council of Europe estimates Roma population between 1.2 and 2.5 million, an average of 1,850,000 (8.63%) in 2011; between 730 and about 968 thousand persons in 2002 [33], 1.4 and 2.8 million people [34] and so on.

The discrepancy is often explained by the reluctance among Roma to self-identify for fear of stigmatization and discrimination or as a consequence of the process of assimilations in the communist period. [18] Also, 'Roma identity is not readily claimed, especially among the more educated'. [35, p.15]

Poverty and social exclusion, low level of education, and important flows of migration are the major problems for the Roma communities, even that they are recognized as a minority in our country.

The poverty of Roma, especially in the case of children, is a concern of politics, NGOs, and scholars, too. The Roma population is three times poorer than the all Romanian population, as a consequence of low levels of health and education, limited opportunities on the labor market, and discrimination. [30, p.7]

After the Romanian accedes to the EU, the Roma population 'turn to migration for survival' many of them entering to the informal labor market for an income or begging for money [13, p.2] In an article which reveals the impressions of the Roma life through the eyes of Gipsy community located in Craiova, Dolj county, the Roma rely on some ridiculous social aid ('one hundred RON and something' – about 20 Euro n.m.), from the allowances of children who grow up in the shadow of one hope: that one day they will go "abroad", begging. [3]

The fact that the Roma are a scattered minority involves only a non-territorial autonomy (NTA) based on the lack of inclusiveness, homogeneity, and compactness [4, p.7].

The national fundamental law provides that 'the state recognizes and guarantees to the persons belonging to national minorities the right to preserve, develop and express their ethnic, cultural, linguistic and religious identity' (article 6 paragraph 1)) and 'they have the right to speak in the native language before the courts' (article 128). [29]

In Romania the Roma minority has a form of NTA from cultural and linguistic perspectives and also, we can talk about positive discrimination according to the rules of socio-economic programmes implemented at the national and regional levels.

Some scholars even recognize the role of positive discrimination (e.g. positive discrimination that takes as a reference point the past, state that nowadays society is in debt to the victims of the past discriminations because, even if the phenomenon of discrimination of some social groups ceased, the descendants of the direct discrimination victims continue to be indirect victims, because placed in the competition with the other members of the society they started from a disadvantaged position); they draw attention to the negative effects that these measures can generate on the targeted community or group. In some cases, 'positive discrimination produces tensions, animosity, conflicts, and discourages cooperation through competition among individuals' and not favors integration. [14]

In 2004, based on the Governmental Ordinance no.78/2004, approved by Law no. 7/ 2005, it was set up the National Agency for Roma (NAR), a specialized body of central public administration, with legal personality, subordinated to the Government and coordinated by the General Secretariat of the

Government. NAR is organized and operates according to Governmental Decision no. 1703/2004, amended and supplemented. In cooperation with institutions and non-governmental organizations, NAR initiate, participate and promote activities, projects and sectoral programs to improve the situation of Roma people. Its main object of activity is to ensure the complementarities of various public policies for Roma people, initiated at the national and international level, to coordinate and monitor their implementation.

2. Strategies regarding Roma minority

Starting by 2001, Romanian Government elaborated a Strategy to improve conditions for the Roma, National Roma Integration Strategies (NRIS), which is permanently updated according to political commitment at the international level, based on the following guiding principles: consensuality, social utility, sectorial division, decentralization in execution, legislative compatibility, identity differentiation, and equality.

First NRIS was implemented during 2001- 2010 with the most successful outcomes trough the Roma Health Mediator programme, which improves Roma access to healthcare services and decreased disparities between Roma and non-Roma in Romania [26, p.6].

The NRIS for 2015-2020 was revised in the light of Europa 2020 – EU strategy and aims to be: better (especially, to improve the situation of the human resource provided by the Roma population, one of the youngest in Romania), integrated (by the education point of view measures), consensual (permanent partnership with civil society in all stages of local and central public' intervention) and customized (adapted to the social particularities that characterize some subgroups of the Roma minority). [31]

The main directions of action for NRIS are education, employment, health, housing, culture, and social infrastructure.

3. Roma education

Despite the national and international programmes that aimed to the inclusion of Roma children within the mainstream education system on an equal basis with all other children, the Romanian educational system is characterized by a low level of enrolment in kindergarten and barriers in enrolment in primary education for Roma children; lack of adequate desegregation policies and enforcement measures; a system of financing and administering education that does not support children, discriminating against them those in poor families; major differences in the quality of education caused by the standards resulting from different curricula. Also, Roma culture is not recognized in school and school curricula and forms of multicultural education are rarely part of the process of teacher education or training. [30, p.8] To sustain the inclusion of Roma people in Romania, during the period 1999-2010 have been allocated 157.3 million Euros through European funds (75.1%), state budget funds (10.4%) and BIRD reimbursable funds (14,5%). [21, p.3]

According to the official data (NIS, 2002, and 2011), the illiterate population of 10 years and over of Roma ethnicity decreased from 104,737 persons in 2002 (25.6% from total) to 67,480 (14.1%) in 2011. The share of the illiterate population remained more than 10 times higher that of all Romanian citizens and even more serious in the case of the female population or coming from the rural area. The Roma

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population's structure according to the level of education in 2011 reveals a 20% population without school, more than a half with no more than primary school, and only 0.66% with tertiary education.

The European Commission 2018's Monitor, regarding Education and Training, reveals that Romania, during 2011- 2017, failed to fulfill the ET 2020's early leavers from education and training (ESL) target (below 10%) registering 18.1%. Although dropout rates in primary and lower secondary have decreased, the proportion of out-of-school children has increased, particularly in rural areas. [8, p.240]. The declining number of students requires the optimization of expenses at the same time as improving equity, by this work perspective, the ESL rate among Roma is alarmingly high at 77% [25, p.36].

Despite the legislative revisions and the adoption of an anti-segregation roadmap [20], the Roma children are more predictable to drop out the school because of high levels of poverty, limited parental participation in education, a lower qualification of teachers in predominantly Roma schools and Roma traditions (such as: keeping women at home to preserve their 'cleanness' (i.e. virginity), be early married or/and to assume the carrying of other persons such as elders and small children).

Based on the 2011 Census of Population, the illiterate population was 14.1% from the total Roma population with better indicators for the active population (except for the unemployment looking for another job), but still ten times higher than the national average (1.4%).

Regarding education, the NRIS 2015-2020 planned the implementation of a monitoring system in all schools where the share of Roma students is at least 15% in order to take action:

- to increase the number of pre-preschool and preschool Roma children who are not enrolled in kindergarten by according to their families the support to enroll children in kindergarten (they will benefit by the parental counseling, clothes, food, shortening of the time required to reach the nearest kindergarten, etc.) – 2020's target of 30,000 Roma children;
- to increase the participation rate in early (preschool) education of children 3-5 years old to 70% in 2020 (compared to 37% in 2011);
- to decrease the number of Roma children out of primary and secondary school by granting aid to enroll and effectively attend school courses in order to, until 2020, all Roma children aged 7-14 attend school;
- 40,000 Roma students benefit from support programs "School after school" during 2015-2020;
- 20,000 Romanian citizens belonging to the Roma minority will have improved their education level by participating to "Second chance" Program during 2015-2020;
- reduction from 14.1% in 2011, to 10% in 2020 of illiterate persons. This implies the literacy of an additional 20,000 Romanian citizens belonging to the Roma minority by 2020;
- granting free transportation (based on the student card) to all vulnerable children (including Roma children) from rural areas;
- 50,000 parents of children from vulnerable categories (especially Roma) at risk of school dropout, beneficiaries of support to increase the chances of employment in the labour market (information, mediation and training) and 30,000 children from vulnerable categories (mainly Roma) at risk of school dropout will be the beneficiaries of programs meant to improve the socio-economic situation in the aspects that block their educational inclusion (food, clothes, living conditions, health status, etc.).

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- the rehabilitation of all schools and the recruitment and employment of school mediators in all 1,680 educational establishments in which the number of Roma children and students is at least 15%;
- 1,000 young Roma enrolled at the faculty in different places for Roma candidates until 2020 (compared to 600 in 2013);
- to increase the number of teachers initiated/ perfected in Romani language knowledge, principles of the inclusive school, knowledge, and application of the elements of history, culture of Roma;
- in all schools, school segregation is also prevented and eliminated.

According to Order no. 6134/ 21.12.2016, all school inspectorates have to monitor school segregation and report it to the Ministry of Education, as well as to propose remedial measures when identifying problems. In the absence of the methodological norms for monitoring segregation that is delayed, the authorities still refer to the 2007 Minister's Order. The methodology is still at the project stage, subject to public consultation in September 2019 and it is programmed to be applied in 3 counties (Constanta, Maramures, and Iasi) of 42 at the national level for 2019-2020. The results for the pilot project are registered in a UNICEF electronic platform and are expected in April 2020.

The enrolment of Roma children in kindergarten remains at 38%, and the trend is down. To stimulate participation in the preschool education of children in disadvantaged families and to increase their access to education, an educational incentive as social tickets, conditioned by the regular attendance to the kindergarten was granted. [7, p.8]

The number of support specialists (e.g. special education teachers, school counselors, Roma mediators, etc.) is insufficient. In 2016, 518 school mediators and Romani language teachers were registered (Horvath eds., 2017, p.299) of 1,156 school mediators trained [8, p.21].

According to Romanian Center for Legal Resources study in 2018, there were only 427 school mediators employed, despite the 1,900 school mediators trained since 2000 through a PHARE educational program [1] and the number is higher taking into account the graduates of training programs carried out under the National Authority for Qualifications. A school counselor is expected to work with 800 students, but, in practice, the student/counselor ratio is 2.5 times higher [9, p.4].

Although the NRIS intended to increase the number of Romani language teachers, this decreased from 640 in 2013, to 296 in the 2018-2019 school year. [1]

The Roma children and youth situation did not improve in the last 5 years despite the special 'reserved places' provided for them, because they are discouraged to enter of various motives and there are signals, in the lack of official statistics, that it is even worse in 'the field'.

'Young Roma people are discouraged to enter higher education by cultural factors, such as poor background, lack of family support, traditional role models, but also a difficult integration in the educational community.' [2]

It is a fact that education has the key role in employability and competitiveness in the labor market and correlated with the estimates according to which the population of Romanian citizens belonging to the Roma minority will continue to increase, both as number and share in the total Romanian population, the integration of Roma young population is a must, not only a wish.

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In a study conducted by European Union Agency for Fundamental Rights (FRA), the Roma youth 'are associated with better social skills and greater flexibility in the face of a dynamically changing world, which helps increase social cohesion'. [10, pp.5-6]

4. Roma employment

Following the Europe 2020 objectives, the EU is focusing on economic growth and employment, but its measures are accompanied by deterioration in the quality of jobs all over Europe and long term mass unemployment in the South of Europe. [17, pp.80-81]

Since 1999, the International Labour Office (ILO) has promoted decent work for all, regardless of race, creed, sex, or country of origin. Decent work sums up the aspirations of people in their working lives as 'opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security, and human dignity'. [16, p.3]

Table 1. The Employment by ethnicity, people of 10 years and over

ETHNICITY	2002		2011	
	Total	% of the total	Total	% of the total
ROMANIAN CITIZENS	**19,434,788**	**100%**	**18,022,221**	**100%**
Active Population	***8,851,831***	***45.5%***	***9,180,337***	***50.9%***
Employment	7,811,733	88.2%	8,507,759	92.7%
Unemployment looking for another job	655,557	7.4%	434,308	4.7%
Unemployment looking for the first job	384,541	4.3%	238,270	2.6%
Inactive population	***10,582,957***	***54.5%***	***8,841,884***	***49.1%***
Retired	5,074,796	48.0%	4,268,347	48.3%
Others	5,508,161	52.0%	4,573,537	51.7%
ROMA POPULATION	**408,842**	**100%**	**477,715**	100%
Active Population	***122,573***	***30%***	***158,136***	***33.1%***
Employment	87,652	71.5%	122,729	77.6%
Unemployment looking for another job	12,494	10.2%	17,995	11.4%
Unemployment looking for the first job	22,427	18.3%	17,412	11.0%
Inactive population	***286,269***	***70%***	***319,579***	***66.9%***
Retired	30,613	10.7%	34,976	10.9%
Others	255,656	89.3%	284,603	89.1%

Source: Authors based on Romanian Census of population and housing 2002 and 2011

The labour market in our country still has an important informal component that contravenes the principles of decent work, higher employment at risk of poverty, an imbalance between labor market demand and educational supply and a social protection system that works inappropriately in many ways. [27]

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The Roma population is about 63% located in rural areas (2011 Census of Population) and, in Romania case, the people living in rural areas are generally more inclined to leave early education or training, in many cases because they are not supported to continue their studies and do not have the financial resources and the necessary school infrastructure. [28, p.60]

From 2002 to 2011, the Roma employment increases with 6 p.p based on decreasing both, inactive population and unemployment, too. (Table 1)

The inactive population has an important share of about 67% for the Roma minority in 2011, decreasing compared with 2002, but much higher than the national average. In the number of the inactive population are included the population aged 10-15 years old even if in Romania persons under the age of 15 cannot be employed. If we corroborate with the fact that Roma population under 15 is about 34% (national average of 16% in 2011) the situation is slightly improved. (Table 1)

Regarding unemployment, we observe that the situation of persons in searching for the first job improved, but one of those who tried to change their workplace it got worse. (Table 1)

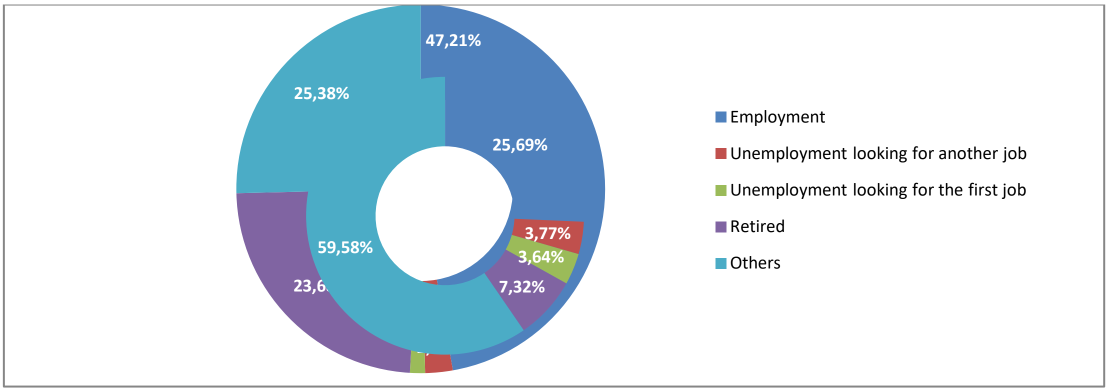

Fig. 1: Structure of employment of Romanian population, 10 years and over, belonging to Roma minority in 2011

Note: In white are the shares for Roma population and in black the one's for the total population in Romania

The NRIS 2015-2020 main objective of employment is to improve the participation in the labor market of Romanian citizens belonging to the Roma minority through actions such as:

- conducting information campaigns on the labor market to ensure the connection between employers and non-working Roma (free information, mediation, and counseling services for unemployed);
- facilitating the mobility of employment and entrepreneurship for citizens belonging to Roma minority (by granting employment bonuses, offering free consultancy to new employed);
- providing facilities for entrepreneurs that employ persons from disadvantaged groups.

Based on information on the Employment Agency, more than 50% of the Roma employees leave the workplace in a very short time because of the small remuneration, the sustainability of the activity carried out (unskilled or seasonal work in construction) and problems related to discrimination at the workplace. [23, pp.16-17]

Another negative factor for Roma integration is limited and unequal access to employment. According to The European Commission against Racism and Intolerance (ECRI) 2019 Report (based on information

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collected until 6 December 2018) indicates that only 33% of the employable Roma population (aged between 20-64) are in paid work (compared to 66% of the general population), while worryingly 64% of young persons (16-24 years old) are neither in employment nor in education (compared to 17% of the general population). Also, ECRI regrets to note that there is a strong employment gap between Roma women and men, which is not sufficiently addressed in the Strategy. [5, p.29]

Roma women have worse results compared to Roma men, both in the field of education and employment. Very low educational attainment may cause difficulties in achieving the criteria of the ILO's 'decent work' and only 21% of Roma women completed ISCED 3, 10% of Roma women aged between 16-24 are in employment and 72% of them are neither in work nor in education or training (NEETs). [10] The Roma employment is likely to be: with a temporary contract', with an 'ad hoc contractual arrangement' or 'without a contract'.

5. Conclusion

The autonomies are very varied political configurations, deeply contextual of the consensual coexistence between majority and minority, which - in the case of design and functioning in professionalism's conditions - they prove to be effective tools for the protection of minorities in almost all regions of the world. They are successful if they achieve and maintain a balance between private and common interests of those concerned, and institutionalize an adequate proportion between separation and integration: they suppose an institutional system that separates different cultures only to a certain extent, advantageous for both parties, but it ensures their presence in the common public space, under the conditions of mutual tolerance and respect. [32, pp.48-49]

The inclusion of the Roma brings with it the creation of an intelligent economy in Romania. With an aging population and a young and developing Roma minority, Romania cannot afford to leave behind Roma children and young people and their families. [36]

The lack of data/information is a concern of both, international and national authorities; in this direction, ECRI regrets that there is still no comprehensive system for the collection of data to assess the scale of discrimination of groups of concern to ECRI, including Roma [5, p.24] and the National Agency for Roma complains on:

- the lack of a system of monitoring and evaluation of the NRIS's measures;
- the lack of a methodology of technical coordination of the experts within the County Offices for Roma (BJR);
- the lack of sociological research instruments to identify the problems faced by the Roma communities at the local level;
- the lack of effective communication with the decision-makers, both at the county and national level, in the process of planning measures in the field of Roma inclusion;
- the lack of protocols and intervention methodologies in cases of Roma evictions and cases of discrimination or conflicts based on racial hatred;
- lack of permanent monitoring mechanisms of the projects/programs implemented for the benefit of the Roma with non-reimbursable financial resources;

- the lack of a data collection mechanism that will help NAR in the process of analyzing the size of the Roma problem to make public policy recommendations. [22, p.2], [23]

Living in marginalized conditions and poverty affects young Roma's employment opportunities in multiple ways. At the educational stage, poverty weakens human capital formation and prevents young people from gaining the knowledge they need to successfully compete in the labor market. But poverty also affects the very process of transition and its outcome leading to a waste of human capital. Therefore, poverty should be addressed as a multidimensional phenomenon matching active labor market policies (to facilitate access to better quality jobs) and social policy instruments (to address the negative implications of poverty for human capital formation while the impact of better quality jobs and higher incomes comes into effect). [10 p.35]

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Implementing Regulation regarding Minority Rights in Romania Special Overview of the Legal Frame of Romanian Law and Constitution

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Abstract. *The general concept of non-territorial autonomy is analyzed in the specialized doctrine from various perspectives - considered, in fact, as its attributes – such as, cultural, linguistic, educational, traditional, and religious perspectives- all considering the identity of the minority group that lives in a majority community. The present paper, part of a larger research, proposes, on the one hand, an analysis of the legal framework regarding non-territorial autonomy in Romania - from the perspective of the regulations regarding the establishment, organization and functioning of the authorities with their role in the elections and the administrative structures at a local level and, whilst considering the role played by the minority groups in this framework. Because Romania has recently adopted a new fundamental regulation for the functioning of public administration – the New Administrative Code - which contains important regulations which have an impact on minorities' lives, another purpose of this research is to track how they are applied to the provisions on the linguistic rights of the national minorities included in Local Public Administrative Regulation. The objectives of this research will be, first, to use the data obtained in national reports and secondly, to make recommendations on the most efficient way in which the legislative norms regarding the protection of minorities can be applied, focusing on costs, human and financial resources.*

Keywords: public administration, non-territorial autonomy, minorities, Administrative Code

JEL Codes: K10, K23, K38, K40

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1. General Thoughts regarding the Autonomy

1.1. **Addressing the autonomy from the local perspective, that of the community**:

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The principle of local autonomy is the fundamental principle that governs the local public administration and the activity of its authorities;

It refers to the right of the administrative-territorial units to satisfy their interests without the interference of the central authorities, a principle that entails administrative decentralization;

The autonomy is a right, and decentralization is a system that implies autonomy (Autonomy is a political objective of decentralized governance).

In Romania, the local autonomy is regulated by the Constitution and the national legislation. Thus, it is a constitutional principle enshrined in Article 120 (), and a legal principle found in the administrative code (Vedinaș V., 2020);

The local autonomy is only administrative and financial, being exercised on the basis and within the limits of the law; it concerns the organization, functioning, competences and attributions as well as the management of the resources that, according to the law, belong to the community, the city or the county, as the case may be;

The characteristic of local autonomy is the distribution of decision-making power at the local level - the possibility to take different measures without the approval of the central government;

Local autonomy represents not only a constitutional principle but also a way of organizing the administration of local authorities;

It is one of the most efficient forms of administrative self-management; ensuring a high degree of democracy, but also of the quality of social life.

Along with these many advantages, we also identify dangers - and we refer here to the self-regulation of autonomy - by law, a situation that can highlight the inequalities between local authorities. All these because Governmental processes can’t be seen as discrete, centralized, or homogeneous (as we were used to seeing in the old nation-state model) but as asymmetrical, multicultural, and devolved into multiple jurisdictions (Nimni E., 2010).

1.2. **European Legal Instrument**:

At European level, the issue of minorities is one of the 8 “pillars” of a building of national identity, along with culture, religion, education, multilingualism, migration and youth. According this, EU has an entire legal frame, basically represented by several acts: The Framework Convention for the Protection of National Minorities, the European Charter of Local Self-Government - the only binding legal documents that set out well-defined obligations for EU member states, commitments that the Romanian state has transposed into national law.

The Framework Convention, who was signed by Romania in 1995 and ratified in 2007() - it requires the states to:

- promote the conditions that allow people belonging to national minorities to maintain and develop their culture;
- preserve the essential elements of their identity, namely religion, language, traditions, and cultural heritage;
- have the right to use the names in the minority's language, to use it unrestrictedly and to study in that language, to benefit from signs, inscriptions, and information in the respective language;

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2. **Brief Presentation of the Minorities in Romania**

According to the 2011 census, the minority population represents about 11% of the total of 20.1 million inhabitants.

The most important minorities in Romania are:

- Hungarian minority - 1.23 million inhabitants (about 58.9% of total minorities);
- Roma minority - 0.62 million (29.8 % from minorities);
- Ukrainians - 50.9 thousand inhabitants (2.44% of minorities);
- Germans - 36 thousand (1.73%);
- Turks - 27.7 thousand (1.33%);
- Russians - Lippovans - 23.49 thousand (1.13%);
- with less than 1% share (each) of minorities (20 thousand inhabitants, or less) - Tatars, Serbs, Slovaks, Bulgarians, Croats, Greeks, Jews, Italians, Poles, Czechs, and other minorities.

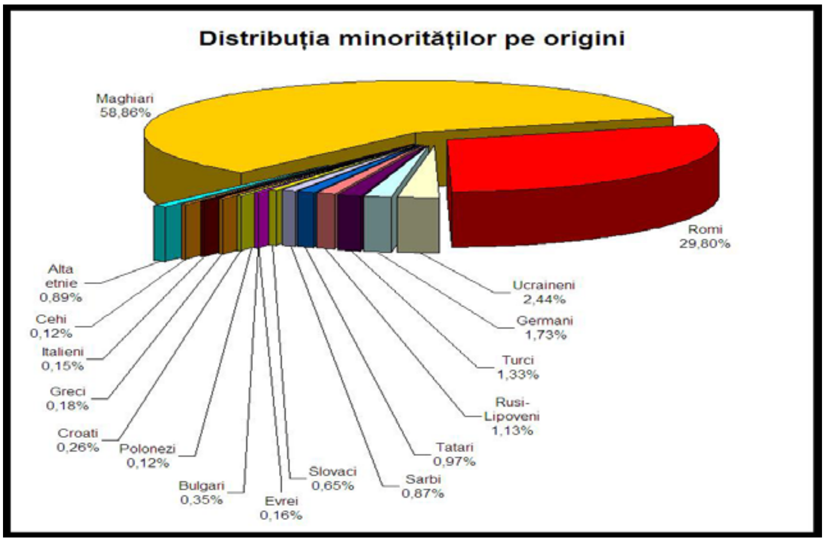

Fig. 1: Minorities distribution by origins
Source: Recensământul populației și locuințelor, 2011,Population and Housing Census, 2011, ISPMN
http://www.rador.ro/2017/12/18/analiza-minoritatile-nationale-din-romania-intre-aspiratii-si-realitati-2/

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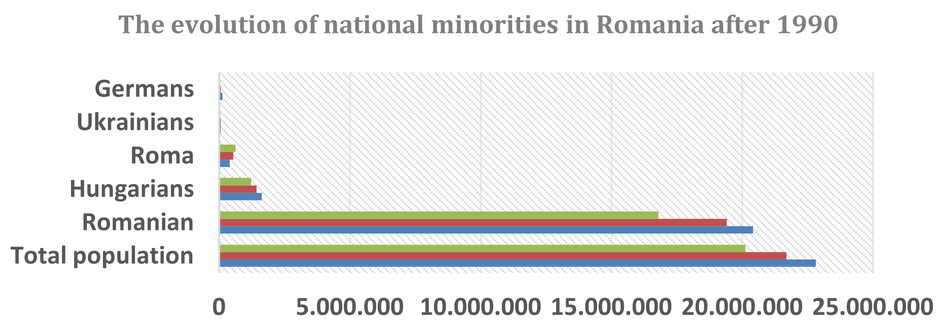

	Total population	Romanian	Hungarians	Roma	Ukrainians	Germans
2011	20.121.641	16.792.868	1.227.623	621.573	50.920	36.042
2002	21.680.974	19.409.400	1.434.377	535.250	61.091	60.088
1992	22.810.035	20.408.542	1.624.959	401.087	65.472	119.462

Fig. 2: The evolution of national minorities in Romania,
Recensământul populației și locuințelor, 2011, Population and Housing Census, 2011

3. A New Approach for Romania - the Status of Personal Autonomy

The question of how governments manage the situation of ethnic diversity is fundamental for the future of democracy in Europe. The way this question is articulated and addressed has changed significantly in last period. On the other hand, is important how European governments and social actors respond to problems of regional security, domestic political contestation, and economic well-being (Czsergo. Z., Vangelov O., Balasz V., 2018). This, from all points of view.

In 2005, the Hungarian community in Romania came up with a unique legislative proposal, namely, a draft law that wanted to regulate a new concept of “personal autonomy.” The proposal was based on the idea of an institutional mechanism that would provide minorities with full autonomy regarding schooling, publications, and media or heritage administration in the mother tongue. The money would continue to come from the state budget, but their administration would no longer be done through the entitled ministries, such as the Ministry of Education, the Ministry of Culture and Religious Affairs, but through a specific set up body, with executive management and a Council constituted by direct elections. The Venice Commission noticed the discriminatory nature of the electoral legislation in 2005 and the project was blocked.

Although, in the Romanian political circles, there are no arguments against cultural or personal autonomy, as Romanians are considered tolerant and welcoming people, the idea of non-territorial autonomy arouses confusion in Romania.

In order for the institutions of the autonomy to carry out their activity without difficulty, it is necessary as a rule for minorities to participate directly in the exercise of central power (Levente Salat, 2014).

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4. **The Legal Framework Regarding the Non-territorial Autonomy in Romania - from the Electoral Legislation Regulations' Perspective**

The participation of ethnocultural minorities in political decision making is an important aspect of minority rights. Electoral systems, however, do not always allow this through elections, whether it is representation at the national or local level. Thus, different procedures have emerged to facilitate this political representation in the case of national minorities.

Even Non-territorial autonomy (NTA) has acquired a variety of meanings ranging from a vague principle (a 'thin' approach) to a distinct structural feature of an organization (a 'thick' approach) (Osipov, 2018), we remain, throughout this study on analyzing the phenomenon from the perspective of observations on minority "groups" or 'communities".

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Romania is one of the **17 states** of the world whose legislation provides the possibility of gaining seats in the national parliaments for representatives of national minorities and one of the **33 states** in which minorities succeed gaining seats casting candidates in the elections;

The legal representation of the national minorities was decided by the electoral law adopted by the Provisional Council of National Unity for the elections of May 20, 1990 and approved by the Constitutions of 1991 and 2003;

All fundamental rights are guaranteed by the Constitution and other national laws to the ethnic minorities in Romania, including the use of the mother tongue in the public administration, education, media, the right to participate in the political life, etc., any form of discrimination or undermining the rights of national minorities' members being prohibited;

Romania ensures the participation of national minorities in the decision-making process by representation in Parliament, ensuring an ex-officio seat in the Chamber of Deputies for each national minority that does not obtain representation otherwise. Of the 20 national minorities in Romania, 19 are represented on the constitutional basis, the exception is the Hungarian Democratic Union of Romania, which obtains more votes than the electoral limit;

"Citizens' organizations belonging to national minorities, which do not accumulate the number of votes to be represented in the Parliament, have the right to one deputy seat, under the conditions of the electoral law. Citizens of a national minority can only be represented by one organization"

(The Constitution of Romania, Article 62, § 2)

The evolution of number of seats in Parliament for National Minorities in Romanian look like above:

- In **1990**, based on the electoral law prior to the Constitution (Article 4 of Decree-Law 92/1990) in the Chamber of Deputies **12 minorities** were elected, apart from the UDMR;
- In **1992**, there were **13 MPs** representing different minorities, besides the UDMR;
- In 1996 – 15 seats;
- In 2000 and 2004 there were 18; seats
- In 2008 and 2012 – 17 seats;

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- In **1992**, the law required a minimum of **5%** of the total number of votes necessary to elect a deputy;
- In **2004**, the number of votes required was raised to **10%** of the votes for the election of a deputy, which led to a situation where a deputy could be elected by 1,336 votes in 1992, or by 2,841 votes in 2004.
- In the **2016-2020** legislature, no less than **17 minorities** are represented in the Parliament, apart from the UDMR, which exceeds the electoral minimum of 5% and has its **own parliamentary groups**.

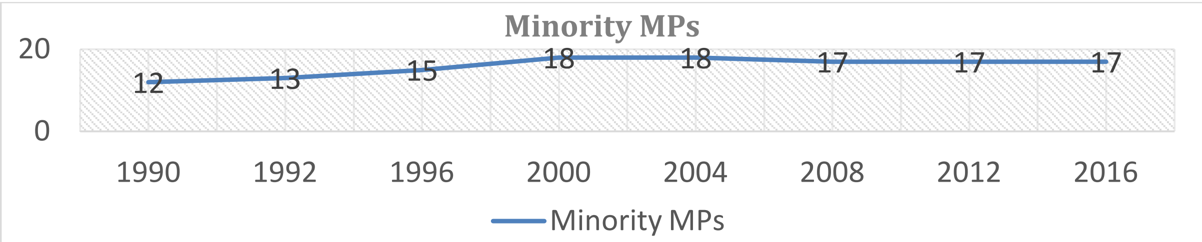

Fig. 3: Minority's representation in Romanian Parliament
According to the 2016 national election

The revised form of the Constitution, in force since 2003, did not bring about fundamental changes in the rights of national minorities, but added two dimensions to their social rights: the right to use the mother tongue in court (Article 182/2) and in the public administration (Article 120);

In terms of electoral legislation, Romania has amended the normative framework to exempt minorities from achieving the electoral threshold similar to the one existing for political parties so that they can be represented in the Parliament, on a number of dedicated seats - except a minority that has a political party that meets the legal threshold for accession in Parliament will have a number of mandates corresponding to the votes obtained (in Romania it is only the case of the Hungarian minority);

According to the Law on the Election of the Senate and the Chamber of Deputies, (Article 56 of the law 208/2015):

"citizens' organizations belonging to a national minority, legally constituted, who did not obtain at least one deputy or senator's mandate in elections have the right to a deputy seat if they have obtained, throughout the country, a number of votes equal to at least 5% of the average number of valid votes cast in the country for the election of a deputy"

Thus, the political representation of minorities beyond the demographic obstacles was secured, leading to the existence of a parliamentary political group of national minorities in the Chamber of Deputies, organized like all other parliamentary groups and whose members engage in all parliamentary activities (in commissions or representation activities in interparliamentary or regional bodies, etc.)

5. Tracking the Implementations of the Provisions Regarding the Linguistic Rights of National Minorities Included in the Local Public Authorities By-laws

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Many countries protect minority languages in aim to preserve culture and education of minorities. This, mostly by signed relevant international standards on linguistic rights for minorities. Neither system is very transparent, nor comprehensive. This create many time consternation and dissatisfaction among the national minorities (Maloy T. 2015).

One of the major developments in the field of minority protection in Romania is the significant change in the field of linguistic policies towards minorities: a shift from the exclusive promotion of the Romanian language (specific to the communist regime) to a line of public policies that promotes (and supports) the allocation of significant sociolinguistic functions to the minority languages (in formal education, administration, justice, other spheres of public life), as Romania assumed obligations towards the international community that emerged by adhering to some international treaties and reference conventions in the field of linguistic rights promotion of minorities.

It should be mentioned as well, that during the communist period exclusivism was not absolute, as the national TV broadcasted programs in Hungarian and German.

6. **Conclusion**

We appreciate that Romania **guarantees** to all minorities the right to free expression and information in the mother tongues, strengthening a model of coexistence and integration according to European values.

Short examples to support our conclusions:

The existence of an authority dealing with the minorities in Romania, the **Institute for the Study of the Problems of the National Minorities**, an administrative institution subordinated to the Government of Romania, having as objectives the study and the inter and multidisciplinary research of the preservation, development and expression of ethnic identity, sociological, historical, cultural, linguistic, religious or other aspects of national minorities and other ethnic communities in Romania;

Each national minority has its own journal or a publishing house:

- *"Polonus*" and "*Mały Polonus*" journals published by the Polish community;
- *"Macedoneanul*", published by the Macedonian minority;
- *"Zorile"* and *"Aurora"* Russian minority's journals;
- *"Cuvântul nostru", "Viața literară"* and "*Vestitorul de Timişoara"*, published by the Serbian minority;
- *"Qaradeniz-Marea Neagră"* Tatars' minority journal;
- *"Hakses"* published by the Turkish Democratic Union;
- *"Vilneslovo*", "*Ucrainskyi visnyk*", "*Curierul ucrainean*" Ukrainian minority's journals;
- "*Asul de Treflă"* published by the Roma Party.

The Jewish community coordinates a Jewish Center for Publishing and Publicity, a Center for historical studies, libraries, a history museum, has the "Hasefer" publishing house (participating in over 100 book fairs) and a landmark publication, "Reality Hebrew."

The Greek minority has a publishing house and a bilingual newspaper, "Elpis" and is highly appreciated for organizing the international neo-Greek Olympic Games.

In a study dedicated to the minorities of South-Eastern Europe, an inventory of more than 150 institutions and cultural associations of Hungarians, with contact data, was identified existing at that time

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in Romania, to which were added 6 associations from the media, 18 radio stations, 14 TV stations with Hungarian programs, over 40 publishers and about 50 central, county and local daily newspapers.

The German minority supports an important cultural and civic activity (a central German-language newspaper is published in Bucharest, besides, regularly appearing, 3 political weekly journals and two cultural magazines.

This are only few examples, there are more modality that people from minorities communities can preserve their identity, even we talk about culture, tradition, or history.

We can see below, an ethnic map of Romania, official one, based on 2011 census data – the latest census organized in Romania:

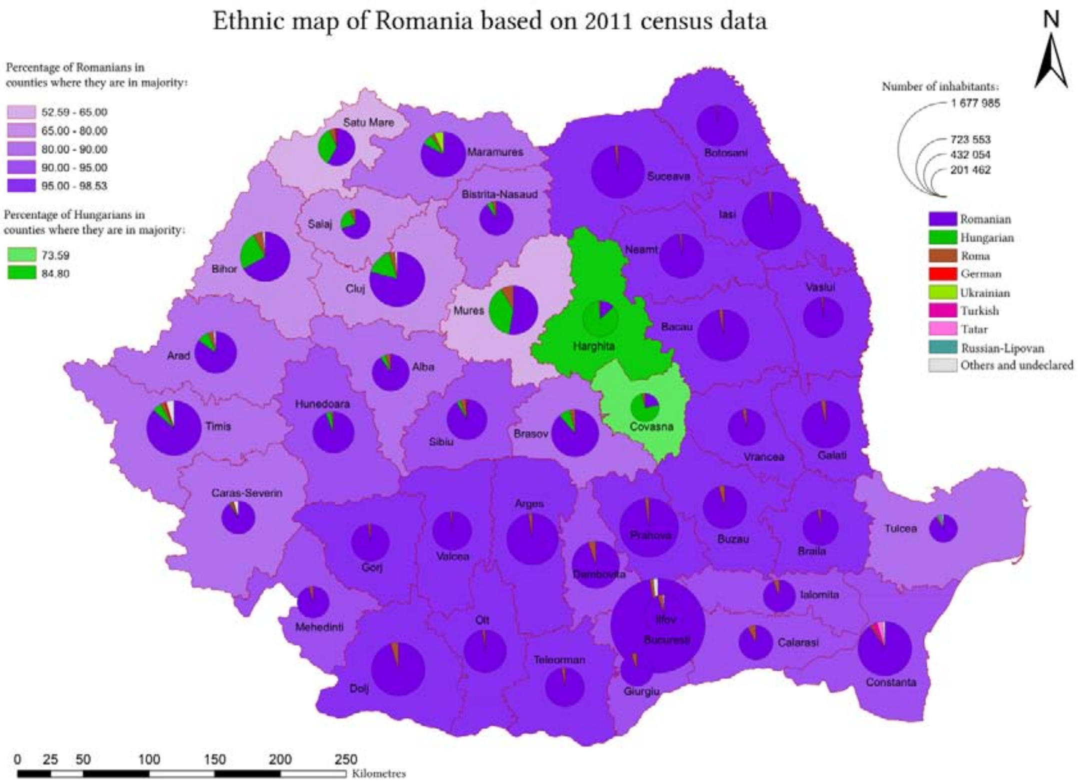

Fig. 4: Ethnic map of Romanian population according to 2011 census
Source: https://commons.wikimedia.org/wiki/File:Harta_etnica_2011_JUD.png

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