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# THE RELATIONSHIP BETWEEN CORRUPTION AND ORGANIZED CRIME IN ALBANIA

**Dr. Adrian Leka**

leka-ad@live.com

Luigj Gurakuqi University, Faculty of Law, Shkodër, Albania

Sheshi "2 Prilli", nr.24

Shkodër, Albania

**Eraldi Ndoj**

eraldindo@gmail.com

University of Tirana, Faculty of Law, Albania

Rruga "Milto Tutulani"

Tirana, Albania

## Entry

The relationship between organized crime and corruption is simple - criminal networks make extensive use of corruption, in all its forms, to carry out criminal activity, evade investigation, and evade criminal liability. On the other hand, corruption is more widespread and even more entrenched in a society if it is instrumentalized by organized crime.

Studies have shown that there is a link between high levels of corruption and the presence of organized criminal activity. In the European Union this link is weaker in countries not distinguished for outstanding organized crime activity <sup>1</sup> and stronger in countries with widespread organized crime activity <sup>2</sup>. These studies have shown that the way organized crime uses corruption is influenced by historical, social and economic changes in these countries. Among the historical factors can be mentioned the large and informal economies of the Eastern countries, the criminal transformation of the security services in these countries, but also the violent movements for independence <sup>3</sup>. Social factors that influence are the different sizes of illegal markets and income inequality between European countries, uneven flow and different specifics of immigration, closed professional networks (eg judiciary, etc. In addition, these have an impact also cultural factors, such as the level of informality of social relations or the importance of family ties.

When talking about the link between organized crime and corruption, we have in mind two different analytical layers of this link:

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<sup>1</sup> Denmark, Finland and Sweden.

<sup>2</sup> Cyprus, Greece, Hungary, Slovakia and Italy.

<sup>3</sup> In countries like France (Corsica), Spain (Basque region) and the United Kingdom (Northern Ireland).

- First, the way organized crime targets politicians, the state administration, the police, the judiciary, and private companies.
- Second, the way corruption facilitates the operation of illegal markets (smuggling, drugs, prostitution, blackmail, etc.).

In the following we will analyze these levels of the link between corruption and organized crime at the global level, of the European Union and, more specifically, in the case of Albania.

### **Findings on the link between organized crime and corruption**

At the level of the European Union it has been seen that prostitution and illicit drugs bring the greatest corruptive effect. In some illegal activities, such as the illicit trade in cigarettes, corruption mainly affects customs officials and border police officers. In other activities, such as car theft or fines and blackmail, needs much less corruption, because of their very nature.

The prostitution market is a very good example of the widespread corruption tactics used by organized crime. Research shows that police officers across the European Union commit corrupt transactions with prostitution networks, even take bribes through blackmail and run brothels. Criminal prostitution networks use corruption to obtain information about investigations, to ensure continuity of activity, but also to create monopolies in the local market. They also target immigration workers, including embassy staff and border police, to ensure the legal entry of prostitutes. In countries that have legalized prostitution (eg Germany and the Netherlands) criminal groups corrupt local officials to circumvent brothel rules. Finally, criminal networks use prostitutes to lure public officials into misconduct, which they later use to blackmail them for information or protection.

Criminal structures in different countries exploit corruption in different ways. In some countries, political patronage creates a vertical system of corruption that operates from the top down in all public institutions: public administration, judiciary, police and customs. In other countries politicians, judges and other white-collar workers form closed networks of corruption that are not systematic. White-collar crime at the middle level of government officials is common (albeit to varying degrees of intensity) in almost all countries. In countries with low levels of corruption, even cases of medium-level corruption are sporadic. The most widespread and systematic forms of corruption, which are exploited by organized crime, are related to low-ranking police and public administration employees.

Organized crime also targets tax administrations, financial regulators, and any other regulatory body <sup>4</sup>that may influence criminal activity, but in a less systematic way.

In addition to public institutions, criminal networks also have a special interest in the private sector. By targeting employees of these companies, they create opportunities to generate greater revenue by circumventing anti-money laundering regulations or facilitating activity in illegal markets. Often, organized crime efforts to influence private sector employees do not attract the attention of law enforcement agencies and judicial institutions.

Political corruption is the most powerful tool of organized crime. This corruption includes the crime of white-collar workers, the crime of the political level (the so-called 'oligarchs', 'barons' or 'tycoons'), the crime of local elected representatives, but also of centrally elected representatives. This type of corruption is also observed among members of parliament (MPs) or appointees of high political levels (heads of agencies, departments).

The police have the most direct exposure and more frequent contact with organized crime and, as such, are more targeted by organized crime. The main reasons for this targeting are obtaining information on investigations, operations or competitors and protection during ongoing illegal activities. Sometimes, corrupt officers are directly involved in criminal activities, using drug distribution networks or prostitution.

Institutional and external factors make the police vulnerable to corruption. In many countries, the low level of police prestige leads to the recruitment from organized crime of officers with low education and problem behavior. The closed nature of the police and their relative isolation from other institutions lead to a high level of loyalty among officers and mutual protection of colleagues. However, in countries with less corruption, group loyalty has the opposite effect on police corruption: even when police work is not considered prestigious or poorly paid, police officers report or put pressure on corrupt colleagues.

Political and judicial influences on the police can facilitate corruption. In some countries, local officials, under the influence of criminal networks, control the appointment of high-ranking police officers. This kind of influence can also reach national levels, where big criminal entrepreneurs control appointments to police forces and special services. Pressure from prosecutors and judges may hamper investigations by influential businessmen who are part of criminal networks.

In most countries, organized crime targets the judiciary, especially the courts, far less than the police and politicians. White-collar criminals put more pressure on the judiciary, as they have easier access to this system and to persons who facilitate corruption. The most common reasons for judges's corruption are avoiding detention, postponing court proceedings, or influencing the outcome of a trial. Judges, prosecutors and their administrative staff can also be corrupted to provide information to criminals about their investigations.

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<sup>4</sup> For example, environmental regulators that can detect environmental crime or forest agencies that can prevent illegal timber exports; arms export control bodies; gambling industry regulators; anti-money laundering bodies; national heritage regulators influencing antiquities trafficking, etc.

Members of the judiciary are corrupted to advise criminal networks on ways to avoid investigations. Finally, organized crime-related companies corrupt the judiciary (often through political influence) to manipulate public tenders (i.e. by contesting the outcome of tenders).

Political influence over the courts is a major factor in judicial corruption, especially in countries with high levels of political corruption. The relations of the prosecution with the government and of the judges with the Parliament affect the independence of the judicial system. Legislative gaps that allow for a high degree of judicial discretion also make the judiciary vulnerable to corruption.

Criminal groups corrupt the judiciary by approaching judges through social, political, professional and family networks. Elite social networks allow criminals to have direct contact with members of the judiciary. Professional networks also facilitate such contacts. In these networks, defense lawyers (often former prosecutors) mediate between organized crime and the judiciary.

Corruption of customs officers helps organized crime to avoid the detection of smuggled goods, to avoid investigations (when customs have investigative powers) or to facilitate the commission of customs fraud (reduction of import duties). It is particularly linked to the smuggling of excisable goods: especially cigarettes, alcohol, oil and petroleum products. Customs officials are rarely involved in corruption related to drug trafficking, while VAT fraud schemes are more likely to involve customs officials.

Money laundering has long been identified as one of the main reasons for using corruption in the financial, gambling and real estate industries. In these cases, the most common activity is bribery of employees so that suspicious activities are not reported to regulatory authorities.

More specifically, in Central and Eastern Europe, criminal organizations exert direct influence over the judiciary, through corruption. Influence is established through bribes, debts or favors and, later, escalates into blackmail and threats. This type of corruption is necessary, as it has been proven that the transit routes of heroin through the Balkans depend on corruption. Also, corruption is the way to legalize illegal deliveries and transactions, so arms trafficking in large quantities depends on corruption.

### **Levels of corruption exploited by organized crime**

Organized crime exploits all forms and levels of petty corruption and large-scale corruption (corruption of senior officials).

Organized crime uses simple bribery. Bribery is offered as a single act for a special benefit, for example: to issue a passport, a license, to obtain information.

Organized crime uses constant bribery, which is also called keeping officials on payroll. In these cases, lower and middle level employees are targeted, while bribes and benefits are ongoing.

As a more advanced level, organized crime exploits infiltration into state agencies, at the operational level. This infiltration is sporadic, targets low-level positions and is carried out through legitimate employment, by gaining the job, or buying the job.

Organized crime also uses the middle / tact infiltration of government agencies. This infiltration affects entire offices or senior officials. As a result of this corrupt practice, senior officials of the security, law enforcement or investigation agencies become members of organized crime.

The highest level of corruption associated with organized crime is the infiltration of politics. Organized crime targets elected officials, senior executive officials, and law enforcement officials.

Cases of political infiltration are also the most significant manifestations of major corruption. A typical case of this corruption involves the assistance that organized crime provides in the election of local / central officials, who in turn use their official position to award public contracts in favor of companies owned / controlled by organized crime. In this way, they help legitimize the activity of the criminal group and facilitate the laundering of money earned from criminal activity.

### **Corruption in Albania**

There is so much talk about corruption in Albania that stories often look like urban legends. This was best expressed by Tina Rosenberg, in her 1995 article: "Albania: The Habits of the Heart", in which she wrote:

*" It is impossible to determine whether Albania is floating in corruption or gossip."*

However, since then numerous studies and reports have confirmed that corruption in Albania is endemic, widespread and permeates every aspect of state activity, with little punishment. In Albania, corruption appears in all typologies of small or large corruption and is constantly reported as forms of corruption: bribes, master-client relations, nepotism, favoritism, financing of election campaigns.

In 2020, Albania was ranked 104th in the Transparency International Corruption Perceptions Index, with a rating of 36/100, having a significant deterioration of this index over the years. According to the Global Corruption Barometer (TI), 25% of public utility users have paid a bribe in the last 12 months before the survey. The most corrupt institutions according to the citizens are the customs, the State Police, SHISH and the army. The executive and justice institutions are also seen as corrupt.

The lowest level of trust of citizens is for justice institutions. Respondents have a relatively low rating for the degree of cooperation between state structures such as the police and local government to ensure security.

Even this year, most respondents identified corruption, organized crime and unemployment as the biggest threats to Albania's security, but in contrast to 2019 there is an increase in the percentage of citizens who identify unemployment and organized crime as the main threats. A larger number of citizens perceive interstate war, terrorism, organized crime and corruption as the main threat to the security of the Balkans, but compared to a year ago there is a much higher percentage of citizens who see corruption as the main threat to region. Compared to 2019, there is a significant decrease in the percentage of citizens who think that with the creation of the Special Structure against Corruption and Organized Crime (SPAK) the fight against corruption and organized crime will be strengthened and that the effectiveness of the courts will increase after justice reform.

### **Organized crime in Albania**

Prior to 1990, the situation in Albania was quite different from other Balkan countries, as the borders were completely closed. In this completely state-controlled environment, the authorities had knowledge of any illegal activity. On the other hand, Albania was one of the poorest countries in the communist bloc. In an attempt to find sources for the absorption of foreign currency, the Albanian government could not resist an offer made in 1966 to engage in cigarette smuggling. The plan was to smuggle American-branded cigarettes into Italy, where they were further distributed to other parts of Europe and the Middle East.

The Swiss mediators who made the offer had links to the Italian mafia, which was seeking new trafficking corridors as police operations in the Tyrrhenian Sea had become more effective. The Albanian government created a free economic zone that served as a transit point for the smuggling of cigarettes coming from the United States and created the Albtrans company, which is thought to be administered by the State Security, which ensured the smooth running of work in Albania in exchange for a fee of nine US dollars per pack. It is estimated that the Albanian government has raised about 35 million dollars through this activity during the period 1968–1991. As a result of this activity the Adriatic Sea, which until then was considered merely a 'blue border', was transformed into a very lucrative corridor to the east for Italian criminal groups. On the other hand, the Albanian government provided connections to international networks, trading and absorbing foreign currency. This was also the beginning of the 'Balkan corridor' that would be used for criminal activities for decades.

In the early 1990s, armed gangs appeared in various districts of Albania, involved in human trafficking, immigrant smuggling, kidnappings, fines, and ongoing rivalries over territorial control.

In the period 1998-2004, structured criminal groups and criminal organizations appeared.

Trafficking in Albanian women and girls for the purpose of sexual exploitation has been a favorite activity from the very beginning. Albania is a country of origin, transit and destination. Trafficking is internal and external. Child trafficking for forced labor (begging, selling) has increased.

Drug and arms trafficking flourished and became the primary lucrative activities for criminal organizations.

Around the years 2004-2005, criminal groups inside and outside Albania begin to interact actively and continuously in the form of criminal networks, but maintaining the autonomy of the group.

From 2005 onwards, the criminal network is presented as the most widespread form of organized crime. These networks carry out, mainly, trafficking in various types of drugs, weapons and ammunition, smuggling of immigrants and organized cybercrime.

### **Albanian organized crime**

The Western Balkans represent a relatively small market for organized crime. Most criminal groups from this region carry out their activities outside this region, especially in Western Europe and Latin America. Although there have been allegations in the media of a 'Balkan cartel', there is no evidence of their existence, but nevertheless different criminal groups cooperate with each other, and there are even multi-ethnic groups. Most criminal groups from the Western Balkans operate effectively and unobtrusively in problem areas around the world, by being known to be violent. Most acts of violence by criminal groups appear to involve money laundering within their ranks or with rival groups.

Groups from this region are modern, dynamic and smart, have shown that they have the ability to adapt and use new tactics, to use technology to their advantage (for example, to use coded forms of communication; to identify corridors and ways of trafficking, such as 'drug jets' to traffic narcotics; money laundering through conversion into cryptocurrencies, money transfers to offshore financial havens, or countries of origin). Such groups are reportedly responsible for financing, transporting and distributing large quantities of cocaine from South America to Europe. Their ability to cooperate with local criminal groups and to seize large quantities of cocaine at the place of production, as well as their presence in major European port cities, shows that these groups are able to control the entire trafficking chain of cocaine.

The operative intelligence of these groups has created opportunities for them to rise higher in the criminal hierarchy in different countries over the last 20 years. In some countries (such as Italy, Spain, Ecuador, the United Kingdom, and the Netherlands) they have become key factors, especially for cocaine trafficking. The largest market for trafficking in criminal groups from the Western Balkans is Western Europe.

The Western Balkans is a consolidated region of heroin and cannabis trafficking that travels through Turkey (from Afghanistan) and is destined for the lucrative markets of Western Europe. Albania is also the largest producer of cannabis in Europe. Conflicts in the region in the 1990s were a very important factor in the formation and dynamics of organized crime in the region. The Kosovo war (1998-99) is particularly important, as many Albanian citizens are believed to have settled in the EU claiming to be Kosovars and seeking asylum. By securing residence permit and residence status, they created a new diaspora in Western Europe and Scandinavia, from which communities have grown and criminal elements have emerged.

The Western Balkans has a strong link to commercial transport (important for access to the transatlantic cocaine region in Latin America) and Albanian-speaking criminals have been involved in providing transportation and logistics for cocaine trafficking since around 2000. Their rise to dominance of major trafficking centers and markets has lowered wholesale prices within the markets they target, while maintaining high purity supplies. They are recognized as the main impact in lowering wholesale prices (kilograms) on the main transit and distribution platform of the Netherlands and within the UK market. They have also secured cooperation with the Italian mafia in cocaine trafficking operations in the EU.

Albanian organized crime activities in the EU include trafficking in human beings, organized human smuggling, access to and movement of illegal firearms, money laundering, money smuggling, and the use and production of false identities. They have established strong relationships with other criminals of various nationalities, using their specialized transportation, networks, and skills.

The presence of Albanian-speaking organized crime continues to grow across the EU. They are dominant in cocaine trafficking, very active in cannabis distribution, and play supporting roles in Turkish heroin activity. They have not yet achieved dominant status in many EU member states, but have proven that they have the opportunity to do so, although the environment is quite competitive. Their 'charismatic' style in dealing with potential competitors, combined with a formidable reputation for violence, is considered a defining feature in their model of functioning. Their approach to new clients and potential opponents is often bold but friendly and seeks to build relationships and influence long-term deals.

The Europol COPPER analysis project concluded that Albanian-speaking criminals operate as groups and networks, influenced by family affiliation and affiliation within the Albanian-speaking region. There has been an increase in Albanian-speaking criminals in several categories of crimes, including money laundering, money smuggling, drug trafficking, drug production (cannabis), exploitation of the sex industry, human trafficking, human smuggling, corruption, crimes violent and firearm crimes.

Albania continues to be recognized as the largest cannabis producer in Europe. In this aspect, Albanian organized crime cooperates with the Dutch, Italian and Moroccan. In this activity it is important to control the entrance to the Adriatic and the Mediterranean ports.

### **Corruption and organized crime in Albania**

In 2018, the EU finally acknowledged that the Western Balkan countries show clear elements of state capture, including links to organized crime and corruption at all levels of government.

Albania ranks worse than any other country in the Balkans in all the factors that enable the capture of the state: lack of effectiveness of anti-corruption policies, lack of integrity, lack of impartiality, selective implementation of the law based on private interests.

In Albania, there is a strong combination of public and private interests. The last decade has seen a strengthening of partnerships between politics, business and organized crime, which have peaked in recent years.

In Albania, political parties, civil servants, and organized crime groups cooperate in buying votes in local and general elections in exchange for favored access to public institutions.

It is estimated that, in the period 2008–2019, 30 commissioned laws were adopted. Of these, 9 were confirmed as custom made, through analysis and evidence collected. The capture of the state by organized crime and private interests has seriously undermined free elections and democratic processes.

### **Corruption and the fight against organized crime**

Various studies have shown links between the corruption index and the effectiveness of measures to prevent and protect against organized crime. A study has confirmed the link between high levels of corruption and the failure of anti-trafficking policies. Researchers have noticed that this connection is the same, regardless of the economic level of the country.

Also, regarding political will, most reports and key informants in the region cite corruption - in the form of cooperation between officials and the police with traffickers - as the main obstacles in the fight against trafficking.

Corruption is probably the most important factor in explaining human trafficking. However, the link between the two phenomena and the current impact of corruption on human trafficking is generally set aside in the development and implementation of anti-trafficking policies and measures. This lack of attention can fundamentally weaken initiatives to combat trafficking in persons and may prevent the preparation of responses as needed.

However, the link is not as strong between the measured level of prosecution and the level of corruption. It is thought that this is caused by the improper way of measuring the level of criminal prosecution, as to make this measurement are used parameters that are not directly related to criminal prosecution, such as the quality of legislation, sentencing measures, etc.

Studies have concluded that more accurate ways are needed to measure the level of corruption. More attention is also needed on the integrity of policies and measures against organized crime. It seems that the most effective anti-corruption measures are those that promote the integrity of officials.

Elimination of the threat posed by Balkan criminal groups should also come from abroad, through closer international co-operation between the legislature, in identifying and confiscating assets, as well as improving the exchange of information, as criminals prefer to use different identities to lose tracks. During the period 2018–2020 there was an increase in the number of successful international operations in the fight against narcotics, and in some of these police operations several tons of drugs were seized. However, there is a need to improve co-operation between law enforcement forces in the countries of production and destination of trafficking, as well as with their counterparts in the Western Balkan countries.

Civil society in Albania and the diaspora can play an important role in contributing to strengthening the culture of law enforcement in the respective countries, making communities more sustainable, and calling for a society free of crime and violence.

While the international community - and especially the governments of Western European countries - must face the challenge of reducing the demand for goods and services provided by criminal groups from Albania, and try to improve the situation in countries like Ecuador and Colombia, where cocaine is produced . Otherwise the tentacles of criminal groups - including those from Albania - will continue to spread across the globe.

Albanian criminal groups initially went to many of the problematic areas analyzed in this report, as a result of the difficult conditions caused by war and instability in the Western Balkans in the 1990s. With the exception of Latin America,

Albanian criminal groups operate in countries where there are many immigrants from this region. It is important to underline the fact that, although the problems related to organized crime in Albania have been transferred to Western countries, the activities of these criminal groups have damaged the reputation of their country of origin, especially in relation to the EU accession process. Moreover, some of the problems and difficulties that caused people to leave Albania in the past still exist - such as unemployment, lack of opportunities to move forward, dissatisfaction with governments, and delays in the European integration process. If these problems are not solved, then the ranks of criminal groups from Albania will increase day by day.

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# **INTERNATIONAL STANDARDS AND ALBANIAN LEGISLATION RELATING TO THE RIGHT TO COMPENSATE TO CRIME VICTIMS**

**Dr.Adrian Leka**

leka-ad@live.com

Luigj Gurakuqi University, Faculty of Law, Shkodër, Albania  
Sheshi “2 Prilli“, nr.24  
Shkodër, Albania

**Eraldi Ndoj**

eraldindoj@gmail.com

University of Tirana, Faculty of Law, Albania  
Rruga “Milto Tutulani“  
Tirana, Albania

## **Entry**

Increasing the opportunity for victims of crime to turn to the judiciary is one of the most important goals in democratic societies and, consequently, in our country. The victim's right to compensation is an important aspect of this opportunity. The purpose of this paper is to analyze this right and how it is implemented in our country and internationally. The study first analyzes the right to compensation of victims of crime under international law, examining acts of international law related to the rights of victims, the fight against trafficking, the rights of migrants, the rights of workers and the rights of victims of violence due to gender. Subsequently, the study analyzes the Albanian legislation in this aspect, focusing especially on the 2017 amendments to the Criminal Procedure Code.

## **Some terms used and their meaning in the literature**

The terms "indemnity," "reparation," "repayment," and "reparation" are often used for concepts that are the same or very similar, meaning, to make amends for someone's loss, damage, wrongdoing, especially through appropriate payment”<sup>5</sup>. Often, in the literature and studies, the term “indemnity” refers to the general concept of payment to the person, regardless of the source of payment or the mechanism used or the types of losses that are compensated. Thus, compensation includes compensation from state-funded schemes, as well as rewards given in criminal, civil or labor law proceedings.

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<sup>5</sup> Definition of Compensation in the Chambers 21st Century Dictionary 21st, 2004.

"Compensation for damage" is used in a narrower sense, because it refers to "the amount of money that belongs to the person affected by the criminal offense, received as compensation by the perpetrator of the criminal offense <sup>6</sup>."

Compensation excludes compensation in cases where the source of funding is the state scheme, and therefore the term "compensation (indemnity)" is used in the context of civil and labor proceedings. Compensation claims may contain several different elements (e.g., pain and suffering, medical expenses and unpaid wages) or a single element (e.g., unpaid wages). These elements can be classified into broader categories as "non-pecuniary" and "material" damage.

International law and the laws of certain countries also use "redress", "restitution" or "reparation". There are times when any of these terms have one meaning in the legislation of one country and another meaning in other countries, e.g. The term "restitution" in the United States means payment made to the victim by the defendant pursuant to a court decision, but in the United Kingdom and France "restitution" means the return of goods and property to the owner. lawful.

Each country uses different terms for the loss elements included in the indemnity claim. However, in a general sense, claims for damages mainly contain elements that fall into two distinct categories: indemnification for "pecuniary damage" and indemnity for "non-pecuniary damage." "Material damage" refers to financial or monetary loss, eg, medical expenses, hospitalization or burial, loss of expected income and benefits arising from employment, unpaid wages and property damage costs. The definition and scope of pecuniary damage in the national context is defined in legislation (or through precedents in common Anglo-Saxon traditions) and varies from country to country. Some compensation mechanisms enable the payment of all forms of material damage, while others enable only limited categories. "Non-pecuniary damage" refers to other non-financial or non-monetary losses, eg, emotional suffering, damage to honor or reputation, "pain and suffering," anxiety, loss of life satisfaction, loss of company and friendship. Again, the definition and scope of non-pecuniary damage in the national context is defined by law (or through precedents in common law countries) and varies from country to country. Some compensation mechanisms allow all forms of non-pecuniary damage to be claimed, some allow only certain types of non-pecuniary damage, and some do not allow the filing of a claim for non-pecuniary damage at all.

### **Compensation of victims in international law**

The right to compensation is one of the most important rights of victims of crime. The wrong has been recognized in international and European instruments.

The right of victims to seek redress was first recognized by the international community in 1985 when the UN General Assembly adopted the Declaration of Basic Principles of Justice for Victims

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<sup>6</sup> Black's Law Dictionary ( 8th edition , 2004).

of Crime and Abuse of Power <sup>7</sup>. Recognizing that millions of people fall victim to crime each year and that their rights are not adequately recognized, the Assembly wanted to provide assistance and justice for them, through a series of rights for victims, including compensation.

The Council of Europe was the first in the field of victim compensation with the European Convention on the Compensation of Victims of Violent Crime in 1983 <sup>8</sup>. Under the Convention, States Parties have an obligation to compensate victims of acts of intentional violence resulting in bodily injury or death.

At European Union level, the first step in recognizing the importance of compensation for victims of crime was the adoption of the Council Framework Decision on the situation of victims in criminal proceedings in March 2001 <sup>9</sup>. The decision encourages Member States to take measures to ensure that victims of criminal offenses have the right to a decision on compensation in criminal proceedings. However, the decision does not mention compensation by the state. As another major step towards establishing European victims' rights, the Compensation Directive was adopted in 2004 <sup>10</sup>. The Directive imposes a clear obligation on Member States to have state compensation schemes for intentionally violent crime, including the crime of terrorism. The instrument also includes mechanisms to facilitate compensation claims in cross-border cases. According to Article 1 of the Compensation Directive “ Member States must ensure that where an intentional violent crime is committed in a Member State other than that Member State where the claimant is a habitual resident, the applicant has the right to report request. an authority or any other body in the latter ”.

In 2012, the EU took another important step towards guaranteeing the rights of victims of crime with the 2012 Directive setting minimum standards for the rights, support and protection of victims of crime (Victims' Rights Directive) <sup>11</sup>. This Directive strengthens the rights of victims compared to the 2001 Council Framework Decision. This horizontal directive forms the cornerstone of EU victim rights policy and has been applicable in the Member States since November 2015. The Rights Directive of Victims provides for a set of binding rules for all victims and all crimes. Does not include the right to be recognized and treated in a respectful, sensitive, adapted, professional and non-discriminatory manner. With regard to compensation, does it provide for the right to take a decision on compensation by the perpetrator within a reasonable time during the criminal

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<sup>7</sup> UNGA, Declaration of Basic Principles of Justice for Victims of Crime and Abuse of Power, 29 November 1985; UN Doc. A / RES / 40/34, <http://www.un.org/documents/ga/res/40/a40r034.htm>

<sup>8</sup> European Convention on the Compensation of Victims of Violent Crimes, ETS No.116.

<sup>9</sup> 2001/220 / JHA: Council Framework Decision of 15 March 2001 on the standing of victims in criminal proceedings.

<sup>10</sup> Council Directive 2004/80 / EC of 29 April 2004 relating to compensation to crime victims, <http://eurlex.europa.eu/legalcontent/EN/TXT/?uri=celex:32004L0080>

<sup>11</sup> Directive 2012/29 / EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime, and replacing Council Framework Decision 2001/220 / JHA, <https://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32012L0029&from=FR>

proceedings and that Member States shall take measures to encourage perpetrators to provide adequate compensation to victims (Article 16 ).

On 15 March 2017, the European Union adopted Directive (EU) 2017/541 on the fight against terrorism (Counter-Terrorism Directive) <sup>12</sup>. Chapter V of this directive explicitly sets out provisions for the protection, protection and rights of victims of terrorism. These new rules are based on the already existing EU horizontal rules for victims of crime (Victims' Rights Directive and Compensation Directive). Member States should establish confidential, free and easily accessible support services to assist victims of terrorism immediately after a terrorist attack and for as long as necessary. In terms of compensation, these support services are required to assist victims of terrorism with claims regarding compensation that is available under national law. This Directive entered into force in the Member States in September 2018 and has not yet been fully transposed into the Member States.

Another instrument specifically dedicated to the victims of a certain category of crime is my 2001 Anti-Trafficking Directive <sup>13</sup> on preventing and combating trafficking in human beings and the protection of its victims. The Directive sets minimum standards to be applied throughout the European Union to prevent and combat trafficking in human beings and to protect victims. It is based on a human rights approach and a gender perspective . It contains provisions for the protection, assistance and support of victims, but also for prevention and prosecution of crime. The Anti-Trafficking Directive explicitly states in Article 17 that Member States must ensure that victims of trafficking in human beings have access to existing compensation schemes for victims of intentional violent crime . Furthermore, Member States should ensure that victims of trafficking in human beings have immediate access to legal representation, including in this respect the purpose of seeking compensation. Member States were required to complete the transposition of the Anti-Trafficking Directive by 6 April 2013. All Member States bound by the Directive had notified the European Commission of their transposition measures. With regard to the introduction of the EU Anti-Trafficking Directive into national law, the European <sup>14</sup>Commission 's Transposition Report concluded that although there had been substantial efforts by the Member States in the EU , there is still considerable room for improvement in various aspects , including compensation . The Commission continues to monitor the transposition and correct implementation of the Directive. A number of Commission reports, studies and documents address the issue of compensation for victims of trafficking.

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<sup>12</sup> Directive 2017/541 / UE of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475 / JHA and amending Council Decision 2005/671 / JHA, <https://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0541&from=FR>

<sup>13</sup> Directive 2011 / 36 / UE of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629 / JHA, <https://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011L0036&from=en>

<sup>14</sup> COM (2016) 722 .

## **Developments in Albanian legislation on victim compensation**

Recently, there has been a marked evolution of international standards regarding access to justice for victims of violent crime, for their right to compensation. This fact is also affecting the Albanian legislation to create new opportunities.

The Constitution of the Republic of Albania provides as one of the fundamental rights, the right of the citizen for rehabilitation and / or compensation, in case he / she has been harmed due to an illegal act, action or inaction of state bodies <sup>15</sup>. This right is reserved to the law to determine the modalities of its implementation. Law no. 9381, dated 28.04.2005 "On the compensation of unjust imprisonment", is one of the main laws adopted pursuant to Article 44 of the Constitution. Since its adoption, the case law has shown an increase in cases of compensation sought from the court for illegal conduct of police bodies, or for unjust imprisonment. The mechanism provided by the Constitution for the acceptance of international acts in the domestic legal system, fully allows the judge to decide on claims for compensation / indemnity, referring directly to conventions and other international acts ratified by the Republic of Albania.

In general, legal remedies for damages can be sought in the Code of Criminal Procedure and the Civil Code. From the point of view of case law, it is worth mentioning the Unifying Decision, no. 12, dt. 14.09.2007, of the Joint Colleges of the High Court, which unifies the case law in terms of material and non-pecuniary damage.

Albanian procedural legislation provides for the possibility of compensating victims, through procedural means in two processes: the civil lawsuit in the criminal process and the lawsuit for damages in the civil process. Until 2017, the main difference between these processes was the fact that the civil lawsuit in the criminal process was related only to the claim for material damage. The Code of Criminal Procedure did not provide for the possibility to claim "non-pecuniary damage" as part of a lawsuit in criminal proceedings. However, the victims had the legal opportunity to claim non-pecuniary damage through civil proceedings. Also, in the case of the request of the accusing injured party before the court, the request for compensation of damage was provided, without necessarily conditioning it with material damage <sup>16</sup>.

From the point of view of international standards, in the Albanian mechanisms of the right to compensation we can clearly distinguish:

- the right to seek redress from the perpetrator, through criminal and civil proceedings.

Albanian procedural legislation provides for the possibility of compensating victims through civil lawsuits in criminal proceedings and lawsuits for damages in civil proceedings.

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<sup>15</sup> Article 44

<sup>16</sup> See Article 59 of Penal Procedure Code.

Historically, the main difference between these processes has been the fact that civil lawsuits in criminal proceedings were related only to the claim for pecuniary damage, whereas non-pecuniary damage could be claimed only through civil proceedings. This position of the Code of Criminal Procedure has been interpreted by the Albanian legal-criminal doctrine. *"The volume of rights that the civil plaintiff has in the criminal process are determined by the purpose of this institute to ensure the replacement of material damage caused by the commission of a criminal offense* <sup>17</sup>. "

In this panorama, it is to emphasize the place of the accusing injured party, ie the victims who have suffered damage from a criminal offense of minor importance, and raise the accusation directly in Court. Only a few figures of criminal offenses are included in this category, according to the categorization defined in the closed list made by the Code of Criminal Procedure itself <sup>18</sup>. The accusing injured party has always had the opportunity to seek compensation for material and non-pecuniary damage.

With the changes made in 2017 in the Code of Criminal Procedure, the victim was recognized another role in criminal proceedings. In a subject without rights and with the role of mainly a witness, unless he presented himself as a civil plaintiff, the victim was promoted to the rank of a subject who has rights in criminal proceedings. However, compensation to the victim can only be done in the same ways known as before: through a civil lawsuit in criminal proceedings and a claim for damages in civil proceedings. With legal changes, civil lawsuits in criminal proceedings can include material and non-pecuniary damage. Thus, the only difference between the processes remains the place of their development (criminal or civil court) and the time (simultaneously with the criminal process or after its completion).

### **Material damage**

The right to claim pecuniary damage is related to the meaning that the Civil Code has given to pecuniary damage <sup>19</sup>. To better understand this, a special help is given by the unifying decision of the High Court no. 12, dt. 14.09.2007. Based on this decision:

*"Damage to health (biological damage) is, in essence, the violation of the good of health, physical and / or mental integrity of man."*

Despite the fact that our Civil Code lists the damage to health as non-property damage, it should be noted that biological damage can be distinguished as property damage. The United Colleges, regardless of the type, emphasize that this damage is the object of search and compensation independent of other property and non-property damages suffered by the injured party.

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<sup>17</sup> Fehmi Abdiu, "Civil lawsuit in the Albanian criminal process", Botim Pex, Tirana, 2003.

<sup>18</sup> Article 59 of the CPC.

<sup>19</sup> Articles 640-644.

Thus, the compensation for the damage to health according to article 625 / a of the Civil Code is required independently of the claim for property damage of loss or reduction of ability to work, provided in article 641 of the Civil Code. At the same time, it is of legitimate legal interest to reduce the property of the injured party in the form of expenses he incurs for care and, in particular, for the treatment of damaged health as a continuous consequence of the same illegal fact <sup>20</sup>.

Article 61 of the Code of Criminal Procedure provides: *"A person who has suffered damage from a criminal offense or his heirs may file civil lawsuits in criminal proceedings against the defendant or civil defendant, to seek the return of property and claim damages."*

In the Albanian case law and legal doctrine, different opinions have been expressed on the meaning of the damage in general, and the material damage in particular. This has been influenced by the previous understanding in the Albanian legislation of material and civil responsibility. Thus, for example, there are authors who think that only effective damages can be sought through a civil lawsuit in the criminal process and no other damages that necessarily come in the future, as a result of a crime committed by a civil defendant, or missing profit. <sup>21</sup>.

Article 61 of the Code of Criminal Procedure deals with material damage in two aspects: in the return of property and compensation for damage. These terms are not the same. In our legislation, the return of property means the return of goods and property to the rightful owner of the latter. But, this term can not be equated with the meaning of material damage. Therefore, it is necessary to emphasize that the return of the item is a narrower category than the term "compensation for damage".

According to international standards, "Material damage" refers to financial or property loss, for example, medical, funeral and hospital expenses, loss of future earnings and benefits derived from employment, unpaid wages and costs. property damage <sup>22</sup>. Material damage includes everything related to financial or property losses. This includes property damage to health, or what is today called biological damage. This position is in line with the treatment of some Albanian authors <sup>23</sup>, as well as the unifying decision of the Supreme Court. From the above we can conclude that the purpose of the civil lawsuit in the criminal process can not be reduced only to the return of property to the rightful owner, but also to the compensation of material damage, which can be understood as property damage resulting from the criminal offense. , which includes all types of financial or property losses. These losses can not be fully covered even by the social security scheme.

### *Non-pecuniary damage*

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<sup>20</sup> Marjane Tutulani , " Damage non -property ( non -property ) , sub regulation legal of Civil Code ", published in "Jeta Juridike" , Nr. 1, August 2003.

<sup>21</sup> Fehmi Abdiu, "Civil lawsuit in the Albanian criminal process", Botim Pex, Tirana, 2003.

<sup>22</sup> Compensation for Trafficked and Exploited Persons in the OSCE Region, OSCE / ODHIR, 2008.

<sup>23</sup> Marjane Tutulani , " Damage non -property ( non -property ) , sub regulation legal of Civil Code ", published in "Jeta Juridike" , Nr. 1, August 2003.

For a relatively long time non-pecuniary damage equated to moral damage. But over the last twenty years, first doctrine and then jurisprudence, has identified two new figures of non-pecuniary damage. In our country, the unifying decision of the United Colleges of the High Court no. 12, dt. 13 and 14 September 2007, gave new dimensions to the category of non-pecuniary damage by putting next to the figure of moral damage (whose non-pecuniary nature was consolidated) also the figure of existential damage and biological damage.

Thus, through this decision it is accepted that in the category of non-pecuniary damage provided in Article 625 of the CC are included three figures:

- figure of moral damage;
- figure of biological damage;
- figure of existential damage.

It is accepted from the jurisprudence that moral damage (*pretium doloris* or *pecunia doloris*) is an internal, temporary manifestation of the unjust turmoil (*non iure perturbatio*) of the human state of mind, pain and spiritual suffering or a state of anxiety and spiritual torment. arising as a consequence of the illegal fact. Anyone who suffers violations in the field of health and his personality from illegal actions or omissions and through the fault of a third party has the right to seek compensation for the moral damage suffered. This right, in the capacity of the injured party, belongs individually (*ius proprius*) to each of the close relatives of the person who has lost his life or been injured in his health by the illegal fact, if their special family connection is established, sensory and coexistence. The moral damage suffered by the relatives themselves is considered as a consequence, an immediate and direct consequence of the same illegal fact.

On the other hand, damage to health (biological damage) is, in essence, the violation of good health, physical and / or mental integrity of man. This non-pecuniary damage, provided by letter " a " of Article 625 of the Civil Code, is the object of claim and compensation independent of other property and non-pecuniary damage suffered by the injured party due to the same illegal fact.

According to the aforementioned unifying decision, existential damage is the damage caused by the illegal fact of the third party violates the human personality rights by almost permanently damaging the expression and realization of the injured person as a human being, the manifestation of his personality in the world of external, objectively shaking his daily life and ordinary activities, causing deterioration of the quality of life by changing and upsetting the balance, behavior of life habits, personal and family relationships. Due to such a psycho-physical condition, the injured party can no longer perform certain activities that positively characterized his being or could characterize him positively in the future, forcing him to be pushed towards different solutions in life from those of desired and expected or in renouncing the latter due to the establishment of an illegal fact.

## **Identification of the civil plaintiff in the criminal process**

The Code of Criminal Procedure (Article 62) sets out the stage and deadlines for the legitimation of a civil plaintiff in criminal proceedings. The legitimacy of the civil plaintiff can be done by the procedural body until the court proceedings have started. This term can not be extended in any case. It is clear that the legitimacy of the request will be made by the court before the main trial begins.

The above wording does not exclude the possibility for the request to be submitted to the prosecutor as a procedural body, which may also perform actions in relation to it, despite the fact that the court will further legitimize it, before the main trial begins. This practice actually helps the smooth running of the civil lawsuit in the criminal process and is a requirement that also comes from the obligations that the prosecutor has in relation to the victim throughout the criminal process.

In the first instance, at the stage of the investigation of the case, the victim should be assisted with information about her right to claim damages, as well as to accept in the file of the case, the civil lawsuit filed by her. Under Albanian law, the prosecutor has the obligation to inform the victim and to seek evidence regarding the civil lawsuit in the criminal proceedings. The effective exercise of this obligation would also assist the criminal court in reviewing the civil lawsuit, in order not to proceed with its segregation, which would turn the civil lawsuit in the criminal process into an unnecessary institute.

## **Separation of civil lawsuit**

The criminal court is fully allowed to separate the civil lawsuit from the criminal process and send it for trial in the civil process. This can happen not only at the request of the parties, but also mainly, if the trial of the civil lawsuit complicates or delays the criminal process. In general, the separation of the civil lawsuit in the criminal process becomes the reason for the prolongation of the trial procedures. The Albanian practice in these cases has proven that it was almost impossible to make its trial in the civil process, without first completing the criminal process. The separation of the Civil Lawsuit in the Criminal Procedure is available with an intermediate decision. The court has the obligation to present this interim decision in its final decision in its reasoning part. This stems from the Court's obligation to respond to all procedural requests of the parties, but at the same time, stems from the right of the party to appeal the decision. In this case, the civil plaintiff in the criminal proceedings has the right to appeal the interim decision of the court in relation to his claim, together with the final decision. This right arises on the basis of the K.Pr.P, which provides that "the appeal of court orders, when not provided otherwise by law, can be made only by appeal against the decision."

## **The right to be represented by a lawyer**

This right is an essential element of the right to compensation. To seek redress, victims must be aware of their rights and how to benefit from them. International standards even dictate the existence of measures that guarantee the safety and well-being of the person during the duration of the lawsuit procedure. This means that adequate housing, social assistance, legal advice, medical assistance and a residence permit are essential ancillary rights, without which the possibility of receiving compensation is limited. The civil lawsuit in the criminal process requires the active participation of the victim in the legal process. In general, this causes fear, especially if it is a violent crime, so free legal aid and representation are needed to increase the chances of her receiving the reward. The absence of a lawyer weakens her position and, in particular, informing the victim about her rights to seek redress. In this regard, civil society has an indisputable role, as it can advocate for victims, disseminate information and provide free legal aid.

## **Execution of compensation decisions**

Enforcement of final court decisions is another issue that faces major barriers in practice. As in the civil process, even in cases where the compensation has been decided by the criminal court, the burden of following the procedures for the execution of the court decision is left to the victim. These proceedings are directed against the property of the perpetrator, which causes a shyness or fear for the victim. Also, the execution of the decision is encountered in other obstacles and barriers. For example, it may happen that the person or property is located in another place, the property may not be identifiable as it is hidden in other names, other court proceedings may be needed as it is in co-ownership, etc.

## **Opportunity to receive compensation from the state fund**

Through the implementation of law, no. 9284, dated 30.09.2004 "On the prevention and crackdown on organized crime", or the so-called "anti-mafia law", in Albania was created the opportunity to provide a state compensation scheme for victims of trafficking. The importance of this law lay in the provision of special measures to crack down on property created as a result of organized crime activity.

*"There is no denying the fact that the adoption of this law was the result of the failure of the usual criminal legislation to achieve significant results against the economic power of organized crime<sup>24</sup>."*

The law had a special focus on compensating victims of organized crime. It envisioned, directly or indirectly, three forms of spending confiscated assets from which victims of organized crime, including victims of human trafficking, could benefit.

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<sup>24</sup> Ardit Mustafaj, " Products of the work CRIMINAL from perspective legal - criminal and political criminal ", Tirana , 2007.

The first form was presented as individual indemnity. The law provided that confiscated cash and immovable property were used to compensate victims of organized crime (Articles 33 / a and 34 / a of the law).

The law also provided for the use of property for social purposes. This provided for the direct transfer of immovable property to the ownership of the local government units where the property was located, for the performance of their functions or for social purposes.

The law also created a special fund aimed at crime prevention and legal education, financially supporting projects that generally aim at the administration for institutional, social or public interest purposes of confiscated real estate, as well as for projects that are specifically addressed. in the assistance and rehabilitation of victims of trafficking in human beings (Article 39 of the law).

With its repeal and approval of Law no . 10 192, dated 3.12.2009 , " On the prevention and crackdown on organized crime and trafficking through preventive measures against property ", the first form of direct compensation to victims of trafficking was removed and only the funding of institutions or NGOs was left. for programs to help victims.

# ROLE OF COMMUNICATION AND LEADERSHIP DURING CRISIS: A THEORETICAL REVIEW

**Alba Berberi<sup>1</sup>**

**Ylvije Kraja<sup>2</sup>**

<sup>1</sup>University “Luigj Gurakuqi” Shkodër, Albania

<sup>2</sup> University “Luigj Gurakuqi” Shkodër, Albania  
alba.berberi@unishk.edu.al

## ABSTRACT

The purpose of this article is to highlight the importance of communication in organizations during crisis times and identifying the role of leadership to mitigate the situation. Communication is part of everyday life, but business communication faces many challenges, due to globalization, increase of workforce diversity, advancement of technology, etc. Another challenge for business communication is communication during crisis, such as in COVID-19 period. Communication skills are very important for managers and employees, in order to transmit and disseminate knowledge and information. In times of crisis, even the way the information is communicated becomes a challenge for managers. Managers must have the ability to adapt to new conditions, to change the leadership style, to adjust the way of communication, so there's no repercussions to the company's performance if faced with any crisis. This article serves as a theoretical overview of crisis impact on the communication process and as an orientation for managers to deal with dynamic and unexpected situations. This also highlights the importance of managers' training process, in order to improve communication and leadership skills during crisis times.

**Keywords:** communication, crisis time, COVID-19, leadership style

## Introduction

Communication is a very crucial aspect of any organization and any organization that understands the importance of communication try to use it effectively for their benefits. But, during crisis all companies face big challenges. In today's unexpected times, organizations across sectors have to adapt to different challenging circumstances. The earliest crisis is COVID-19 that has impacted virtually all companies' operations and has brought some challenges for business communication, too. Some challenges are related to internal communication and employee engagement. With everyone working from home, keeping the employees informed is a big challenge. The need for online meetings and collaboration methods has increased. The external communication is faced with unknown factors, too, which make it difficult to communicate with stakeholders outside the companies. In these circumstances, finding and using the right communication becomes a challenge for leaders, managers and employees. Some messages and activities are no longer relevant during crisis. So, finding the right message, tone of voice and time to transmit them is a challenge for communication in teams or organizations.

COVID-19 is such a crisis when organizational leaders must not only work through the economic challenges due to the crisis but also adapt their leadership to the current context. In this context adapting the styles of leadership to new methods; adapting the way of communication outside and inside organizations and maintaining the satisfactory performance are the challenges for all managers.

### 1. Role of communication

Effective communication is the act of sending a message and his meaning through different media, followed by feedback, from the receiver to the sender. According to Beebe, Beebe and Ivy (2013), communication is the process of making sense and sharing it with others by creating meaning through the use of verbal and nonverbal messages.

Communication skills are very available for employees and leaders and good communication skills are very important in the business world. Managers must communicate effectively their vision to the rest of the organization, so this can help them to plan successfully (Markovic and Omolaja, 2009).

Communication allows managers to share goals both inside and outside the organization and allows managers to be in touch with different shareholders (Markovic and Salamzadeh, 2018).

Good communication skills are essential in the business world for three main reasons: First ineffective communication result to be very expensive for organizations. If the information in a business does not effectively and efficiently goes to its employees and if this information is not aligned with organization's objectives, rules and regulations, the employees will not be oriented and effective at the work place. Second, the changing and dynamic environment in nowadays makes communication even more important today than ever before. The flattening of business structure, the increased role of teamwork and the technology advancement at the work place demands good communication skills. Third, due to the globalization and the increased number of multinational companies, intercultural communication skills are a key skill for managers and employees. People need to be able to communicate internally and externally, and in multinational companies even at times internationally.

Also, methods or techniques of communication depends on the nature, scope and level of technology used in the organization. For instance, in small organizations most communications whether between the business owner and the employees or between him and his clients are done on face-to-face personal contacts.

However, as business expands and nature of operations becomes more complex, there will normally be the need for more documentations which necessitates written rather than simple verbal communication. This essentially is the main feature of the medium scale business units like the partnerships, and private and public limited liability companies. In addition, most of multinational and trans-national companies, make use of the modern high technology. To facilitate the communication, in nearly all these companies, most communications are used computers, telephones, Internet, Intercom, telefax, telegram General System of Mobile communications (GSM) and the like (Markovic and Salamzadeh, 2018).

However, verbal communication is generally easier and more efficient than written communication. It allows for immediate feedback. Managers tend to rely more heavily on verbal than on written communication for sharing information on a day-to-day basis, although they generally put important messages in writing.

## **2. Communication and leadership during crisis**

According to Bojadjiev and Vaneva (2021), every crisis creates negative emotions, distress, and feelings of uncertainty and, as the leader is the top figure in one company, employees need to trust him and to his actions. According to Kapucu and Ustun's (2018) some key traits and skills for leadership are decisiveness, flexibility, and communication. Other researchers identify the key skills for leadership, especially during crisis, they distinguish four leadership competencies to crisis leadership: a sense of urgency; strong emotional intelligence; problem-solving skills; and sensitive communication (Betancourt et al., 2017; Tubin, 2017). These soft skills are very useful during crisis to manage effectively. Helsloot and Groenendaal (2017) refer to two types of crises that: *flash*, when they occur unexpectedly, with scarce or no warning, and *creeping* when pressure builds up slowly before precipitating.

Communication plays a vital role in an organization and when a crisis occurs (Zakiri, 2020). Regardless the type of crisis, every leader knows that communication during crisis is critical. Effective communication contributes to protect employees and other stakeholders during crisis. A leader should motivate others to follow him and that is extremely important during crisis times. Wisittigars and Siengthai (2019) emphasize that communication is the most crucial factor prior to and during a crisis. When leaders communicate with transparency, and empathy, it helps people to understand better the new conditions crises bring and help them to adjust within these changing conditions.

As we know from literature and practice, managers spend over 80% of their day communicating with others, so all the processes like planning, organizing, leading and controlling are depended in communication skills of managers.

In times of crisis, the leadership style should be adapted to the communication and organizational changes, because the whole system of norms and values changes. A change in the organization followed by no change in communication is the path to failure. The change influenced by the environment can be easily endured if both communication and organizational processes are aligned. Keeping people informed during a crisis, for good or bad, is one of the most important roles of a leader (Hackman and Johnson, 2013). Communication is considered essential for crisis leadership (Jin, Meng, and Berger, 2017). In such a time, employees have as reference point the leadership for answers, comfort and security. According to Chandler and Quigley, some good advices of strong communication that can help managers during crisis are:

- *Company's core values have to be in mind of every leader.* During time of crises, communication should be done quickly and this brings to think in short terms. But, every leader must be led by company's core values when faced with hard decisions, even in time of crisis.
- *Creating a task force for crisis communication.* This can be a helpful aid in time of crisis, but it can be a good opportunity, too, for young potential leaders to gain experience leading in a dynamic environment.
- *Take in count facts and encourage dialogue.* Managers should know the current reality and have to be focused more on people. Employees need to know that their leaders are aware of the current challenges and are actively working to move the organization through the crisis.
- *Practice clear and transparent communication.* To avoid resistance and conflict, you must communicate as early as you can with your employees. Regular and common communication with your team is essential to keep everyone calm and organized.
- *Avoid timelines and embed confidence.* You need to show empathy versus your employees, so they can feel that they come first in such a difficult time.

### 3. Communication challenges in a pandemic time

Globalization, migration of the workforce and technological development have an important impact on organizations and communication styles used by leaders to perform effectively. Nowadays, in such a dynamic environment and in crisis conditions, too, this task becomes more challenging. The organizations, to maintain the competitive advantage, require from managers to increase the efficiency of organizational communication. According to Awamleh and Gradner (1999), one's leadership effectiveness is measured on the basis of how well they communicate and, on the relationships, they create with their followers.

Based on a survey with 3,500 leaders, managers and workers from across the UK, that tends to measure the impact of effective leadership on an organization through challenging times, 68% said that people management was a vital skill for managers and leaders followed by 48% for relationship building/interpersonal skills and 48% for communications skills. These same skills were those which respondents said their leaders and managers were lacking: 45% said leaders and managers in their organization were lacking in people management skills, 39% said they were lacking in communication skills and 37% said they were lacking in relationship building/ interpersonal skills.

In periods of change, due to different factors, the uncertainty take place and will have implications on employees, or on the environment when the employees are working. To face the change and to cope with the insecurity, managers must share information, and knowledge to keep the employees informed and to help them reduce the uncertainty, so this will lead to an effective change.

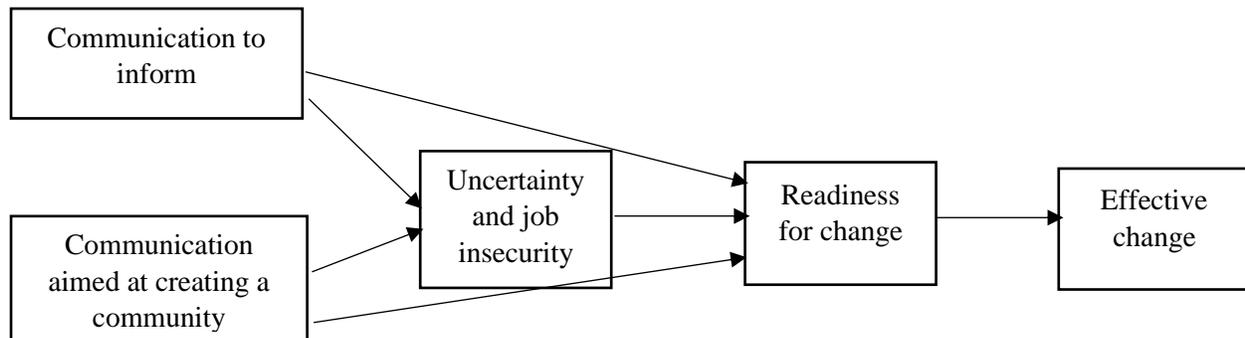


Figure 1. Communication during organizational change<sup>25</sup>

Following the current situation, when a change is required during a crisis caused by a pandemic, the goal of the organization should be to change communication from verbal communication to a more indirect contact. Leaders had to learn how to effectively communicate with their employees and to successfully share their leadership knowledge and goals so that in the end take the desired results. In normal circumstances they would have done using face to face meetings or verbal communication. But, in these new circumstances, virtual platforms or new technologies were the only tool the companies could use to meet with their colleagues and discuss their everyday activities. Video drastically reduces or eliminates the need for in person face-to-face communication. Some activities like meetings, training sessions can be done via video. Organizations that use new technologies to communicate are benefitting in the following ways<sup>26</sup>:

- *Reduced travel:* This can reduce travel costs for organizations, because video meetings can happen anywhere at any time and without the need for travel.
- *On-demand access:* Video technology provides organizations with a single, searchable portal where they can make all of their video assets discoverable and shareable.
- *Consistent employee onboarding:* Pre-recorded video training is the best way to ensure that new employees are given a consistent introduction to the organization.
- *Extended reach:* An enterprise video platform also allows organizations to rapidly extend the reach of important communications. Video allows leaders to quickly reach a large number of employees at once, which can be critical in an emergency.

<sup>25</sup> Huang et al., (2010)

<sup>26</sup> <https://www.mediaplatform.com/resources/how-covid-19-is-impacting-how-organizations-communicate/>

According to Gibson (2020), leaders with guidance on using remote technology to foster engagement and emotional closeness in new virtual organizations are especially appreciated. Based on the research of Semaan and Mark (2011), communication frequency within organizations has increased because it is now easier to connect with others through the use of technological resources (e.g. the mobile phone, IM and Facebook). Another research done on this field by Bojadjev and Vaneva (2021) shows that the frequency of meetings is higher. This fact is due to the use of new technologies (virtual meetings) that make easier the internal communication.

But, a risk of this virtual communication is that workers in some cases might have difficulty interpreting and understanding the information they receive. An important advantage of verbal communication is reducing misunderstandings and giving feedback quickly.

We all can see that the trend for homeworking remain present even in post pandemic time. So, even for experienced managers, developing new skills to manage and lead their teams effectively will be essential in this different working environment.

### **Discussion and conclusions**

Different researchers confirm that communication is very important for running a company in normal circumstances, but it is even more important during crisis times, such as in times of pandemic in nowadays. In these circumstances, the ways of communication have to be adapted due to the unexpected situation. The way we live and work has changed, even the way in which organizations operate has changed due to the restrictions caused by COVID-19.

Organizations that are oriented to service sectors such as ICT, finance and insurance, professional consultancy, etc. can mobilize a part of the workforce to work from home, whereas organizations with a heavy reliance on sectors such as manufacturing, agriculture, construction, and tourism are less able to do so.

Despite the difficulties this pandemic time has brought, it has make us more focused on developing some skills that are very essential when faced with a crisis. Despite hard skills such as practical and technological skills, also soft skills such as interpersonal and communication skills become very important for leaders and employees.

These new circumstances and this new era of working from home, also, require the application of new styles of leadership and a new way of working. Leaders need to communicate with transparency, and empathy, so it may help people to understand better the new conditions crises bring and help them to react within these changing conditions. Virtual communication has taken place to face-to face (verbal) communication impacting the way of working inside and outside of organizations.

This new situation makes organizations aware of reassessing old working habits and learning new skills to manage the situation better, to safeguard employee wellbeing and maintain a satisfactory performance. Organizations must be oriented to train their human resources (managers and employees) to new skills such as leadership skills, time-management skills, communication skills. Managers may benefit from attending specific training aimed at developing leadership skills in managing remote teams, leading teams through a crisis, effective communication with a remote team, coaching, and mentoring.

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# THE CONSEQUENCES OF THE 2008 ECONOMIC CRISIS IN MONTENEGRO

Prof.ass.dr.Anita Cucovic<sup>1</sup>,

Prof.ass.dr.Hajrija Škrijelj,<sup>2</sup> P

Prof.ass.dr.Anela Džogović<sup>3</sup>

*University "Haxhi Zeka", Rr. "UÇK"-së 30000, Peja, Kosovo*

*([anita.cucovic@unhz.eu](mailto:anita.cucovic@unhz.eu)) ([hajrija.skrijelj@unhz.eu](mailto:hajrija.skrijelj@unhz.eu)) ([anela.dzogovic@unhz.eu](mailto:anela.dzogovic@unhz.eu))*

## Abstract

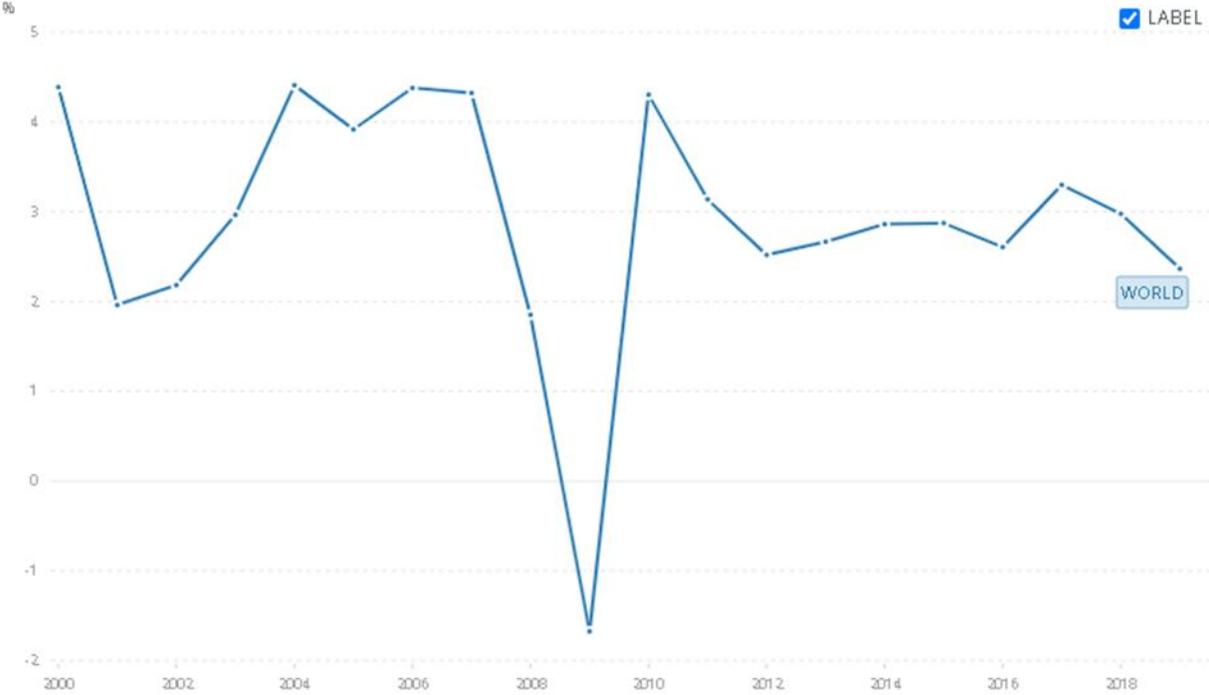
The consequences of the Financial Crisis of 2008 are still being felt globally today. After a long, continuous period of growth (excluding few minor contractions of the world economy), which started at the end of the Second World War, all the way up to 2008, a crisis occurred which some authors have compared scale-wise, if not according to its gravity, to the Great Depression in the 1920's United States. The Central banks of developed countries have employed the policy of quantitative easing, that is, „pumping in“ of freshly created liquidity into economic flow, as well as the policy of deregulation and interest rate lowering – thus, they have managed to keep the crisis somewhat under control. Developing countries, including those in the Balkans, have reached out to similar measures. This paper shall provide a brief review as to how has the aforementioned crisis influenced the economy of Montenegro and which methods were employed by the government and the private sector in order to react to the manifestations of the crisis.

**Key words:** 2008 Financial Crisis, Montenegro, macroeconomics

### 2008 Financial Crisis: Causes and Consequences

Much like every other economic crisis, this one has also first appeared in the sphere of finance, after which it quickly expanded into other sectors as well. As is well known, it has begun as a crash in the mortgage industry in the US, after which it „moved“ to the finance, credit and insurance industries (Stevanović, Đ, & Milanović, 2010, p. 354). The crisis is most commonly defined as a result of a crash in the US industry of mortgage lending, and it is due to the disbalance of the banking system and the financial market. The factors that have caused the crisis to appear in 2007. are a result of an unsound lending policy by various banks, which wanted extra short-term profits. This whole phenomenon took off few years before the 2007 climax. The banks have given very favorable loans to their customers, applying the policy of low interest rates, in order to kickstart entrepreneurial activity. The consumers of aforementioned loans have, for the most part, used the loans to buy luxury wares.

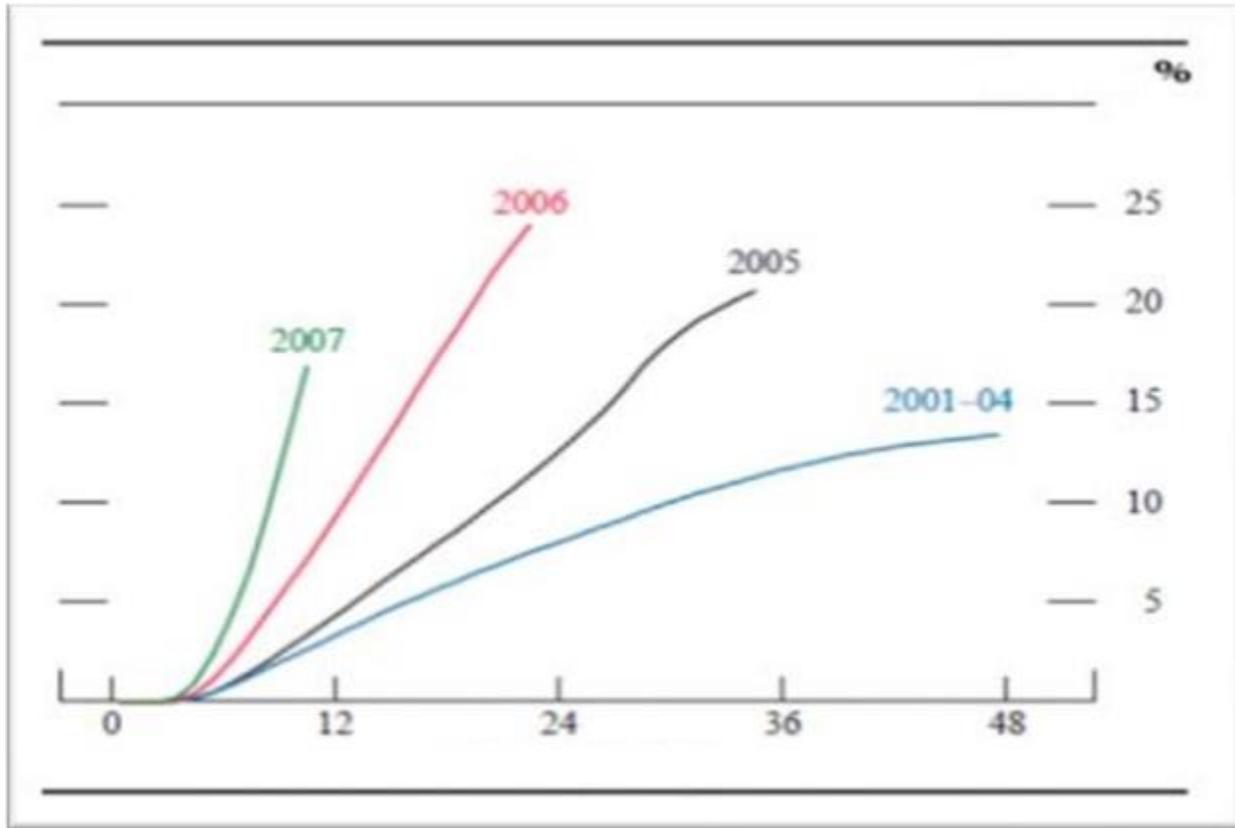
On the other hand, the manufacturers of these luxury wares have spotted a chance to quickly make extra profit, thus they enormously hiked the prices (yachts, automobiles, real estate, etc.), which lead to a process which we see today as the expansion of the financial bubble. The mortgage industry had for a long time been considered one of the most developed and secure industries. It had encapsulated both low risk, and almost certain gains. Between 1998 and 2006, the average growth of real estate prices was around 8% annually, while between 1930 and 1998 it was on average 0.7% annually. Data shows that the US real estate sector has seen a growth in prices of about 180% between 1996 and 2006 (Levitin & Wachter, 2012, p. 1241). The overinflation of the mortgage industry has resulted in a burst of said bubble, as well as the crash of the sector relating to stocks and bonds.



**Picture No. 1:** Global GDP growth during the last two decades (The World Bank, 2021).

Between 1991, up to June 2007, the prices of real estate have grown by 125%. Only between 2005 and June 2007, they have grown by 30%. From June 2007 onwards, they are in a descending trend. Throughout the growth period, owners of real estate have made large earnings in a relatively short timeframe. High profits have attracted big banks, investment and pension funds, insurance companies, as well as various speculators, onto the real estate market. Expecting a further rise in real estate prices, more and more individuals have jumped onto the wagon. However, due to an increasing number of clients with suboptimal credit scores, the rate of loan payoffs has decreased, while the number of active mortgages has risen, which led to a lack of funds in the banks, as well as a reduction in new loans and an increase of

supply in the real estate market.



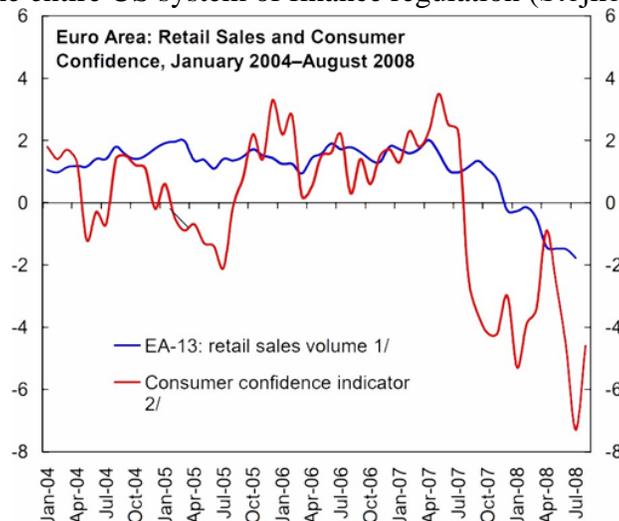
**Picture No. 2:** Percentage of bankruptcies of mortgage loans on the subprimary market in the US, from 2001 to 2007 (Multiple authors, 2009, p. 8).

The crash of the market relating to complex financial products based on 2<sup>nd</sup>-grade mortgage loans in the US has appeared because of the following three reasons (Whalen, 2008, p. 41):

1. The US Government has sought to, with assistance coming from thousands of companies, associations and government agencies, create an “affordable housing” program, and thus to enable housing loans to all interested parties;
2. The federal regulators have actively stimulated an increased growth of derivatives and securities of all types of institutions;
3. The Security and Exchange Commission, as well as the Board of Financial and Accounting Standards have given relatively stable protection.

The Federal Reserve have adopted a set of measures and mechanisms which helped the corporate banking sector, as well as institutions which it technically doesn't regulate, those being

investment banks and insurance companies. Using funds totaling billions of dollars, the Fed started buying a large number of securities, including commercial papers, mortgages of “Fannie Mae” and “Freddie Mac”, and government-issued bonds. Government assistance forked into three branches: investor protection, consumer protection against monopolies and maintaining the stability of the financial system (Cecchetti & Schoenholtz, 2011, p. 388). In order to resolve the crisis and to strengthen the international financial system, a summit of G-20 countries was held in April 2009. The G-20 countries have adopted a Plan of Action, which includes reforming three key areas: the regulatory regime, the effective oversight and the risk management. In June 2009, a suggestion was made to overhaul the entire US system of finance regulation (Stojković, 2019, p. 96).



**Picture No. 3:** Fall in commercial activity and consumer confidence (International Monetary Fund, 2008, p. 2).

The answer of the ECB to the global financial crisis is best understood through four different phases of the crisis (Kilibarda, Nikčević, Milić, & Mićunović, 2011, p. 25):

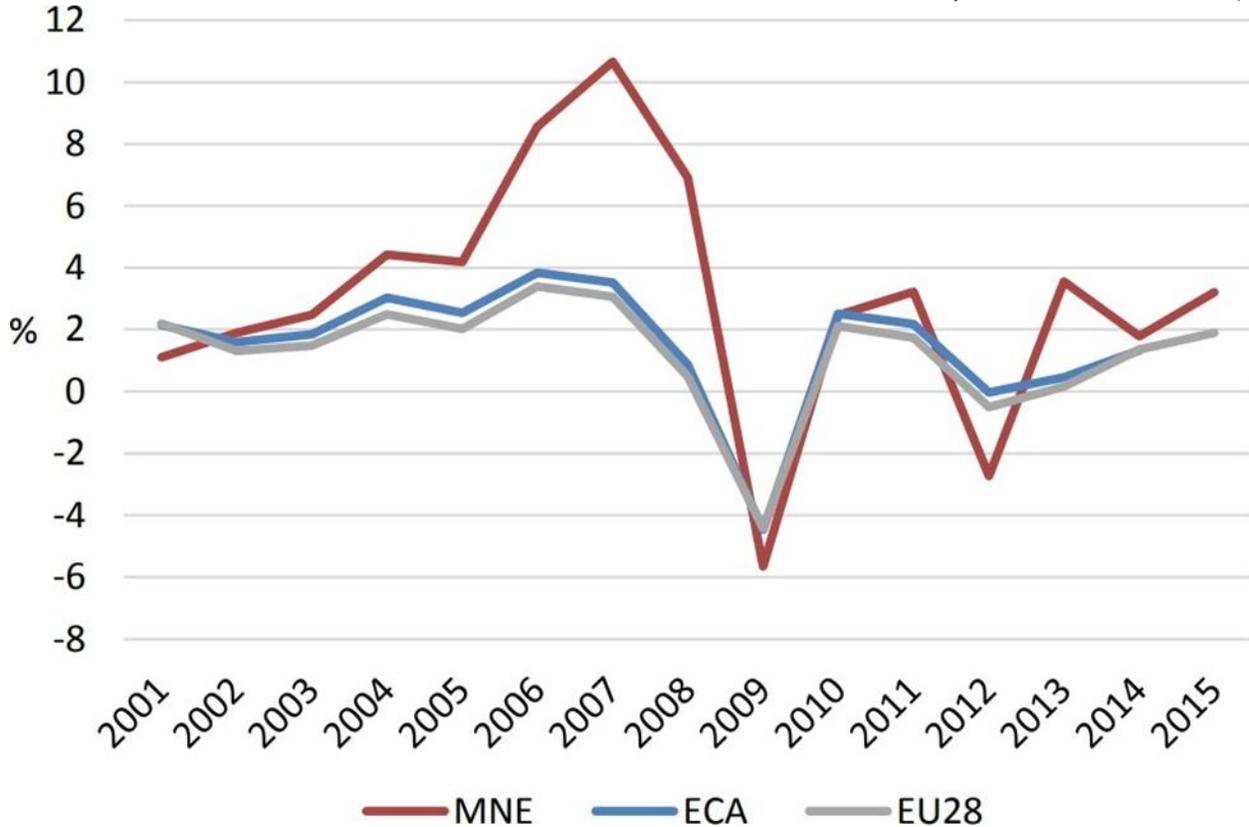
1. The period of financial strain;
2. The crisis intensifies;
3. Temporary betterment on the financial market; and
4. Government debt crisis.

The response of developed countries to this crisis consists mostly of a budget deficit increase. For example, it was projected that the US budget deficit in 2009. might reach, or even surpass, 10% of total GDP, which is around 1.37-1.4 trillion dollars. A rise in budget deficit is also expected within the European Union. However, having in mind the state of affairs throughout 2008, those were perhaps the only measures that could have been taken in order to avoid an economic depression (Popov, 2010, p. 13).

## The Global Financial Crisis in Montenegro

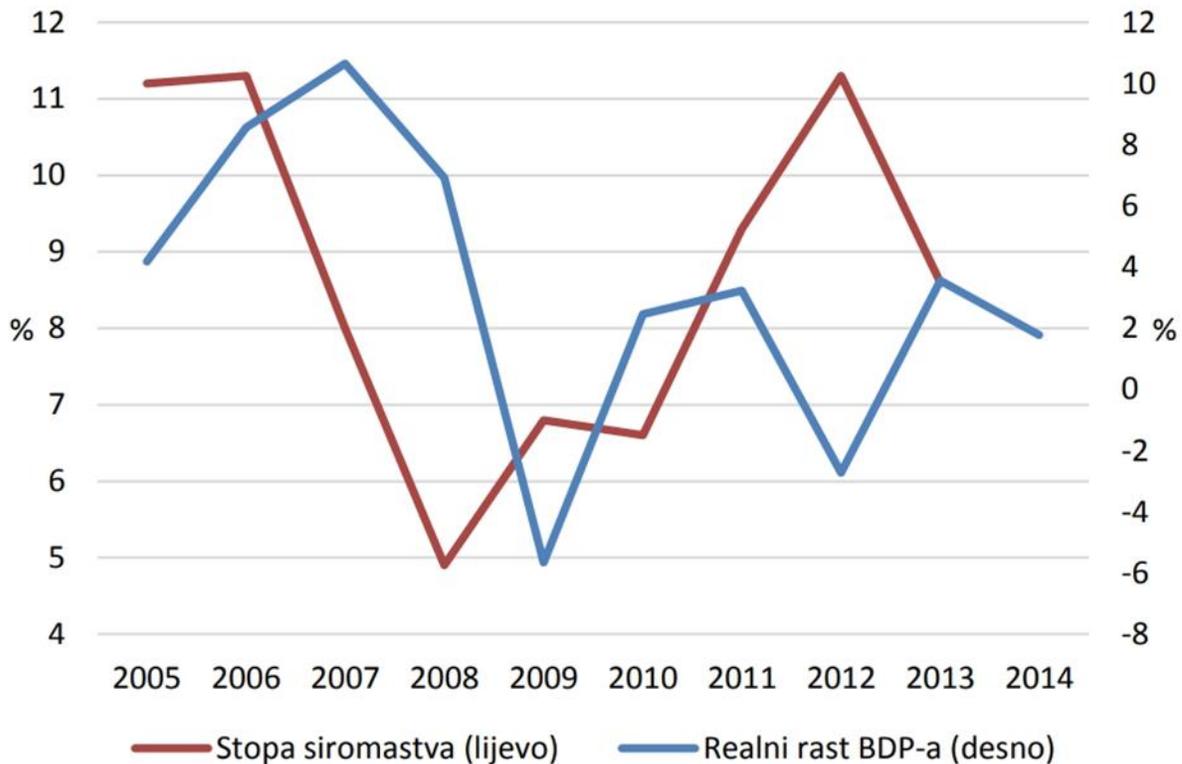
Montenegro has had stable progress when it comes to key reforms aimed towards European integrations. Having recently adopted a strategy to join the EU, Montenegro has received the formal status of a candidate to join the EU, and initiated the dialogue in June 2012. Efforts to join the EU have remained the primary international lever for domestic reforms, and progress in this regard is assumed to support economic growth throughout the interim period. Being a small, exposed economy, Montenegro was heavily hit during the crisis, especially through the period of Eurozone volatility. After a particularly heavy 2009 recession, Montenegrin economy has recorded a growth of 2.5% and 3.2% in 2010 and 2011 respectively, thanks to a strong growth in exports, recovery of domestic spending and growth in the tourism sector. Throughout the past years, however, Montenegrin economy has waned, having in mind that domestic demand has also fallen. Exports have decreased by almost 20% in 2012. The real sector was hit when lending activities halted. Between 2006 and 2008, before the crisis, Montenegro has reported annual loan growth of above 100%. Since then, loan growth is deeply in the negative, thus, credits in the private sector (expressed as percentages of GDP) have fallen from 69% at the end of 2010 to 52% at the end of 2012 (Evropska banka za rekonstrukciju i razvoj, 2016). At the apex of the economic boom, in 2008, influx of liquidity was around 46% of GDP. A large influx of foreign capital (mostly in tourism, real estate and banking) has spurred domestic demand and led to a two-digit growth of 10.7% in 2007, which placed Montenegro among the fastest growing, non-oil based world economies. A sweeping program of privatization- and business-oriented reforms, along with low tax rates has led to impressive growth and an increase in employment by over 17% between 2001 and 2008.

Private spending, expressed as percentage of GDP, has grown from 70% in 2000 to 91.2% in 2008 (The World Bank, 2016, p. 5).



**Picture No. 4:** Actual GDP growth in Montenegro, as well as in Europe Central Asia (The World Bank, 2016, p. 5).

The process of privatization was the main motive behind foreign investment in Western Balkans, and this influx was mostly aimed at the service sector, such as banking, communications, trade, energy and (partially) real estate. Investments in the industrial sector were considerably lower compared to foreign investments aimed towards the service sector. The most significant investors were from the EU. The structure of those investments shows that the dominant influx of the aforementioned capital was primarily motivated by providing quality international services to domestic consumers, especially in areas such as banking, communications, retail, and, to a lesser extent, tourism and export of services. A small number of investments were industrial sector-focused, which was thought to influence competition in exports – as demonstrated by countries of Central and Eastern Europe. The financial crisis has influenced these events, while, for example, Albania and Montenegro have experienced a growth in foreign investment. On a regional level, the drop in foreign investment was dramatically small than it was in 2009 (46%) (Botrić, 2010, p. 21).



**Picture No. 5:** Poverty rates and GDP growth in Montenegro (The World Bank, 2016, p. 8).

All exports in Western Balkans countries are much lower than their economic potential implies, as measured by exports per capita or some other simple indicator. These exports are dominated by primary products, raw goods and work-intensive products with little added value. All of these countries face an imbalance in foreign trade because they are recording a deficit with most of their foreign trade partners. When the 2008 crisis first appeared, these exports were small to begin with, and they continued to drop. The crisis has entered West Balkans mere months after it had started in the US. This serves as proof that economies in the Balkans are engaged in global trade, however, this is more due to influx of foreign capital, rather than exports to global markets. The degree of openness of Western Balkans economies is mostly large (over 50%), except when it comes to Albania (around 40%). The drop in exports was significant, and little to no recovery had been made up to the end of 2010. The drop in exports ranges from 10% (Croatia), up to almost 50% (Macedonia and Kosovo). The drop in exports of industrial products was much more serious, as compared to agricultural products, except in Albania and Montenegro (Jaćimović, Bjelić, & Marković, 2013, p. 9).

A significant spike in lending in Montenegro before 2008 was mostly financed by foreign-based banks. Total loans in Montenegro have had an average yearly growth of 145% in 2006 and 2007, which is an increase from 39% of GDP to 84%. These loans were mostly concentrated in the real estate sector.

A large boom in loans, followed by defective insurance standards has increased risk associated with loans in banks' portfolios, thus leading to a higher degree of exposure and risk of illiquidity, as financing coming from foreign banks jumped from 8% in 2006, to 21% in 2008 (as percentage of total liabilities). In June 2009, the loan-to-deposit ratio was 150%, up from 79% in 2006. Foreign banks have maintained their presence even after the crisis. The Central Bank of Montenegro, being the prudential regulatory body, has taken steps to halt the boom in loans. Towards 2006 and 2006, the Central Bank has increased the basis of deposit required in order to stimulate savings. Basic regulatory limitations, quantitative limits of credit growth of the largest banks, have been introduced in 2007 to slow credit expansion and enhance the structure of bank deposit financing. At the beginning of 2008, a new law was introduced, which increased the capitalization of banks – it was also designed to improve quality of oversight. Even though the credit boom was slowed, as a response to prudential measures, as the crisis dragged on, the banks were more and more worried about their decimated liquidity positions (Svjetska banka, 2012).

When the global crisis, which began in 2008, put a halt to credit expansion, Montenegro has suffered a serious drop in loan-related activity. Total assets of banks, which clocked at about 11% of GDP by the end of 2007, have since dropped. Throughout 2009, a drop in lending has hit rock-bottom (14%), mostly because of a problem relating to a drop of quality of bank assets, and also because, as economy dropped, demand for business credits dropped even further. Parent banks have become less available, and Montenegrin banks were forced to readjust their exposure to liquidity risk. Loans from parent banks as part of total debt fell from 20% (21% of GDP) in 2008, to 13% (11% of GDP) in 2012. This has placed the loan-to-deposit ratio from 150% in June 2009, to 92% in September 2012. Furthermore, as banks were clearing their balance sheets, loans have continued to drop in 2010 and 2011, before returning to a modest growth in 2012 (Svjetska banka, 2012).

The consequences of this crisis are being felt today. Montenegro, as a post-transitional country, was extremely dependent of foreign investment, thus, it was not difficult to predict even in the early phases of the crisis that the troubles would spill over into Montenegro and additionally destabilize the already-unstable economy, which, however, has shown and still shows, massive potential, especially when it comes to tourism. Since then, Montenegro has significantly stabilized its economy, mostly via new regulatory measures and it is en route to become the fastest-growing economy in the Balkans.

### **Conclusion**

The 2008 Financial Crisis is a phenomenon for which many culprits exist; however, the main ones are deregulation and uncontrolled growth. Contemporary economic theory, whose progenitor is John Maynard Keynes, has been warning us about the dangers of uncontrolled and unregulated growth for several decades now. The primary danger are the economic bubbles, which eventually have to burst. To accept them as a part of a wider business cycle, and to exclude regulatory activity is equal to handing over consumers and businesses alike to the vagaries of the market. An economy such as Montenegro, which is still exiting transition, would suffer a devastating blow if that were to happen.

The worst aspects of the crisis are mostly long gone, and positive growth has been projected, however, that optimism ought to be tampered with careful research, as well as a delicate regulatory framework.

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## **CORPORATE GOVERNANCE STRUCTURES**

**Dr.sc.Behije Ibrahim**  
**University , "Ukshin Hoti"-Prizren**

### **Abstract**

A bank is required to consider the often conflicting demands of its individual customers, borrowers, depositors, investors, employees, shareholders, regulators and the public, commonly referred to as stakeholders. All parties have an interest in the bank's future success. For example, if the bank is successful, customers benefit from ongoing business relationships, depositors have constant access to their money, and employees have jobs and receive salaries. Banks try to balance the conflicting interests of all its actors, but acknowledge that ultimately all decisions must increase the value of the bank and the wealth of the bank's owners, the shareholders.

Shareholders elect the board of directors who oversee the management which controls the day-to-day operations of the bank. Corporate governance, is a set of relationships between the board of directors, shareholders and other actors in a company, is a framework that banks use to increase their success.

**Keywords: Governance, corporations, structures, basel, strategies, financial incentives.**

Corporate governance

The corporate governance structure of the bank depends on the legal system in the host country, and on the historical development of the bank.

Although there is no single structure that can be described as ideal, however the concepts of corporate governance are generally accepted and ideas which have supported an adequate system of governance functioning. Good corporate governance seeks to establish rules that help corporations, such as banks, establish internal processes benefiting both the bank and its stakeholders.

Some national and international organizations, agencies, corporations, and institutions have sought to define what creates good corporate governance. Some of the identified elements are described in this section.

The board of directors has the ultimate responsibility for the management and performance of the company and is responsible for its governance.

**The Board of Directors must do as follows:**

- Establishes the general strategic direction of the bank, including establishing bank risk tolerance levels.
- Advise on recruitment and human resources (HR); oversees, guides, and reviews senior management performance; and decides on senior management compensation.
- Monitor the bank's performance, and review regular financial and risk reports
- Be qualified, both personally and professionally, to act as directors with integrity and in the interest of shareholders.
- Meet regularly with senior management and the internal auditor to formulate and approve policies.
- To reviewed reporting lines, authority and responsibilities of the bank's senior management.

In particular, external directors must be independent of internal and external influences and give sound advice without taking part in the day-to-day management of the bank.

Specialized committees support the overall work of the board and enable board members to oversee specific areas. These committees will cover areas such as risk management, auditing, compensation, and board nominations. Particularly in small banks, a board-level commission may be required to review major loan decisions.

When the board of directors establishes the bank's strategy and risk tolerance at the bank level, it effectively decides which types of assets basically the bank has to sign it. Basically, any bank can choose between a low risk strategy and a high risk strategy.

- The low risk strategy leads to the signing of high quality bonds (in particular, government bonds) and loans with strict signing standards (Chapter 4), including collateral requirements. These assets are considered conservative, with a low risk of default. Chapter 6 will discuss bonds.
- The high-risk strategy includes signing low-quality bonds (in particular, low-priced corporate bonds) and loans with less stringent signing standards. All of these assets are considered risky, with a greater risk of default.

Whether a bank will pursue a low-risk strategy or a high-risk strategy, the board of directors must determine how carefully, or conservatively, the bank should be managed.

A prudent bank closely monitors the loans it signs, has more than adequate liquidity, and generally has strict internal controls over all aspects of its operations.

From the perspective of regulators, a prudently managed bank that pursues a low-risk strategy is optimal. A bank which is not carefully managed and pursues a high risk strategy usually causes considerable concern for regulators. The organizational structure of the bank is determined by the board and is headed by the Executive Director (CEO). The board has oversight responsibilities, while day-to-day decision-making has been left in the hands of the CEO and senior management. At the head of the organization is the board of directors. Immediately under the board of directors is the company CEO or president, who oversees senior management.

Senior managers, on the other hand, oversee the activities of business units, new managers, and employees. This hierarchical structure ensures that corporate activities are coordinated between different businesses.

An example of this structure is presented in Figure 2.17.

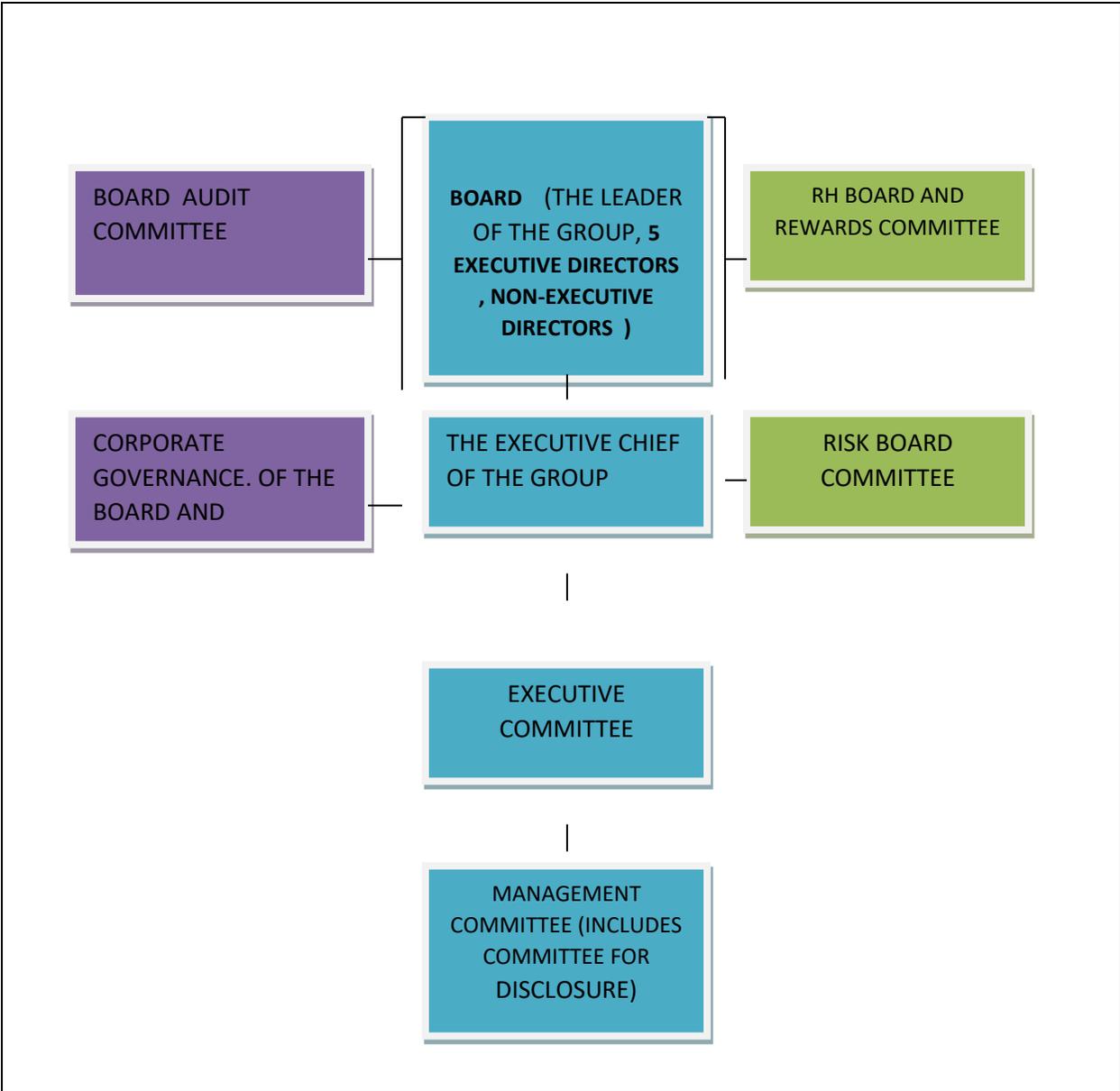


Figure 2.17. Typical organizational structure with the Board of Directors

In many countries, the corporate governance structure includes a Supervisory Board. As the name suggests, the Board oversees the current situation, the course of the business, and a Board of Directors, guided by the interests of both the company and its actors. The Supervisory Board also provides support and advice to the Management Board. An example of this structure is presented in Figure 2.18.

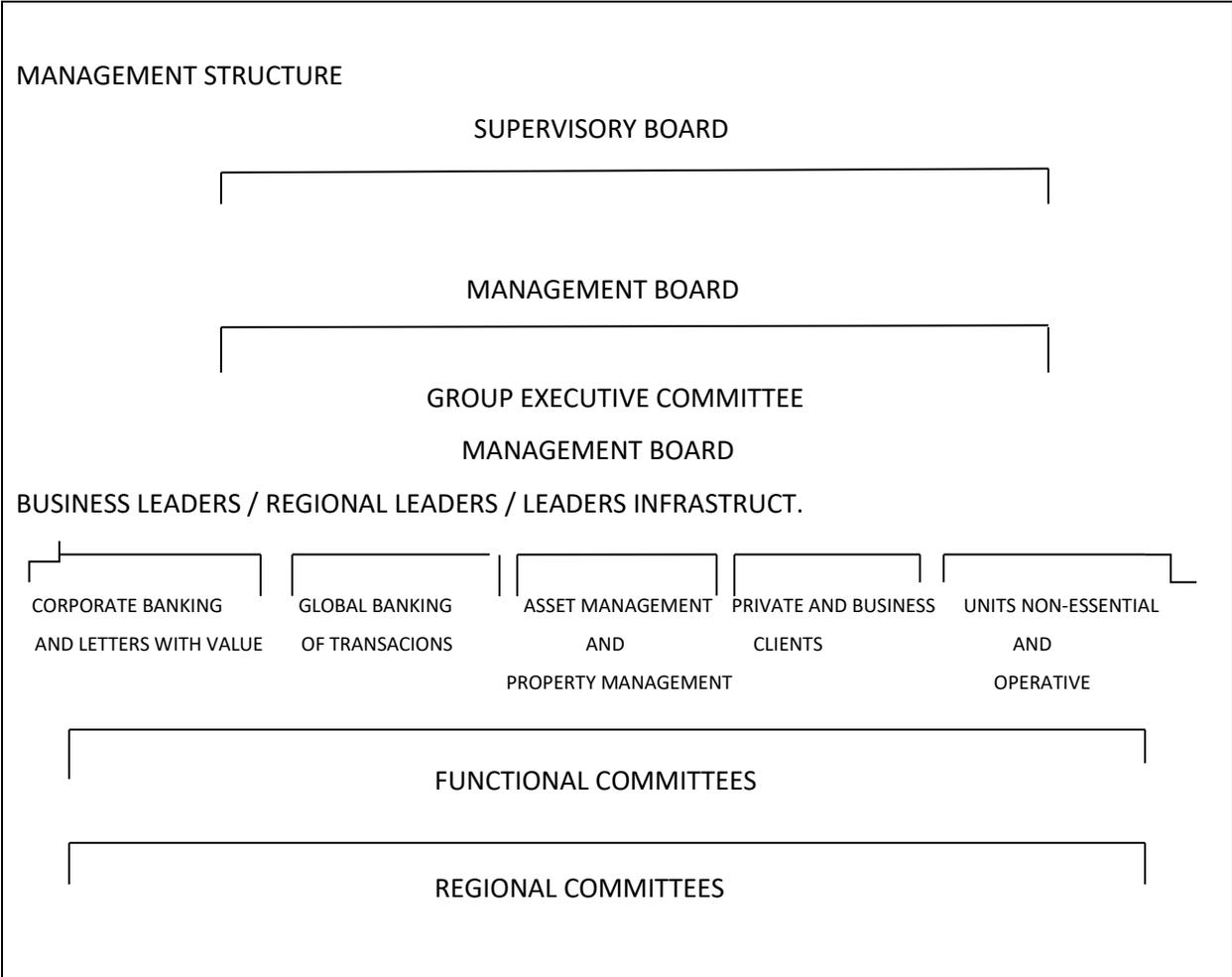
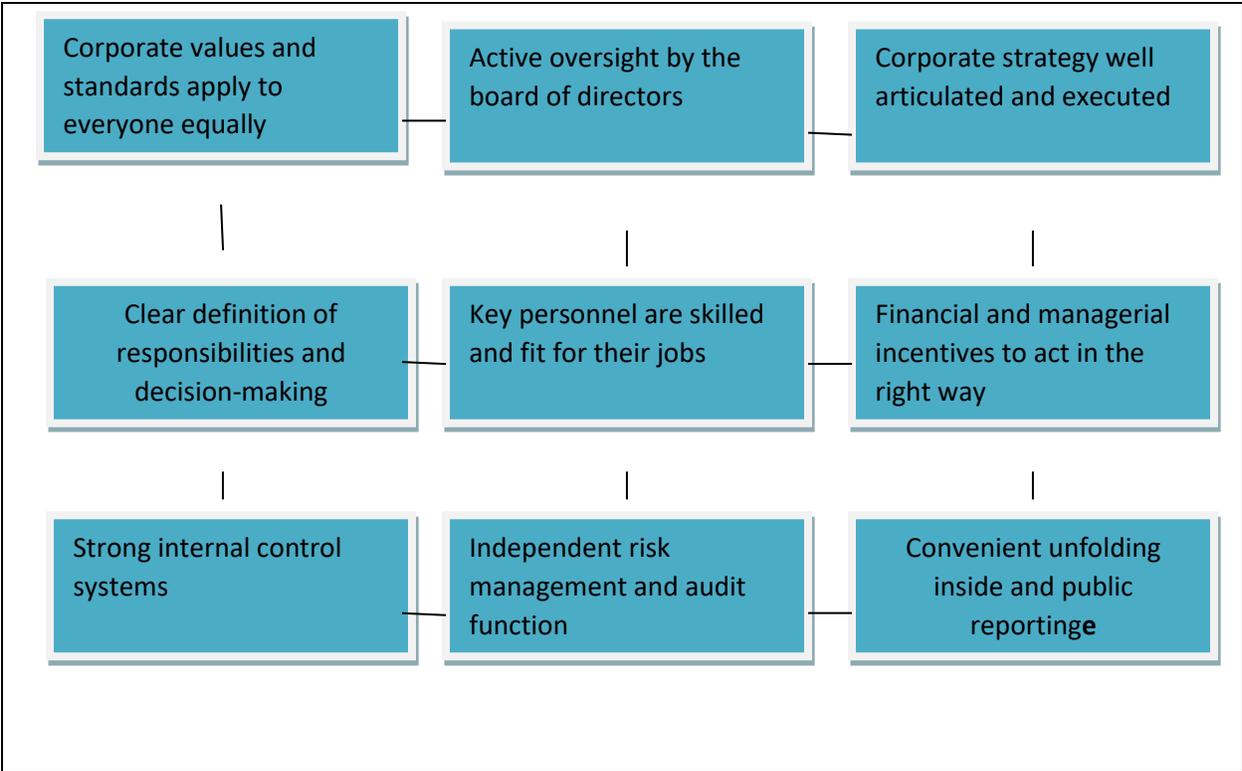


Figure 2.18. Typical organizational structure with Supervisory Board

Corporate governance technique

The structure of corporate governance in banks varies depending on local customs, legal constraints, and the historical development of each bank. Figure 2.19 lists the techniques typically adopted by a bank to implement good corporate governance.



Corporate governance techniques

Although there is no single structure or set of techniques that can be described as ideal, there are important governance issues that need to be addressed in order to ensure that adequate controls and balances exist.

These are.:

- Oversight by the Board of Commissioners, the Board of Directors, or the Supervisory Board.
- Supervision by individuals who are not involved in the day-to-day running of various businesses.
- Direct supervision in various areas of business.
- Independent risk management and audit function.
- Key staff must be appropriate and proper to their affairs.
- Regular reporting

#### Senior management and corporate strategists

Senior management has full oversight of managers (managers are held directly responsible for the development of a particular line of business or operational function).

An important task for senior managers is to communicate responsibilities and ensure performance each staff member. Senior management also has a key role to play in setting and implementing a bank's strategic objectives. A bank that has no strategic objectives will find it difficult to manage its activities, as there will be a lack of focus on the use of its resources.

#### Values and culture

It is important for a bank to have a strong corporate culture. By creating a corporate culture, the bank will be able to conduct its business according to clearly defined values. Equally important is the communication of such policies in all areas of the bank.

The setting of company values should be implemented in all areas of the bank, including the board of directors. They should encourage reporting problems in a timely manner and prevent corruption and bribery both inside and outside . These values should be supported by policies to prevent situations that may challenge the functioning of good corporate governance. An example would be a policy that clearly sets out a procedure for employees to follow if their work creates a conflict of interest with their external interests. A clear policy reinforces the bank's values in dealing with such situations.

#### Financial incentives

It is important that the board of directors develops a remuneration policy that reflects the bank's culture, objectives, strategy, and control environment. The board should set bonuses for senior management and other key staff. Any such reward scheme should ensure that this does not create an imbalance between risks and benefits, as it is important to link the structure of payments and bonuses with long-term risk management. Compensation schemes should encourage individuals to consider long-term issues over short-term revenue generation, while promoting the attraction and retention of talents. The reward scheme should be designed to motivate senior management to act in the best interest of the bank.

It should discourage measuring short-term performance that may leave the bank exposed to long-term risks. Salary rates should be set at that way that staffs are not overly dependent on short-term performance in relation to their total reward package.

#### Conclusion

Internal and external auditors validate information provided by senior management to the board of directors, regulators, and the public. Both internal and external auditors play a central role in corporate governance. The Board of Directors supports and protects the interaction of auditors in the following ways:

- The board supports auditor independence by engaging auditor to prepare an impartial assessment of the company's financial condition based on accepted standards and to report findings directly to the board.

- Boards engage external auditors to judge the effectiveness of the company's internal controls.
- Bordet duhet të rishikojë, në kohën e duhur dhe në mënyrë efektive, gjetjet dhe rekomandimet e auditorëve dhe të kërkojnë korrigjim të menjëhershëm nga ana e menaxhmentit të lartë të problemeve të identifikuara nga auditorët.

Transparency helps stakeholders, investors, the public, and regulators evaluate the bank's performance and how effectively senior management and the board are fulfilling their responsibilities. The degree of transparency is related to the degree of disclosure. At a minimum, publicity should include:

- Size and qualifications of the board of directors and its subcommittees.
- The structure, qualifications, and responsibilities of the company's senior management.
- Information about the basic organizational structure of the bank, including its legal structure.
- Information about the senior staff incentive structure and remuneration policy (usually limited to some senior staff and well-rewarded employees).
- The nature and extent of transactions with subsidiaries and related parties.

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# MIGRATION AND THE IMPACT OF UNEMPLOYMENT IN KOSOVO

**PhD.c, Bletrona KRASNIQI**

University “ Ukshin Hoti ”, Faculty of Economy, Prizren, Kosovo, e-mail:

[Bletrona.krasniqi@hotmail.com](mailto:Bletrona.krasniqi@hotmail.com)

## **Abstract:**

Given how current the situation of emigration of Kosovars is, this pushes us to study this issue even more deeply and to understand what were the reasons for their emigration.

The results from the primary data from the research as well as the use of secondary data for the theoretical part have testified to the achievement of the purpose of the paper, familiarity with the current situation in Kosovo and the needs of the population, concluding findings and making recommendations for people surveyed and not only them but also all those who have an interest in this paper. This paper contributes to the awareness of Kosovo Albanians on the importance of the homeland and not emigrating to other countries.

## **Introduction**

During this research we will try to study and draw results about the percentage of emigrants by classifying them based on gender, reasons for their emigration, place where they migrated, the way of their status in the country where they moved, etc.

Large population movements, especially international emigration, occurred in the late eighties with the highest intensity in the 90s and after that continue to have a high emigration trend even today.

In addition to the socio-economic impact, migration also affected the reproductive aspect of the population of Kosovo and certain areas. Therefore, elaborating on international migration in Kosovo based on these data is of particular interest<sup>27</sup>.

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<sup>27</sup> <http://ask.rks-gov.net/media/1379/migrimi-kosovar-2014.pdf>

Today, about one in four families have a family member living abroad, while one in four families also receive support from these individuals in the form of remittances<sup>28</sup>.

The resulting migration and remittances from the diaspora have been a safety valve for many of those left behind in Kosovo, securing their livelihood in a country with the highest unemployment and poverty rates in Europe<sup>29</sup>.

The finalization of this paper was done by a questionnaire directly, so access to data was done through a survey of citizens - some families pushing them to complete a questionnaire formulated in the simplest and most accessible way. by the researcher himself.

### **Population migration, types, and causes**

Migration means the change of habitual residence with another residence (municipality, region, state), or relocation from one settlement to another respectively: municipality, region, or another state.

In the territorial-administrative aspect, migration is divided into:

- Emigration – national/international (represents the departure of the population from a given country abroad.)
- Immigration-national / international (arrival of the population in a certain country within the state).

Migration has supported the growth of the world economy, contributed to the evolution of states and societies, and enriched many cultures and civilizations. Migrants have been among the most dynamic and entrepreneurial members of society, people who are prepared to take the risk of leaving their homes to create new opportunities for themselves and their children<sup>30</sup>.

An immigrant can not only be considered as a workforce that will bring about the efficient functioning of the economy and the "European social model", but he is a person with his accumulated experience, his view of the world (conditioned by culture ), goals and aspirations<sup>31</sup>.

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<sup>28</sup>[http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2015/09.\\_ipa\\_2014\\_migration\\_asylum\\_and\\_fight\\_against\\_trafficking\\_with\\_human\\_beings\\_20141027.pdf](http://ec.europa.eu/enlargement/pdf/kosovo/ipa/2015/09._ipa_2014_migration_asylum_and_fight_against_trafficking_with_human_beings_20141027.pdf)

<sup>29</sup> <http://web.worldbank.org/archive/website01352/WEB/IMAGES/MIGRAT-2.PDF>

<sup>30</sup> Khalid Koser – International Migration – a very short Introduction

<sup>31</sup> The John Paul II Catholic University of LublinLublin Business School, Ltd. of the KUL Development Foundation - Migration– a Challenge to the 21st Century.

Much of Kosovo's history has been marked by violent and mass migration of the displaced population as a result of the war, where more than 800,000 people fled Kosovo as refugees.

From 2008-to 2014 the EU rejected a large number of Kosovar asylum seekers that the reason for leaving was economic reasons, the fact of declaring independence did not meet the requirements of

EU asylum. So, out of 13,220 asylum applications from Kosovo citizens, 6.85% were approved, while 93.15% were rejected<sup>32</sup>.

The declaration of independence was believed to solve their economic and social problems and lead to a lower migration trend. However, this did not happen, research conducted in 2008, after the declaration of independence shows that the intention to migrate only increased, doubling from 20% to 40%<sup>33</sup>.

The end of 2014 and the first month of 2015 mark a period of exodus, in the last months of 2014 and the first two months of 2015, the EU experienced an increase in the number of illegal immigrants fleeing Kosovo through the Serbia-Hungary border, and then to Western European countries<sup>34</sup>. We still do not have reliable data on the number of people who left the country during that period, but according to estimates, there are almost 50,000 citizens of Kosovo who have left the country illegally<sup>35</sup>.

In mid-February, the Kosovo Ministry of Education, Science and Technology released information indicating that 5,200 students had left school to go abroad with their parents.

According to the "Population Estimate for 2016," the number of the resident population in Kosovo at the end of 2016 is estimated at a total of 1,783,531 inhabitants resident number which is taken as basic data to estimate the population for 2017.

The number of Kosovar emigrants during 2017 is estimated to be a total of 11,263 inhabitants, including legal and illegal emigrants.

Most of the immigrants for 2017 were legal immigrants. Legal emigration was due to family reunification, marriage, finding a job, permanent relocation (mainly to neighboring countries),

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<sup>32</sup> UNDP (2014) Kosovo Human Development Report; pp. XII, Marrë prej:  
<http://hdr.undp.org/sites/default/files/khdr2014english.pdf>

<sup>33</sup> UNDP (2011) Diaspora Engagement in Economic Development;  
<http://www.ks.undp.org/content/dam/kosovo/docs/DEED/PRODOC%20DEED.pdf>

<sup>34</sup> Rusila A,(2015) Peace and Collaborative Development Network "The Mass Exodus of Kosovo Albanians", Marrë prej: <http://www.internationalpeaceandconflict.org/profiles/blogs/the-mass-exodus-of-kosovo-albanians#.VRA4XY54pKU>

<sup>35</sup> BYTYCI, F., & THAN, K. (2015) Dramatic surge in Kosovars crossing illegally into EU Reuters

long-term studies with employment, etc. The balance of international migration (net migration) in Kosovo for 2017 was -5,431 inhabitants. (Latest data from KAS- Kosovo Agency of Statistics)

Table 1. Total population of Kosovo and migration for 2017

The estimated total population in all municipalities (2016)	International Migration (2017)			National Migration (2017)			Overall balance at the municipal level 2017	Total population and migration (31.12.2017)
	Immigration	Migration	Balance of international migration	Immigration	Migration	Balance of national migration		
<b>1,783.531</b>	<b>5,832</b>	<b>11,263</b>	<b>-5,431</b>	<b>9,376</b>	<b>9,376</b>	<b>0</b>	<b>-5,431</b>	<b>1,778.100</b>

Source: Kosovo Agency of Statistics

#### Overall growth

After several years, Kosovo marks a significant population growth thanks to the positive natural increase of the population with 20,406 inhabitants and the small net international migration of -5,431 inhabitants. The resident population of Kosovo, for the period 01 January – 31 December 2017 increased by 14,975 inhabitants or 0.84%. The population in Kosovo for 2017 is estimated to be 1,798,506 inhabitants<sup>36</sup>.

The reasons for migration are:

1. Ensuring a better economic future;
2. Higher standard of living;
3. Education; 4. Political reasons;
5. Family reunification.

#### **The impact of unemployment on the emigration of Albanians**

It is estimated that about 34% of the population live in poverty at 45 euros per month, which in other words means that they live on about 1.4 euros per day<sup>37</sup>.

<sup>36</sup> <http://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/sociale/vleresimi-i-popullise>

<sup>37</sup> [https://www.usaid.gov/sites/default/files/documents/1863/CDCS\\_Kosovo.pdf](https://www.usaid.gov/sites/default/files/documents/1863/CDCS_Kosovo.pdf)

The private sector in Kosovo is facing low productivity, a lack of practical skills, and insufficient access to markets, capital, and technology<sup>38</sup>.

Small and medium enterprises (SMEs), which represent the main business activity in Kosovo, contribute to 97% of total employment even though it has an employment capacity of mostly 1-9 employees; however, they do not provide the necessary level of assistance to reduce the unemployment and poverty rate, which was one of the main reasons for the large influx of Albanians<sup>39</sup>.

The most worrying situation in the labor market in Kosovo is the high unemployment rate. The average unemployment rate in Kosovo is 35.1%, while youth unemployment for, those aged 15-25, is even higher at around 55.3%<sup>40</sup>.

Regarding the perception of Kosovo investors regarding the business environment in the country, the responses obtained from a survey of current and potential investors show that the main obstacles to investing in Kosovo are: lack of rule of law, corruption, and economic and political instability<sup>41</sup>.

### **Unemployment by gender**

According to the 2017 LFS in Kosovo, there were 156,583 persons aged 15-64, who were unemployed, 113,070 of whom were males and 43,513 females. The unemployment rate was 30.5%, higher among women at 36.6% than among men at 28.7% (Graph 2.1). Compared to the LFS of 2016 in Kosovo, we have an increase in the unemployment rate by 3.0%, where this increase in men was 2.5% while in women we have an increase of 4.8%.

In a study on immigration issues, the Institute of Statistics (INSTAT) ranked the three main attractive factors of emigration were: Unemployment at (71.8%) followed by better job opportunities at 67.7%, and higher-income opportunities at 64.7 %. Although not a high percentage, family reunification is a reason for migration for 16.3% of respondents and 43.8% of women. General insecurity in the country is also perceived by 8.8% of respondents as a driving factor for immigration<sup>42</sup>. The majority of immigrants, 58.8% before migrating, were unemployed; 11.7% had permanent jobs, 7.4% were self-employed and 11.8% were students.

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<sup>38</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20141008-kosovo-progress-report\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20141008-kosovo-progress-report_en.pdf)

<sup>39</sup> Veseli, L., Soini, E. (2011). FACTORS INFLUENCING SMES GROWTH IN KOSOVO

<sup>40</sup> KAS (2014) Result of the Kosovo 2013 : Labor Force Survey -Kosovo Agency of Statistics

<sup>41</sup> Shaiji, K., Krasniqi, B., Mati, B., Gashi, E., (2014) Investors perception of Kosovo's Business Environment, Survey with current and potential investors, Report

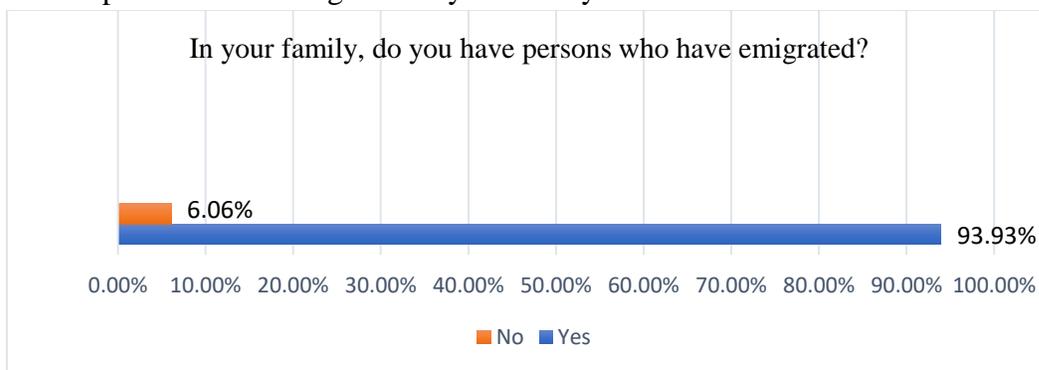
<sup>42</sup> JUSUF BUXHOVI- KOSOVA, Dardania in Ancient and Medieval Times, Volume 1, pg.36 Huston- USA

A small percentage of 3.7% were retired at the time they decided to migrate. The employment situation has changed upon arrival in the destination country<sup>43</sup>.

### Research Results or Data Analysis –

The research was done through a questionnaire made on the online platform. Data provision was done through a survey of 40 respondents. For the research to be as accessible as possible for the respondents, the questionnaire was made based on a simple questionnaire that contained 10 questions so that we could get the most accurate results. Also, based on these, conclusions and recommendations have been drawn.

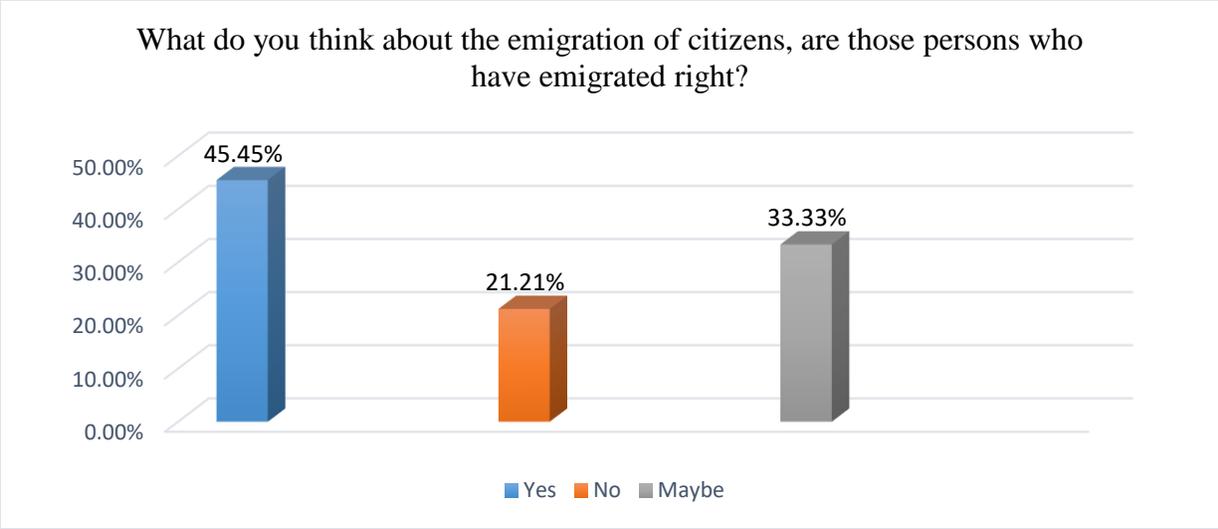
#### 1. People who have emigrated to your family?



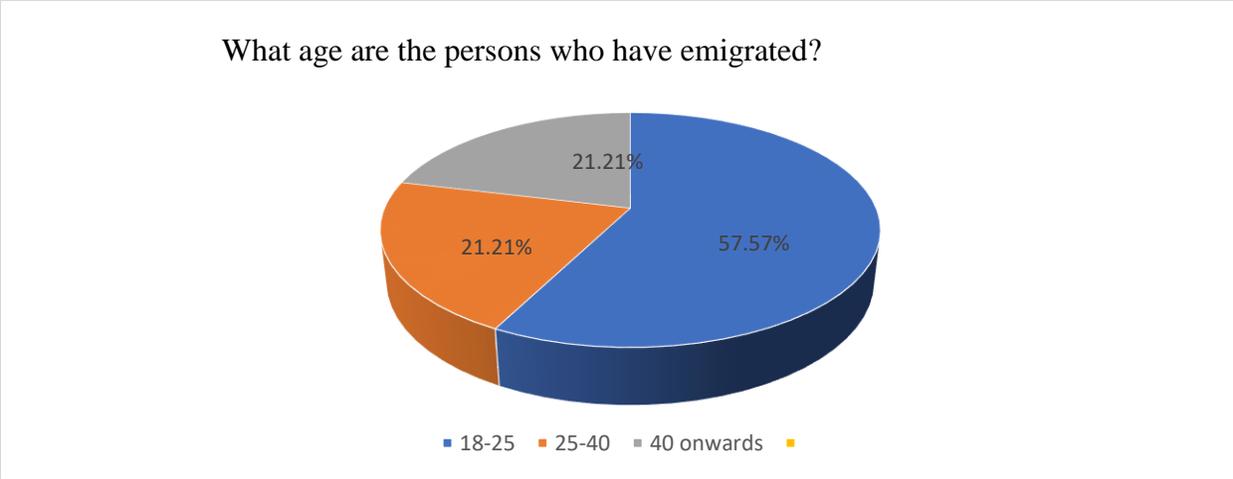
For this study, we have elaborated on the issue of how many people have emigrated to different countries of the world, as we know the situation in Kosovo and especially that of 2015 which marked the period of migrant exodus where a large wave of citizens migrated illegally abroad for economic reasons for finding a better lifestyle. In the questionnaire made by 33 respondents, it is clear that each family has emigrated abroad by one or two members, which was predicted to be so, where 93.3% was the percentage of families that had emigrated while only 6.06% had no members emigrated.

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<sup>43</sup> <http://shtetiweb.org/2015/04/23/instat-arsyeja-kryesore-e-emigracionit-eshte-papunesia/>

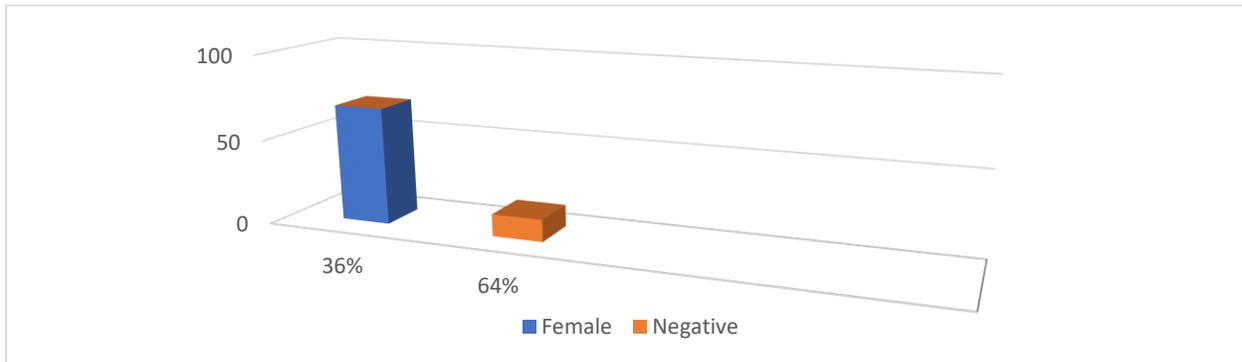


Out of 33 respondents, 45.45% of them thought that the emigrated family members were right, while 21.00% thought that it was right for them to leave because even in Kosovo there is a good income for the installments they want to work and 33.33% of them did not answer. concrete.

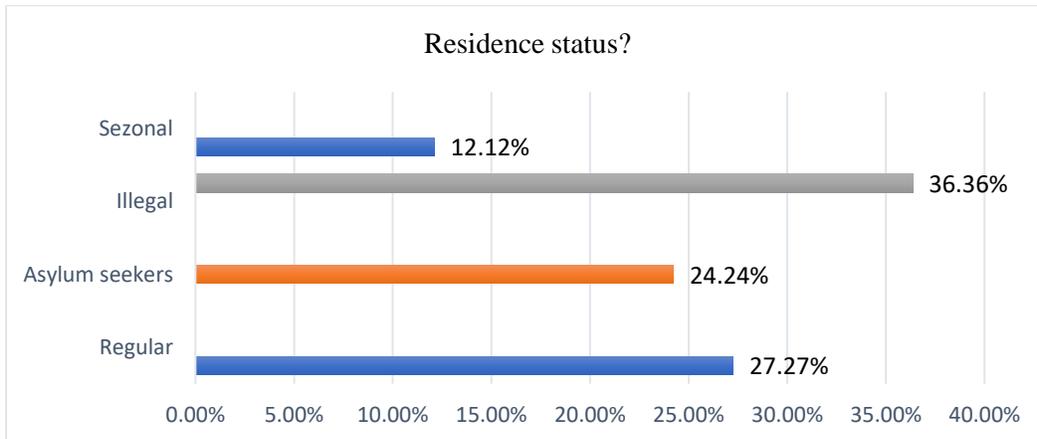


Immigration had a major impact on the population and most of these immigrants were male and young. Our survey confirms the same thing, the average age of emigrants at the time of departure was 18-25 years with a rate of 57.57%. The slightly higher age of women is argued with their departure mainly for marital reasons in the 90s with 21.21% while 21.21% of respondents were aged 40 years and above.

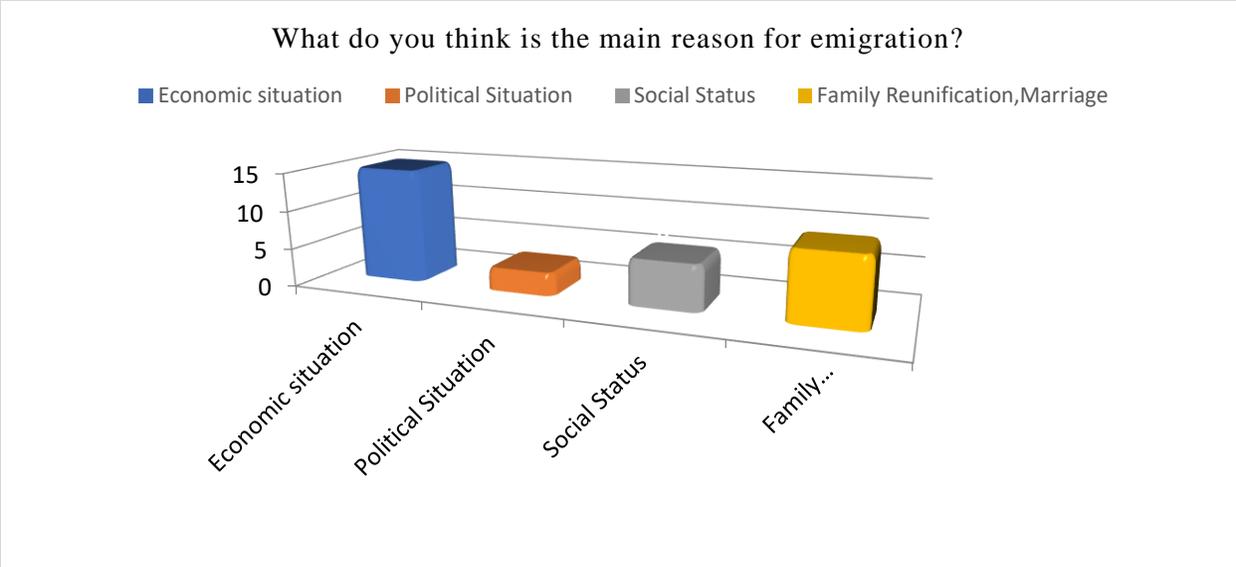
What is the gender of the persons who have emigrated?



One of the questions we received is the question of how many women and how many Men have emigrated because in the 2015 influx the percentage of gender was almost equal. But in our survey, it turns out that the largest percentage belongs to males with 71.05% of emigrants and 28% of females.

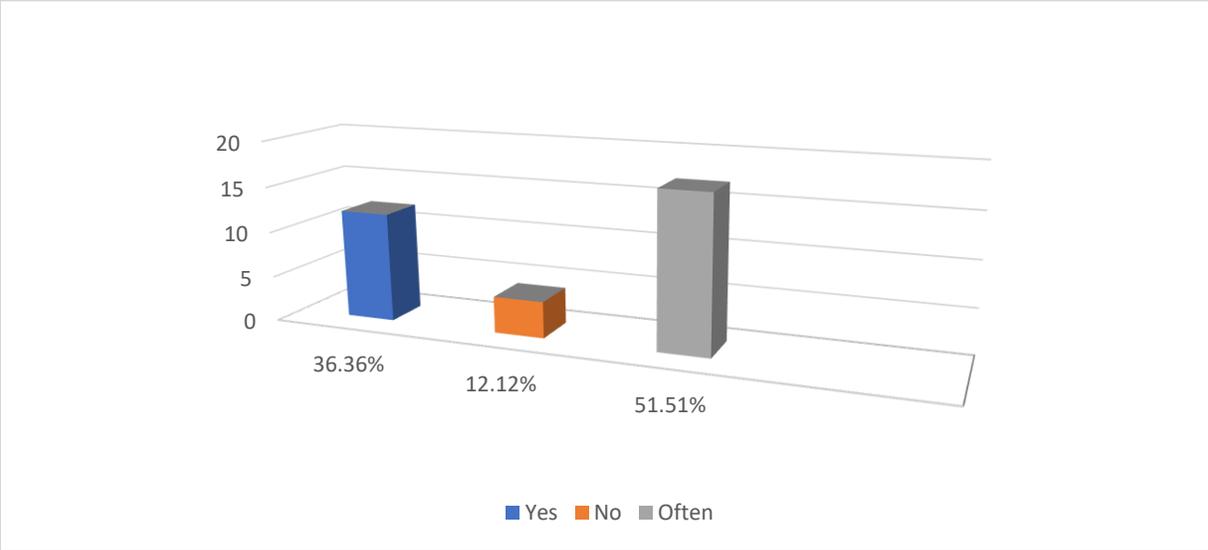


Studies show that several factors determine the direction of the international migration of Albanians. One of the main criteria is geographical proximity. This proximity and relatively easy access to the illegal border crossing has helped Albanians to travel to relatively rich neighboring countries, as it is known that most emigrants are illegal with 36.36% proximity to regular immigrants with 27.27% reasons for emigration being for family reunification, the rest of the emigrants are as asylum seekers with a percentage of 24.24% and there seasonally for employment reasons with 12.12%.

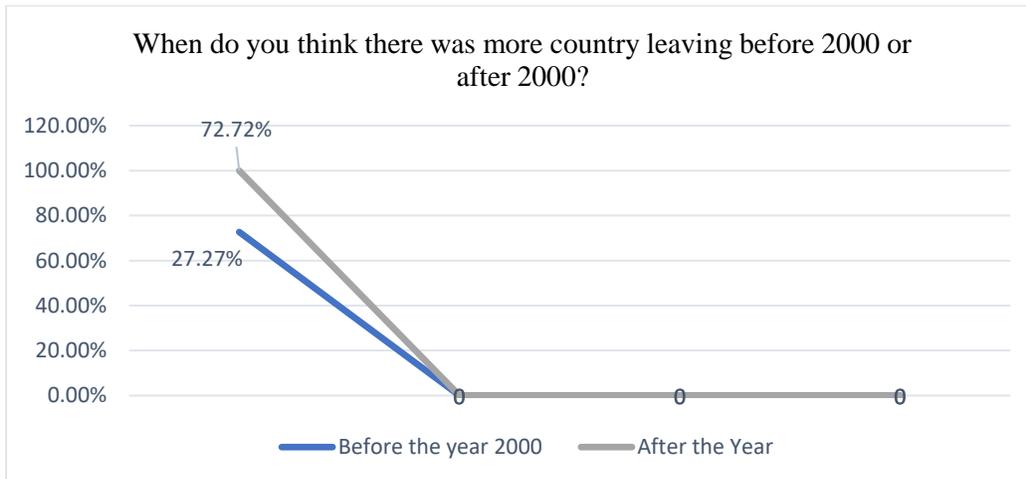


The results of the survey show that the main reason for emigration is the economic situation of the country with 46%, as most of them complain of being in poor living conditions and find it very difficult to find work. The second will be family reunification which has influenced Albanians to emigrate around foreign countries at a rate of 27%, then social status by 18% as the current social assistance package does not provide benefits for the unemployed, maternity, or benefits for children and the political situation with a small percentage of 9%.

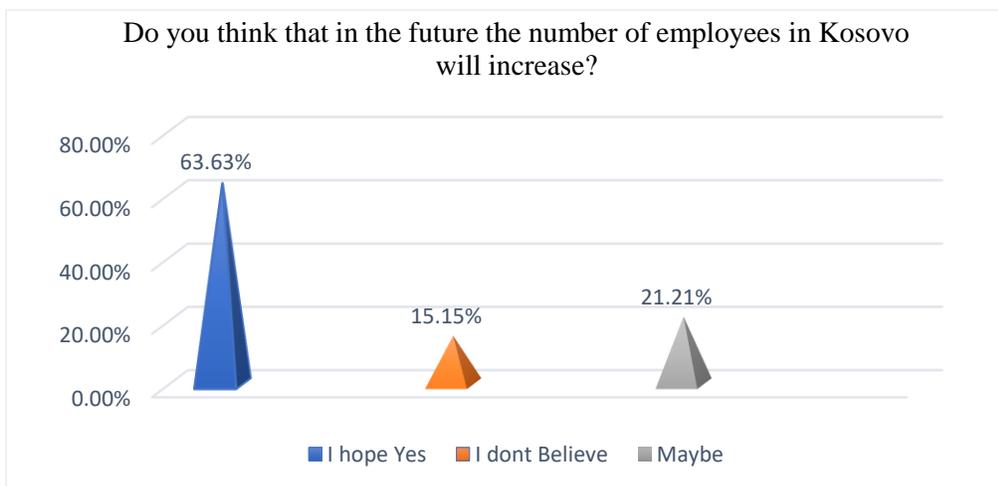
Do you think that unemployment has affected Kosovo for the emigration of citizens?



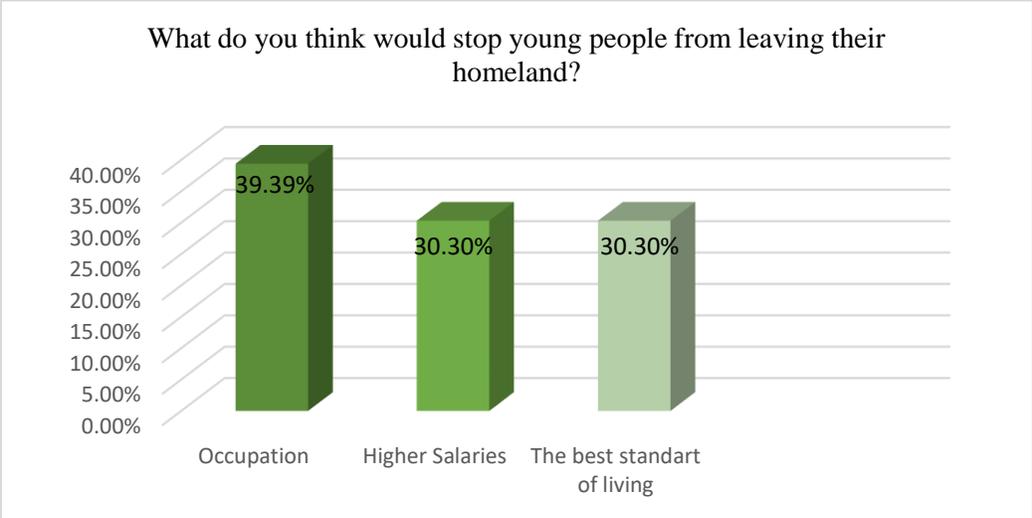
Most of the respondents answered that often almost always unemployment has pushed these young people towards more developed countries, with the opinion that in other countries they will find themselves in their profession and a better life where 51.51% of respondents believed that unemployment often has a big impact, 36.36% of respondents thought that unemployment was the main reason and a small part with 12.12% of citizens did not think that only unemployment was the main cause of emigration, they also include marriages, family reunification, etc.



Out of 33 respondents, 72.72% of them think that after 2000 there were more frequent movements of young people from our country, as there were many young people who left legally, for studies or work, as well as for family reunification. . Also, a large percentage of them with a rate of 27.27% think that before 2000 there were departures, where most emigrated illegally to find work due to the difficult economic situation.



In the end, we see that the citizens are optimistic in terms of jobs for young people. Most of them answered that they hope that the number of employees will increase by 63.63%, with 15.15% of the citizens desperate about the situation in Kosovo do not believe that the number of employees will increase and 21.21% they were safe.



Out of 33 respondents, the percentage between the answers does not differ much, as it seems that these are all very important and it would all be good for the country to develop them more. But as we see any way it seems that employment is the main issue for their stay with 50.00%, 25.00% respondents thought that it is more important to have higher salaries and 25.00% wanted a better standard of living including all.

**Conclusion and Recommendations**

Migration will continue to be an important part of Kosovo's economic, political and social landscape. It is estimated that over 10,000 Kosovars leave the country each year. For this reason, strengthening the engagement with the diaspora and making better use of Kosovo's potential from migration can make an important contribution to its economic development.

The Government of Kosovo must work tirelessly to address the problem of high unemployment. In particular, the government should draft strategic documents and other complementary documents that would address this issue and provide practical activities for each of the recommended measures.

Remittances from the diaspora have been and are being used as a means of security for Kosovar citizens, especially those who are unemployed and living below the poverty line.

So, migration as a force has had a significant impact on the shaping of Kosovar society. As a result, today we have a large Kosovar diaspora, which throughout history has played an important role in the development of the country.

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# THE IMPACT OF COVID-19 ON ENTREPRENEURIAL SECTOR

Msc.Fabjola Dorri

**Msc Erget Dorri**

Lecture on Management Faculty of TBU University of Tirana

General Department, Albania, E-mail: bejajfabjola@gmail.com

## ABSTRACT

*The purpose of this paper is to assess the impact of the COVID-19 pandemic on the entrepreneurial sector in Albania by focusing on small and medium business with the aim of providing some recommendations which would minimize the negative effects and in the long run will brought the regeneration of this sector so important for the Albanian economy. As we know, the sensitivity of this sector is very high in all economies of each country due to their size and limited financial resources they have. In Albania, based on the figures published by INSTAT, the SME sector has been severely affected by the pandemic. The closure of many SMEs and the consequent high number of unemployed individuals dealt a severe blow to the Albanian economy. A survey research study was conducted and primary data were collected with the help of a survey aimed at small and medium business in Albania. The study population was 166,386 SMEs registered in the Albanian state, while the sample of this study of 400 SMEs was determined by the formulas with Yamane (1997) formulas. Of these, only 95 surveys were with answers and accurate which would serve this study. This study was spread throughout the region of Albania and the distribution of surveys was done digitally to small and medium businesses. The findings of this study based on regression analysis and descriptive analysis showed that COVID 19 has had a significant effect on the survival of this sector by strongly influencing some important indicators related to declining productivity, low customer demand reduction Sales, profit, signing new contracts or closing the business. This study concluded that the pandemic is a significant threat to the entire economic sector but especially to small and medium-sized businesses due to their limited resources, low liquidity to cope with crises which extend even in time.*

*For the management of this crisis not only health, but now also economic this sector was recommended to minimize operational costs and a review of their liquidity and to react more quickly to changes or crises to minimize the consequences in the most efficient way possible.*

*This study also brought a recommendation based on the request of businessmen, which consisted of a post covid package of support to government institutions in function of this sector.*

**Key words:** COVID-19, small and medium- size enterprises, SME sector, unemployment

## **Introduction**

The COVID-19 pandemic caused a global crisis causing severe consequences for the health, economic and social system. The acceleration of transmission and the chaos that this pandemic caused was very difficult to predict but above all to prevent and minimize the negative effects that would grip every sector of the economy. Companies around the world regardless of their size and structure were directly affected by the pandemic. Millions of jobs around the world were cut causing a socio-economic crisis as a significant portion of the population remained in poverty. The crisis caused by COVID-19 in Albania, the restrictive measures taken by the government, the lack of supportive policies for small and medium business and the workforce of this category brought important and difficult consequences to overcome in order to this so important sector of the economy to recover again. In March, Albania decided to close schools, hotels, cultural and social activities, to ask businesses to apply as much as they could work from home (online). Many sectors of the economy, including industries, textiles, telephone companies, etc. due to the measures taken by the government for social distancing suffered significant losses as their incomes were reduced and as a result these businesses could no longer sustain all work places for their existing staff. This economic collapse, which spread on a large scale to small and medium-sized businesses, will have serious consequences in the medium and long term, so it is important that the Albanian government prioritizes supportive policies for the SME sector in in order to maintain economic stability.

In this perspective, we will see the reaction of the responsible institutions through incentive packages and regulatory policies if they managed to cope with the consequences of COVID-19 in small and medium business in Albania.

At the same time we will see the commitment and mobilization of SMEs in Albania for the development and implementation of financial schemes offered by the Albanian government.

The purpose of this study is to promote the development of small and medium business in Albania by mitigating and minimizing the negative impact of COVID-19.

The strategic objective of this study is to provide a joint, collaborative and comprehensive effort to address the multidimensional impacts of COVID-19 on SMEs in Albania and to assist the employees and owners of these businesses who were also groups of interest who were endangered and left unemployed due to the great pressure brought about by this pandemic. Through this study we aim to give some necessary recommendations for the recovery of the Albanian economy after the crisis.

## **2. LITERATURE REVIEW AND OUR CONTRIBUTION**

The supporting literature for the development of this paper can be considered extensive in relation to the consequences of COVID -19 in the economy. Many studies have been conducted on the impact of the pandemic on the economic system but also its consequences on labor markets. Since the beginning of the pandemic, many studies have been conducted on its impact on the economic sector, thus identifying the first sectors that would be affected by this pandemic. Nicola et al (2020) identified the first most vulnerable economic sectors such as: agriculture, manufacturing industry, education, etc. The social distance that companies now had to make their style of continuity and normal functioning consisted of work from home of their employees which was another challenge of the Albanian business that they had not faced before. Macroeconomically speaking, Rebelo and Trabandt (2020) highlight a necessary valid compromise that the short-term recession caused by COVID-19 and consequences on public. Health that policymakers must consider in order to overcome this unpleasant event both economically and socially world. Generally speaking, the pandemic can be seen as an exogenous shock to the global economy, where global fiscal policies must work together to identify a set of rules that can be applied globally and that can have a direct impact on the liquidity of companies and individuals, involved in the local development process.

Meanwhile, the literature on the impact of COVID 19 in the small and medium business sector is developing more and more every day. This sector is the soul of the economy for every country in the world and the study of the consequences of the pandemic has been the object of study of many researchers around the world.

And it seems that in all studies of the economic effects of this sector around the globe have a common denominator that has to do with the terrible costs of unemployment caused by social distancing. And this effect has brought serious consequences not only economic but now also social for which the Albanian society will need time to recover. The line of research is new, but we have identified some important papers that have analysed the business environment under these circumstances. The impact of the coronavirus on the economic sector has generated demand and supply shock, where many companies looking for some government support (tax reliefs, subsidies, etc) but also some financial and non-financial support from business angels. As a result, lots of companies facing a decline in the demand for goods and need to adopt new costly processes together with some new business models.

## **2.1 SMEs Contributions to the Growth of Economy in Albania**

At first, let's give a definition of SMEs from APEC ( The Asia-Pacific Economic Cooperation). The definitions used for an SMEs in APEC vary widely. In very general terms, a common feature is that an SME in APEC employs less than 100 people, but there are a lot of exceptions. Definitions vary by industry, with manufacturing usually having a larger cut-off than, say, services industry SMEs. The most common criterion is the number employed, but capitalization, assets, sales or turnover and production capacity are also used by various economies.

Small and medium enterprises have a very important contribution to the economic development of Albania. Most of them belong to the private sector and every day they generate for the Albanian economy more employment, productivity growth and economic development. Despite all the problems of this sector and the social and environmental changes that this sector encounters, it is worth mentioning a significant progress in the entrepreneurial skills of SMEs in predicting and better access to the market where they operate and we have identified an improvement. continuous

of their work style. Many studies around the globe, but especially in Albania have identified a weakness of this sector in the use of new technologies, probably due to the high costs of their implementation.

## **2.2 Challenges of COVID-19 Pandemic to SMEs**

The challenges faced by this sector were many but the main ones consisted of declining sales volume, lack of liquidity to pay employees, downsizing of their staff due to declining sales, declining production, downsizing new contracts with new clients and the loss of some existing clients, lack of technology for home-based employment. We can also mention the observance of tax obligations and payments. This sector was found unprepared to cope with labor shortages. This sector pursued various policies to meet this challenge. Some of them decided that the staff should use and exhaust the annual leave and at the end of them and the continuation of the crisis that the pandemic brought, they went to staff reductions in inability to afford salaries in conditions when sales and revenues had already dropped significantly. To cope with this crisis, most SMEs, not having accumulated income in order to use it in this period of crisis, decided to cut costs to a minimum. This sector was found completely unpaid and without having an emergency plan for action in times of crisis which apparently will have effects in the long run. Faced with all these challenges, some entrepreneurs decided to set up their own businesses in providing online services, which seems to be a trend for years to come.

## **3. RESEARCH METHODOLOGY**

The research analysis of this study was based on the findings generated by a survey with 8 questions related to the type of business where the company operated, the size of the business depending on the number of employees, the level of production capacity, the impact of covid on the workforce , the impact on the level of sales / revenue, the evaluation of SMEs against government support packages, if they need a post-covit package, as well as the duration of the recovery. This survey was sent electronically to 200 businesses of which only 97 were surveyed due to the inaccuracy of other questionnaires.

The selected sample was determined by Yamane (1967) formulas with 5% significance level. These data were then processed through the statistical program SPSS, which generated the results on the basis of which we provided our recommendations.

Among the statistical methods, we hypothesized the hypothesis raised in this study through multiple regression analysis by identifying the factors that have influenced the survival of this sector, helping us to review the literature to determine these factors.

The hypothesis raised in this study is: Insignificant link between SME survival and pandemic challenges.

Dependent Variable: Business Survival.

Independent variable: reduction of sales / income, reduction of labor force.

### **3.1 Data analysis and Interpretation**

After receiving and analyzing the survey responses we notice the following results regarding the type of business where our representative sample operates: 16.2% operate in construction, 67.7% operate in wholesale / retail trade, 6% in industrial production / agroindustry and 11.1% in services (tourism, transport, etc.). The second question regarding the size of the business: 18.1% have 1-4 employees, 46.5% have 5-9 employees, 20.4% have 10-49 employees, 15% have more than 50 employees. The third question regarding the challenge of COVID-19 for the reduction of production capacity: 25% of the sample stated that they have a reduction to 10-20%, 37.5% of the sample have a reduction to 20-30%, 25% of the sample have a reduction to levels above 50% and 12.5% of the sample have stated that they already result in closed activity.

Question about the challenge of COVID-19 in reducing staff: 55.6% said they have a reduction in levels of 10-20% of employees, 33.3% have a reduction in levels of 20-30%, 11.1% have a reduction in levels above 50% . Question about the impact of COVID-19 on sales and revenue:

11.5% have a reduction in levels of 10-20%. 66.7% have stated that they have a reduction in levels 20-30% and 21.8% have a reduction in levels above 50%.

To the question how they evaluated the support packages of the government, our champion answered: 55.6% are partially satisfied and 44.4% say that they did not benefit.

When asked if they need a post covid support package from the government, 100% of them said that they do. 66.7% of our sample predict that the recovery of their business will take more than 1 year and 33.3% think that it will take a period of 6 months - 1 year.

The formulation of the study hypothesis consisted of:

Basic Hypothesis: There is no significant link between business survival and Covid-19 challenges.

Alternative Hypothesis: There are important links between business survival and COVID-19 challenges.

To test this hypothesis we will use multiple regression analysis to see if this hypothesis will stand or be rejected by identifying two important indicators such as: the coefficient of determinability which will show what part of the variability of business survival values will be explained by the reduction in the number of employees and the reduction in sales or revenue. Meanwhile, the correlation coefficient will show how strong the connection between these indicators is.

**From the data analysis in the statistical program SPSS we generate the following table:**

Independent Variable	Coefficient	Std. Error	T-Statistics	Probability
C	7.871	1.279	-5.770	0.103
SME-S Covid-19 Challenges	-4.927	2.380	-1.186	0.222
R-Square		0.732	F-Statistic	14.07
Adjusted R-Squared		0.717		

Dependent Variable:  
Business Survival

From the SPSS table we conclude that the basic hypothesis falls down which means we have an important relationship between the variables. So the challenges of COVID-19 significantly affect the survival of the business. 73.2% of the variability of the dependent variable so business survival is explained by the challenges of COVID 19 which had to do with reducing sales / revenue and reducing the number of employees and 26.8% is not explained.

#### 4. CONCLUSIONS

Globally, the SME sector was among the hardest hit by the pandemic. During the study we stated that there is a strong relationship between the variables, ie the challenges of COVID 19 and the survival of this sector. So the impact of the pandemic was so great for this sector, for which there is a need to support it through aid packages in order to recover as quickly as possible. Unfortunately, Albania is not the best country in terms of measures taken by the government in support of SMEs. As we saw in our findings, 44.4% of SMEs had not benefited from Albanian government packages. The reasons for this non-profit can be related to the high informality that

exists in Albania, however this is the object of another study. The recovery of SMEs is a necessity for the Albanian economy. But these businesses are too pessimistic about the speedy recovery. 66.7% of them said that it takes over 1 year to recover from the consequences of the pandemic. One policy implication would be that government assistance would be essential to keep small and medium-sized businesses afloat, especially in sectors that were closed due to pandemic control measures.

## **5. DISCUSSION AND RECOMMENDATIONS**

The results of this study recommend that the government of the Albanian state should make emergency plans which will ensure the sustainability of businesses.

What we would suggest for this sector as it was and the need of SMEs would be a post covid package which would help in the short-term recovery of this sector.

- Easier and faster procedures in obtaining a bank loan from this sector
- Providing a national investment program that can help Albanian SMEs to penetrate new markets by developing new sectors in their economic activity. Thus SMEs can identify new solutions for modernization and digitalization of the operations they develop.
- The assistance package should focus more on low-skilled workers who have been laid off due to the pandemic and can not find distance work

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## QUESTIONNAIRE

Addressed to small and medium businesses in Albania for the current situation of businesses in the post period COVID-19.

Dear MS\MR

In the post-COVID-19 situation that the enterprise is experiencing, its negative effects have undoubtedly affected the economic performance of any business.

The authors of this paper would appreciate your contribution by completing this questionnaire.

Its summary results will serve as important conclusions about the situation that the SME sector is experiencing in Albania and we will try to provide the necessary recommendations for overcoming the crisis.

1.The business sector where you operate?

- a) Construction
- b) Industrial production. Agroindustry
- c) Wholesale / retail trade
- d) Services (Tourism, transport, etc.)

2.The size of your business?

- a) 1-4 employees
- b) 5-9 employees
- c) 10-49 employees
- d) 50+ employees

How is the current state and performance of your business?

3.Level of production capacity. Reduction to:

- a) 10-20%

- b) 20-30%
- c) Over 50%
- d) Closed activity

4. Impact on the workforce. Reduction to:

- a) 10-20%
- b) 20-30%
- c) Over 50%

5. Impact on sales / revenue level. Reduction to:

- a) 10-20%
- b) 20-30%
- c) Over 50%

6. How do you fully assess the government's support measures for tackling the pandemic?

- a) Satisfied
- b) Partly
- c) I did not benefit

7. Do you think the government should undertake a post-covid package for economic recovery?

- a) YES
- b) NO

8. When you think that your business activity will return to normal

- a) 0-6 months
- b) 6 months-1 year
- c) Over 1 year

# STRATEGIC MANAGEMENT AS A MODERN APPROACH TO ENTERPRISE MANAGEMENT

**Prof.asoc.dr.Halit Shabani**

**Prof.ass.dr.Hajrija Škrijelj**

[halit.shabani@unhz.eu](mailto:halit.shabani@unhz.eu) , [hajrija.skrijelj@unhz.eu](mailto:hajrija.skrijelj@unhz.eu)

*University "Haxhi Zeka" ,Rr. "UÇK"-së 30000, Peja , Kosovo*

## **Abstract**

Management is a universal tool, a necessary tool of the modern industrial world. Every organization, every slightly more complex job or more serious activity, requires management in order to reach the chosen goal, ie to complete it efficiently. Modern organizations, economic or non-economic, require constant management actions in order to operate and develop in the complex and dynamic environment in which they operate. Management is a phenomenon of today, the necessity of modern life and work and its general, rapidly growing complexity. Management is necessary for the efficient functioning and development of each company, each individual social system and society as a whole, for more efficient conduct of each complex business and endeavor. The managerial approach to solving various problems is a basic characteristic of modern management, a modern scientific discipline without which more efficient operation, functioning and development are impossible.

**Keywords:** Management, Management is a today's phenomenon.

## **1. INTRODUCTION**

Management is becoming more important as the work becomes more specialized and complex, as the range of activities to be performed multiplies and the number of organizations and individuals preparing and carrying out these activities. Rapid technological development emphasizes the need to use management methods and approaches, ie the use of management as a scientific discipline that deals with the management of business systems and processes and the management of all organized systems, in order to improve their efficiency. From the point of view of the company, demand is a functional relationship that indicates the quantities of individual products that would be bought at different prices at a given place and time. Demand analysis should provide information on the approximate price that customers are willing to pay for the company's products and services. The demand curve of economic theory, which has found application in economic practice as an analytical framework for decision-making on prices, has a negative slope. Namely, its movement indicates the phenomenon that if prices fall, demand grows and vice versa.

## 2. STRATEGIC MANAGEMENT AS A MODERN APPROACH TO ENTERPRISE MANAGEMENT

### 2.1. Definition and importance of strategic management

There is still no generally accepted definition of strategic management. Strategic management enables successful dealing with the problem of dynamic harmonization of the company's potential with the changing requirements of the environment. It also expresses a proactive approach in managing the development behavior of companies and the ability to actively deal with strategic changes that represent a completely new type of problem and for which there are no routine answers. The focus is not only on anticipating changes in the external environment, in order to better, without significant changes in the internal configuration of resources, capitalize on existing strengths and avoid weaknesses, but also necessary and significant changes in internal structures. What is common to the different definitions of strategic management is that it is a way of thinking that refers to making decisions about the future of the company and the implementation of such decisions. The experience of a large number of companies shows that the bottleneck for the successful implementation of strategic management often lies in the speed of changing the traditional way of thinking and behaving.

To understand the essential characteristics and importance of strategic management, one should keep in mind the following dimensions of strategic decision making<sup>44</sup>:

- due to the nature of strategic decisions, their adoption is the responsibility of top management;
- making strategic decisions requires anticipating and analyzing the impact of a large number of environmental factors;
- the implementation of strategic decisions requires the appropriate allocation of resources (whether internally or externally available) of the enterprises;
- the long-term consequences of strategic decisions are on the vitality of the company and their adoption should take into account the whole company;
- strategic decisions are in the function of achieving the desired aspirations;
- there are numerous consequences of strategic decisions on individual business functions, organizational parts and their connection;
- in order for strategic decision-making to be effective, it is necessary to take into account the interests, attitudes and expectations of different stakeholders;
- Strategic decision-making establishes an active relationship between the company and its external environment.

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<sup>44</sup> Aaker D, *Developing Business Strategies*, John Willey and Sons, New York, 2001.

Strategic management is a new scientific discipline, which appears as a necessity due to the increasing turbulence and complexity of the environment. It implies a continuous process of constant adaptation of the company to the changing environment, in which the environment has a permanent impact on the company, and the company itself also has a certain impact on the environment in which it exists and to which it adapts.

The beginnings of strategic management date back to 1950, when the Ford Foundation and the Cornege Corporation funded a business school.

Strategic management has developed under the influence of various scientific disciplines such as:

- a. biology (theories of evolution and revolution)
- b. economics (especially Schumpeter and Chamberlin and the perspectives of industrial organizational theory)
- c. contingency theories, which also provided useful work for strategic management analysis.

Strategic management is a challenge, because it is much more than simply setting goals and requiring employees to achieve them. The mission and goals are determined in accordance with the external environment, ie. opportunities and threats, and with inner strengths and weaknesses. Goals represent what is to be achieved, but do not show the way to "how". This question is answered by strategy. The origin of the word "strategy" can be found in the Greek language, where strategos means military leader, from which the meaning of strategy is then derived. The strategy represents the actions of the organization by which it seeks to achieve results in accordance with the mission and goals of the organization, as well as the external environment.

The strategy has several phases:

- strategy formulation
- implementation of the strategy (setting the strategy into action)
- strategic control (modifying the strategy or its implementation to ensure the desired results).

Once planned and implemented, the strategy often requires modification, in accordance with changes in the environment or in the organization itself. These changes are difficult or almost impossible to predict. Anytime and anywhere, actions can be changed and modified. The magnitude of these changes can be dramatic or revolutionary, gradual and evolutionary. Therefore, strategic management is a process by which top management determines the long-term course of action and performance of the organization, providing thoughtful formulation, effective implementation and continuous evaluation of the established strategy.

Strategic management represents certain managerial decisions and actions that determine the performance of the company in the long run.

This includes examining the environment, formulating the strategy, implementing the strategy and evaluating and monitoring it. Strategic management can be defined as the process of directing the activities of the company which, based on the anticipation of opportunities and

dangers, on the one hand, and the strengths and weaknesses of the company, on the other hand, identifies critical factors of business success. development goals, as well as directions, methods and instrument of their optimal realization in a dynamic business environment.<sup>45</sup>

The following features make strategic management different from other types of management.

Firstly, the nature of strategic management is interdisciplinary. It is not like other types of management that focus on specific areas such as, for example, human resources or operations.

Secondly, strategic management is characterized by external focus, because it emphasizes the interaction of the company and its external environment.

Thirdly, it emphasizes the internal focus, because it emphasizes the importance of interaction and coordination of different functional areas and organizational levels with strategic directions of action.

Finally, the focus of interest is the future situation, both in the short and long term.

## **2.2. The concept, purpose and characteristics of strategy**

“Strategy is not everything, but without strategy everything is nothing”, is a thought of an anonymous entrepreneur. The basic problem that a company faces in dealing with a turbulent and complex environment could be expressed in the following way: what strategy enables the company to succeed in a changing environment? This is because managers, through strategic management, establish a relationship between the company and the environment, and strategy is the result of this process. The focus of strategic decision-making is the decision on how to achieve a competitive advantage because there are different ways to achieve it. Namely, successful companies have the same or similar goals, but there are different ways to achieve them. From the point of view of the company as a whole, it is possible to achieve a competitive advantage as a result of a different combination of its jobs and competencies and the way of allocating resources between those jobs. In addition, it is possible to compete in different ways within one industry or market. This means, in other words, that there is no best strategy, only logic that persists.

Since the strategy became a subject of widespread interest, its understanding has changed greatly. The change is, first of all, in the understanding of strategy as a process that is developed piece by piece and that requires learning. Namely, it is considered that strategies are "formed" rather than "formulated". Strategy is understood as a process of changes, because strategies are developed as a result of changes in the environment. They do not have to be written on paper or explicitly given, as they do not represent final and complete categories. Along with this point of view, the literature indicates that strategy is not necessarily a rational process.

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<sup>45</sup> Eric D. Uvod u menadžment. Ekonomski fakultet u Beogradu. Cigoja štampa. Beograd. 2000.

Strategy is a kind of "game plan" thanks to which it is possible to achieve planned goals. Like boxers in the ring, companies are participants in a competition aimed at winning. In order to achieve this, they must have a plan on how to defeat the opponent, how to guard, move and attack during the fight. In doing so, each of them can defeat an opponent in different ways: by knockout, by points or because of his disqualification. In the case of a company, survival in the "ring", ie in the market, requires a constant struggle for survival and gaining a competitive advantage that can be achieved in different ways.

Strategy is defined as the way a company tries to present itself differently from competitors, using its relative strength to better meet customer needs. Accordingly, the strategy expresses an attempt to gain supremacy over competitors or to create the ability to meet customer needs better than competitors. The strategy, therefore, determines the way to achieve competitive advantage. If the company's activity was carried out without competitive pressures, there would be no need for a strategy. This type of effort (or way of thinking) should be distinguished from actions aimed at improving business. It is a question of the difference between absolute and relative power. The situation is different when you want to achieve or maintain a competitive advantage than when the goal is to achieve improvements over some absolute level of requirements. The difference is like going to war and on a diet.

M. Porter points out that the strategy is to create a unique and valuable position by encompassing a diverse set of activities. Positioning is at the heart of strategy. If there was only one good position there would be no need for a strategy. Companies would then face only one challenge: how to find that position and take it? Strategic positioning is achieved by activities that are different from the activities of competitors.

There are three different sources of strategic positioning. First, the variety or difference in relation to the products and services of competitors. Second, needs-based positioning, because most or all of the needs of a particular customer group are served. Third, the basis for positioning is customer acceptability, because it is possible to segment them.

A unit in military doctrine, from which the notion of strategy is taken and developed, the purpose of the strategy is to weaken the possibility of resistance and to make the enemy abandon his intentions, not to win a battle or destroy the enemy. Chinese General Sun Tzu wrote in 400. before the new era that subduing enemies without fighting is the pinnacle of the art of warfare. The real goal is not so much to seek a battle, but to achieve a strategic situation that is suitable, so that if it does not in itself force the decision to do so, then it will certainly be achieved by continuing it through battle. In most significant battles throughout history, the victors have put their opponents at an extremely disadvantage before the conflict itself took place.

### **2.3. Characteristics of strategic management**

The analysis of numerous understandings of strategic management can identify certain characteristics of this concept on the basis of which it is differentiated from others. One of the

first comprehensive analyzes was performed by Aker, who divided the analyzed characteristics of strategic management into three groups:

- **External characteristics:** Within them are especially important: market orientation, research and understanding of the market with regard to changes and profit potential, development of an adequate management information system, empirical research, characteristics related to international business;
- **Internal characteristics:** Proactive response, development of multiple strategies based on multiple goals, interfunctional and interdisciplinary approach in creating and implementing strategies, creating a basis for efficient resource allocation form a special group of characteristics;
- **Systemic characteristics:** long-term orientation, creating an entrepreneurial atmosphere that stimulates creativity, developing special methodologies and continuously making different types of decisions.

Strategic management is increasingly associated with successful knowledge-creating companies, with learning organizations.

Successful companies are differentiated from others based on the following characteristics:<sup>46</sup>

- they identify the key success factors inherent in the economy of any business, more effectively than competitors,
- segment the market in order to provide a decisive competitive advantage in the target markets,
- base their strategies on measuring and analyzing strategic advantage,
- in anticipating the decisions and actions of competitors understand the change of the situation over time,
- provide themselves with a greater or different degree of freedom than competitors,
- in investing, the emphasis is on jobs that provide the most favorable competitive advantage.

Successful companies are organizations in which acquiring new knowledge is not a specialized activity. It is about a new way of behaving, about continuous learning and generating knowledge at all levels in the organization. The learning process contributes to behavior change and adequate response. Management in successful organizations is based on knowledge and continuous learning, and the specifics on the basis of which they are differentiated from others are contained primarily in their culture. Critical elements of the learning organization's culture are:

- market orientation,

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<sup>46</sup> Eric D. Uvod u menadžment. Ekonomski fakultet u Beogradu. Cigoja štampa. Beograd. 2000.

- external entrepreneurship,
- organic structure,
- successful leadership and decentralized strategic management.

These elements are the limiting factors of business success measured by customer satisfaction, sales growth, new product success, and profitability.

Learning organizations increase their strategic assets and the core of their competence consists of values and norms that incorporate knowledge and skills, technical and management systems.

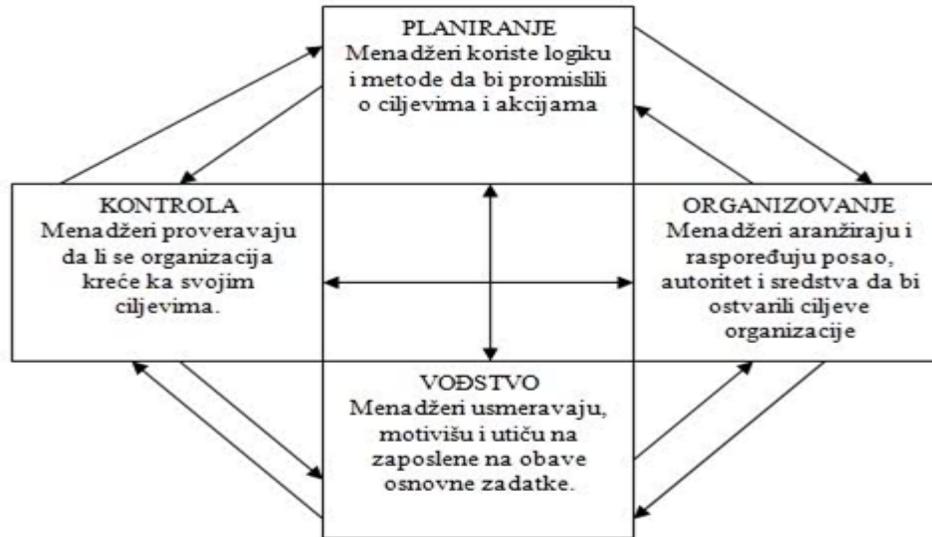
#### **2.4. Basic functions of management as a modern approach to enterprise management**

Management as a scientific discipline began to be studied since 1911, but in our country it began to be studied since 1990. Management is usually understood as a set of knowledge about the management of a company as an organizational system. Management is the process of deciding on the goals of the organizational system and the way to achieve it. Management is the process of working with people with the involvement of other organizational resources. Mary Parker Follet gave a definition of management that reads, "Management is the skill of doing business through other people."

The basic functions of management are:

1. Planning
2. Organizing
3. Leadership
4. Control

FIGURE 1. BASIC FUNCTIONS OF MANAGEMENT



Source: Salkić I. *Javni Menadžment*, Ekonomski fakultet u Sarajevu. Sarajevo. 2010.

Planning as a management function is the initial phase of management in which the mission, goals and actions for their realization are determined. It determines where the organization wants to be in the future and how to get there. Planning means defining goals for future organizational performance as well as deciding on tasks and resources necessary for their realization. The need for planning stems from the need to thwart the consequences of uncertainty in the future, ie. that the organization is ready to welcome changes in the environment. With the speed of change, the uncertainty increases and thus the need for planning, ie. making and implementing plans.

Organization as a function of management inevitably follows planning and shows how the company strives to achieve planned tasks. It shapes the organizational structure through the classification of activities and their grouping by affinity and principles of work organization. The organization delegates tasks and roles to organizational units, managers and other employees.

Leadership is a constant and in recent times increasingly important management function. It is a process of motivation, that is. initiating members of the organization to achieve the defined goals of the organization. Leadership means creating a common culture and values of the organization, announcing goals to employees and using the influence to motivate them for the most effective realization of set goals. Leadership deals with the interpersonal relationships of management, and especially leadership styles, communication, and motivation. Regardless of the different approaches to leadership, most authors agree that the basic elements of leadership are decision-making, execution with the help of other people, and motivation.

Control is a managerial activity that requires monitoring, evaluation, measurement and improvement of various activities in the organization in order to identify effects and make corrections, if necessary, in relation to planned goals and objectives, or established norms or standards of business and development of the organization.

Control as a function of management is a process of “monitoring” activities to ensure that they are carried out as planned and correcting any significant deviations. There is not a single serious participant in management who will not mention control as one of the activities and functions of the management process, and controlling as one of the most important managerial activities. The secret to the success of every leading company in the world largely lies in the strong control of the most important business operations. With a well-configured control system, firms manage to increase their competitiveness, develop good products and services, and provide a high degree of consistency in service delivery.

Control is important for managers, they must ensure that the activities of the organization take place in the right way and create appropriate values for consumers and owners. In management, control has a wide range of different meanings and the term can be used to control the quality of products and services, control of financial operations and results, control of production, employees, etc.

If managers do not perform this managerial function well, many problems can arise, with very serious consequences for every organization. Some of them are consumer dissatisfaction, inability to pay bills, high costs, falling profits, delays in the delivery of products or services, lack of raw materials, poor quality, etc.

Control enables the efficient functioning of any organization through a comparison of planned and achieved. Information plays a major role in all this.

## **2.5. Control as a phase of process management**

The concept of control is defined in different ways. There are also various terms for control, such as:

- verification,
- supervision,
- check,
- grade,
- monitoring,
- regulation, etc.

Unlike some other concepts in management, there are no essential differences between experts in terms of understanding its essence. This can be seen from a comparative overview of only a few definitions.

One of the first definitions of control was given by Henry Fayol in the early twentieth century. He defined it as "An activity that consists in verifying whether all work is performed in accordance with the adopted planning goals, issued orders and established principles. Its goal is to detect weaknesses and mistakes in order to prevent large deviations."

Tanenbaum defined controls as "An activity that affects the behavior of individuals or groups in order to comply with someone's wishes."

Comprehensive and very extensive definition of the control process was given by Robert Mockler as "Systemic effort to set performance standards for planning goals, - establishing an

information system, to compare the actual business results with predefined standards to detect deviations and significant deviations, to the necessary corrective action has been taken to ensure that all the company's resources are used in the most efficient and effective way and by achieving the company's goals more fully."<sup>47</sup>

Simply said, control is the phase of the management process in which managers check the implementation of management decisions, the effectiveness of organization and leadership, and where, if necessary, take corrective action to eliminate the disorder. The core of control consists of gathering information on the current results of the organization's current activities, in order to compare them with planned expectations. The final result of that comparison is to discover possible deviations and various problems, their causes and to look for ways to eliminate them. A control system should be developed during the control process. The control system is defined as a subsystem of an open organizational system in which activities are directed towards a pre-designed way, which represents certain parameters of the control system. The management control system consists of several different elements, methods and techniques of control. A well-chosen control system is able to combine long-term and strategic with short-term and operational aspects of the functioning of the organization. The system is a combination of external control mechanisms with internal self-control of members of the organization.

The system must also be related to the factors of the planning function in the organization, especially strategic, operational and financial planning. A special feature of a good control system is that it involves the use of different methods and techniques of control.

The most important are the methods of financial control, quality control, etc., as well as to include a management information system.

We can see the importance of the control system for the organization when it is not properly designed. Then problems arise, which indicate obvious shortcomings in the organization:<sup>48</sup>

- Poor quality of products and services
- Delays in reporting,
- Decline or stagnation of profits,
- Poor working morale of employees and very poor interpersonal relationships,
- Loss of market leadership and reduction of orders from customers,
- Inability to quickly and timely obtain relevant data and information,
- Inefficient use of resources, etc.

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<sup>47</sup> Salkić I. *Javni Menadžment*, Ekonomski fakultet u Sarajevu. Sarajevo. 2010.

<sup>48</sup> Salkić I. *Javni Menadžment*, Ekonomski fakultet u Sarajevu. Sarajevo. 2010.

In order for them to improve, managers must pay great attention to control. It should be noted that control systems can be partial or total.

Partial systems report deviations, but do not involve taking action.

The total system indicates discrepancies between actual and expected performance, as well as that it implies taking corrective action.

It should be noted that according to some divisions, the control system should have three basic characteristics:

- To clarify managerial expectations and evaluate employees.
- To strengthen the link between results and rewards.
- To influence all employees in the organization to do their job as well as possible.

## **2.6. Necessity and importance of control**

The activity of control is strongly connected with other phases of the management process - planning, organization and leadership. Control helps the rational use of organizational resources and the achievement of set goals. It is an integral part of all phases of the management process and generally contributes to their improvement and the advancement of managerial activity. Control provides feedback on the performance of certain tasks, improves communication, strengthens the positions and influence of leaders.

It is safe to say that there is no effective management without successful control. The bottom line is that control should be used properly. There are many reasons why control is necessary. The most important we can mention:<sup>49</sup>

- It makes it easier to deal with uncertainty and change.
- Avoiding disruptions, problems and deviations in business.
- To make it easier to spot and correct mistakes, both in the present and in the future, and we should strive to prevent them.
- Helps identify opportunities that can be seized and dangers to be guarded against or avoided.
- For more efficient functioning and more rational behavior of the organization such as improving the quality of products and services or shortening the production cycle.
- Provides information and ideas for corrective action.
- Gives an incentive for better work of managers and employees, because it connects the reward with the results, etc.

Due to the limited resources available to the organization, control is more than necessary. No matter how many resources an individual or organization has in their possession, they are

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<sup>49</sup> Salkić I. *Javni Menadžment*, Ekonomski fakultet u Sarajevu. Sarajevo. 2010.

always limited to many goals that can be formulated. Therefore, control allows their efficient allocation and use. In that sense, it is necessary for all organizations - economic, non-economic, for-profit, non-profit, production, service, etc.

## 2.7. Process of control

There are no essential differences between many participants in management when it comes to the control process. It should be noted that before starting the control, it is necessary to determine the area we are controlling. This is quite reasonable, since every individual or organization must know exactly what they want to check. Thereafter, control is seen as a process consisting of a minimum of four basic steps:

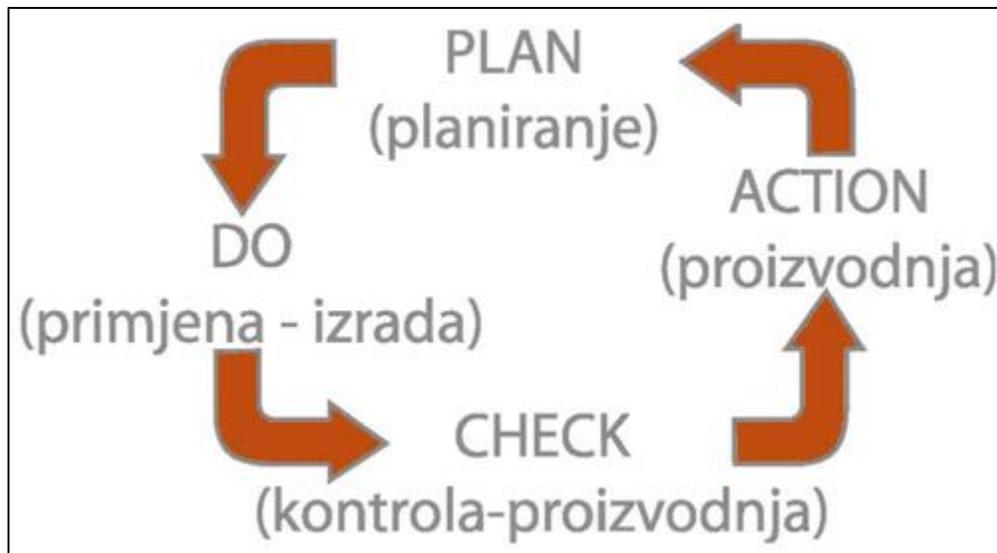
- Establishing standards and methods for measuring results - it is desirable to perform this step at the planning stage. It refers to the key activity in the control process that most directly connects these two important managerial functions.
- Measuring the results and performance of the organization - for the success of this step it is desirable that the tasks and goals are quantitatively formulated, in different forms - value, quantity, time, percentage, etc.
- Comparison of the achieved results with the established standards - the essence is to recognize and identify possible deviations, problems and disorders.
- Taking measures of corrective action - is done in case of deviation of actual results in relation to planning standards. If there are none and there are positive results, then the managers allow the activity to take place in the already started way.

Control is a dynamic process, which needs to be reviewed from time to time and also controlled. This means redefining and evaluating standards and methods for measuring results. Thus, the control phase is closely related to the planning activity through actions taken on the implementation of planning decisions, but also through the feedback mechanism.

In Figure 2, we can best see the connections between these two phases of the management process.

Control is a phase of the management process that is related to other phases of management - organizing and leading. The connection with planning is convincingly the strongest, since it defines planning decisions, above all goals that are most often taken as standards in control.

FIGURE 2. - RELATIONSHIP BETWEEN PLANNING AND CONTROL



Source Salkić I. *Javni Menadžment*, Ekonomski fakultet u Sarajevu. Sarajevo. 2010.

Managers would be pleased if they could formulate such goals that would automatically represent standards in control. Objectives must be clear and specified, given in measurable form (preferably quantitative) and with precise deadlines, so that they can be used as standards in control. However, in practice there are many problems in setting standards. Standards in control can be defined as goals, tasks or results that are to be achieved in a certain period of time. The efficiency of the whole control process depends on their formulation. Different indicators can be taken as standards. All standards can be classified into one of the following four basic groups:

- quantitative, such as physical, used to control material inputs,
- qualitative, which can sometimes be intangible,
- financially, to control the conduct of operations in monetary units - may be expressed as expenses, income, or profit,
- time, where clearly defined deadlines are given for performing certain activities.

### 3. CONCLUSION

Various innovations in management are born every day, but they do not find a viable path to consumer stability due to the enormous amount of information that reaches consumers. This congestion of information makes it difficult for most information to be registered, so only those that stand out from the rest are noticed! Creativity and innovation give freedom, give birth to ambition and create dynamism, that is, they push the world forward. Innovations alone are not self-sufficient, so they must arouse desire and interest among consumers through good and targeted promotion. Today's consumers demand that communication achieve synergistic effects,

and that it convey the same meaning to all forms of promotion. In other words, they require a communication mix that will most effectively communicate the desired message, create a high market value of the brand, a desirable image and long-term brand loyalty. Today, advertisers have at their disposal a large number of different advertising media, which with their characteristics, advantages and disadvantages make or may not be the appropriate medium for placing information about a particular product or service.

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# **WESTERN BALKANS AND TECHNOLOGICAL EVOLUTION IN HUMAN RESOURCE MANAGEMENT PRACTICES - POST COVID-19.**

**Dr Jasmina LUMANAJ**

<sup>1</sup>NOVARIC Sh.A. - Academy

<sup>2</sup>NOVARIC Building, Nd2 H6, Rruga Studenti, Shkoder 4001, Albania.

\*jasmina.lumanaj@novaric.edu.mt

## **ABSTRACT**

This paper aims to briefly present the technological evolution and impact of Human Resource Management Practices (NHRM) in Western Balkans (WB6) have on performance within organizations and work behaviour post COVID-19 pandemic. During the COVID-19 pandemic, the challenges faced by many industries created an environment that would push organizations to rethink their strategies, and implement NHRM, which present solutions, resolve problems, enhance performance, and sustainability during response time of crisis. The new competitive environment and unpredictable industry challenges requires new human resource practices (NHRM) to address problems within organizations and enhance performance. Therefore, strategies were reshaped to implement new technological processes that strongly bring positive outcomes through E-recruitment selection, training, reward systems, employee involvement in decision-making, and teamwork involvement in new knowledge creation and innovation. Therefore, the link between NHRM and innovation performance that suggest innovation activities and technological processes inside an organization expands possibilities of improving employee involvement in generating new ideas useful to the organization. In adopting technological process organizations can create an environment which significantly contribute to making challenging decisions. Hence, it results that the transformation of organizational frameworks and current processes contributes to transforming the organizations create an effective innovative learning environment.

## **Introduction**

The past methods of human resource management practices in Western Balkans (WB6) should allow space to organizations' employees to create innovative processes that are essential to maintain organizational sustainability post COVID-19 pandemic. The industry dynamics and unpredictable situation have created a required compliance to change to introduce new human resource practices (NHRM) which address the challenges the organizations face in maintaining and improving performance. These required changes have deviated NHRM to apply technological processes that encourage employee involvement in presenting innovative ideas and participate in decision-making leading to organizational performance outcomes. A number of papers discussing NHRM and organizational performance suggest that further research needs to be done to increase awareness of employee involvement in organizational innovation activities and new knowledge building. The lack of literature and scarcity of conducted studies in WB6, present a situation that organizational performance utilizing NHRM, innovative practices and innovative outputs expected from employee engagement and work behavior have limitations and it is an unknown approach.

Therefore, now post COVID-19, it is the opportunity for regional organizations, WB6, to expand by adopting technological processes and NHRM practices to generate new and creative ideas that could create the base for decision making to change traditional approaches and lead to design organizational transformation resulting in structuring a more effective environment to support employee performance.

The global crisis caused by COVID-19 pandemic has presented numerous difficulties and challenges in the region (WB6), which have affected all sectors and industries, particularly workforce/employees. Therefore, to overcome the challenges created by the pandemic after lockdown; high employee turnover - draining organizations of skilled employees, increasing costs of implementing technology and new practices to increase competencies, WB6 organizations must be innovative to improve and accept new practices and embrace the use of information technologies [11,12]. To maintain sustainability and overcome industry competitiveness, WB6 organizations have to implement NHRM practices which would be unique and innovative.

The aim of this paper is to contribute to the idea of organizations implementing innovative practices to manage and overcome crisis through new human resources management practices based on technological implementation that will improve performance during post COVID-19 recovery. This approach will help organizations in WB6 to response to new circumstances created by human resources and maintain sustainability of this as one of the main assets in organization.

## **Literature Review**

The literature suggests that New Human Resource Management Practices (NHRM) Grecikova and Safrankova [1] present the importance of NHRM practices and the competitive strategy of organisations which is based and created by employees motivated to take initiatives for change and solve problems with new ideas. De Miranda Castro et al. [2] present the idea that new practices have the bases to traditional methods that have reemerged during the post COVID-19 crises. Furthermore, De Miranda Castro et al. [2] considered the NHRM practices in organizational structure lead to good quality of working environment synchronized with the strategies of organizations. NHRM practices have elements of skills to deal with new situations. Also, organizational approach to focus on innovation, embrace change, and solving problems with new ideas. Santangelo and Pini [3] explain that NHRM practices create responsibility, flexibility, creativity, autonomy, and participation in production, avoiding traditional practices such as recruiting, selection training, and career paths. As well as their proposals present that information technology integrating with NHRM practices can achieve innovative performance contributing to reducing mistakes and risks. Indeed, researchers demonstrated the empirical association connecting NHRM practices and innovation performance at organizations' planning. NHRM practices give significance to individual systems [3] and reduce bureaucratization.

However, the inflexibility of hiring and promotion processes often diminishes employees' opportunities to do diverse work [4]. At the same time, several methods are formed within NHRM practices to collect employees' new ideas in gaining recent changes, decentralization of decision rights, team spirit in organizations, and quality of work [4].

Technology implementation in organizations has enabled the adoption and undertaking of innovations and the influence of web-based HR on the HRM system force implemented by HR professionals of behavioral, intention, and position. WB6 as developing countries should follow the path of producing innovative pioneering changes in IT applications. The population is aimed at the telecommunications sector in WB6. The research literature suggests telecommunications sector as the main sector that invests in human assets and pursues constant innovation (Al-Harazneh and Sila [17]).

Innovation is a process that starts with an idea, progresses with the improvement, and ends with a novel output such as a process, product, or service. Organizational performance is influenced by innovation, a highly trained skilled workforce, and resource-based innovative knowledge with high technology (Thornhill [5]). Organizational revenue growth is affected by innovation processes. The innovation performance relationship considers the value of recruitment outcomes and retention of employees [5]. Organizational structures require innovation in products and processes that are supported on employee technical skills and knowledge, particularly in WB6, by focusing on human resources. Work in organizations depends on employees' capacity to approach complicated problems [6], like the changes of the business environment during the COVID-19 pandemic, increasing the need for innovative activities to improve business processes by knowledge to enhance performance [7].

Post COVID-19 pandemic, organizations in WB6 must react effectively and efficiently using relevant knowledge and innovation to manage the resources to remain sustainable [7]. The pandemic presented a fundamental change in NHRM practices [8]. Application of NHRM performed a substantial change during the introduction of digital practices helping employees to utilize digital platforms. Globally, the crisis required employees to have technological skills to perform their work remotely. The new challenges created post COVID-19 required managers to obtain skills to motivate employees face the uncertainties of any given industry practices [9]. As presented by Laursen and Foss [10] who refer to the support of several technologies addressing NHRM practices and innovation performance. WB6 organizations need to respond immediately, considering that crises created post COVID-19 could be opportunities [11]. Organizations should focus their energies towards enhancing and up skilling employee's transformation to adapt to changed workplace practices to be flexible and lying on new innovative technology, such as digitizing the recruitment process to deal with contemporary or future predicaments [12]. Further research on readiness and contingency plans are needed in WB6 to develop an business environment to adjust to new practices post COVID-19. As well as now is the time for organizations to invest in training employees and attract skilled human capital to achieve competitive advantage [13].

## **Method**

This paper is compiled based on literature review and collecting scarce data on organizational behavior and practices in BW6 post COVID-19, which strongly suggests to further develop research and increase professional discussion on New Human Resource Management Practices (NHRM) practices to overcome challenges introduced by the pandemic in BW6 organizations. This paper is written post COVID-19 pandemic and as the study of Ebersberger & Kuckertz [14] suggests that the approach of the research study is the basis to attract and encourage the hypotheses concerning the NHRM practices post COVID-19 pandemic. Therefore, it aims to examine the impact of NHRM practices on innovation performance mediated by organizational innovation and innovative work behavior in BW6 organizations during and post the COVID-19 pandemic. Data was gathered by using an online literature review starting and ending in March 2022 which looked at 20 articles and academic papers with data collected globally from various regions relevant to the subject of this paper.

## **Discussion**

The New Human Resource Management Practices (NHRM) practices as a term introduce positive effects on innovation performance by encouraging organizational innovation and innovative work environment. Looking at the impact of NHRM practices on organizational performance in BW6 and work environment during and post COVID-19 pandemic is a critical purpose of investigating the important role of NHRM practices. To achieve sustainability and carry out innovation, any new technological implementation requires knowledgeable, vital, and skilled employees [15]. Therefore, NHRM practices are seen as essential in assuring the powerful implementation of sustainability of employees in the workplace of organizations.

This paper proposes the positive impact between NHRM practices and innovation performance during and post COVID-19 pandemic, which is referring to the findings of studies of [1,2,9,10]. This paper's research addresses the use and impact of NHRM practices on innovation performance through technology implementation and the impact on the organizational environment, which appears as a competitive advantage for the BW6 organizations under global and regional competition during and post COVID-19 pandemic. It is further, explained that NHRM practices are described as clusters intended to produce responsibility, flexibility, creativity, autonomy, and participation. It can be further mentioned that these aspects have a vital role in terms of enabling innovation to grow for employees and their performance.

## Conclusions

The current paper concludes that new human resource management (NHRM) practices are an essential tool in improving and facing the challenges presented by COVID-19 pandemic in BW6 region. Therefore, organizations with business activities in BW6 and as production and service industry should develop and promote implementation strategies by supporting innovation in all sectors of industries.

The limitations of this paper include the following: the literature review was carried out using articles which data was not drawn from any particular industry and/or organization in the region subject to this paper. Future research and work could attempt to replicate the concept of this paper to focus in organizational practices in the BW6 region post COVID-19 crisis to carry out a comparative analysis to increase the benefits of the research findings, also, one could conduct a longitudinal search because this paper relied on cross-sectional writings to test the evolutionary perspectives of NHRM's effect on innovation performance. Over time, the innovation can be upgraded for new knowledge contexts to test the relationship in other crises or unpredictable conditions like subsequent or/and post-coronavirus periods.

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# MANAGEMENT INFORMATION SYSTEMS AND ITS IMPACT IN ECONOMIC ASPECT CASE STUDY HEALTHCARE PATTERNS

**Hamdi HOTI<sup>1</sup>,**

**Arbër H. HOTI<sup>2</sup>,**

**Edisona KURHASKU<sup>3</sup>**

<sup>1</sup>University of Prizren “Ukshin HOTI” Faculty of Economic, Prizren, Republic of Kosovo

<sup>2</sup>University of Prishtina “Hasan Prishtina” Faculty of Education, Prishtina

<sup>3</sup>Researcher, Republic of KosovoAbstract

Modern information technology is being increasingly used in the healthcare sector with the purpose of enhancing the availability of improved medical services at a reduced cost. Online connectivity is now a must for all of the well organized and well managed establishments.

One such field is Healthcare in which the digitization of information should happen rapidly and efficiently since it will help everyone, especially those who need to have better environment in order to provide a better job performance. The main goal of this article is to identify the main dimensions of some models proposed by other researchers for Healthcare patterns. The paper employs a mini literature review of the main and powerful scientific databases explored such as IEEE, ACM, and Scopus. In total, 88 papers regarding the Management Information Systems (MIS) were downloaded, and from all of these papers, 54 of them were extracted. These papers were identified according to the relevance of their content with the topic of this research. As a result, theoretical and practical models gathered from the scientific databases can boost the learning process and revolutionize Healthcare proposed systems, as they store the most recent knowledge and innovative research.

*Keywords— Healthcare, economy, information system, management information system (MIS),*

## **Introduction**

Healthcare for people nowadays is very important to know the circumstances in which we are; a usage system of healthcare would be necessary. Healthcare system should be more advanced. Having more implementation systems which will help everyone, especially those who are involved during and after Pandemic period, where we have been able to see how current systems are facilitating the statement in these days. This helped us to have a hardware needed, in which we can save patients’ data, to analyze the history and to know their statement before treating them for what they need.

In this paper, our goal is to make a mini literature review for what kind of impact management information systems have, especially healthcare’s patterns. The two most important things we mentioned in the literature review is exploring different systems and seeing momentary statements of proposed healthcare systems.

Firstly, we have defined methodology explaining how we did the mini literature review. Secondly, we provide a wide overview of implementation and proposed systems.

The impacts of health information technologies (HITs) on care quality have become a major concern in the healthcare industry (Mian Yan et al., 2018).

Pertinent review studies focusing on hospital-related settings are few in numbers. Several studies have reported poor usability and user satisfaction for health information systems (HIS) (D. Hudson et al., 2018), (J. Kaipio et al., 2017), (M. Topaz et al., 2017) (S. Vainiomäki et al., 2017). Management Information System (MIS) refers to the management of information through digital tools and techniques for any intervention in order to achieve the desired objectives. According to (Saed Dahir Saed et al., March, 2020) a health information system (HIS) refers to a system designed to manage healthcare information.

This includes systems that collect, store, manage and transmit a patient's electronic medical history (EMR), a hospital's operational management or a system supporting healthcare policy decisions (BROOK, 2020).

This paper is organized as follows. In Section II, we discuss our research methodology and research criteria we used to develop our research, Section III covers related work and implemented systems which are related with healthcare systems and managing information. Results and discussions of this mini literature review are presented in Section IV.

## **RESEARCH METHODOLOGY**

This research has applied the methodology which is followed in details. So, types of data collected for this research and reviewed carefully for new implementation in new science topics facilitate findings and show new results of services used in daily life.

We did this mini literature review in order to get a better understanding Management Information System using Healthcare patterns as the case study, their implementation, and other topics which are related with our topic. Also, it analyzes the gap between different researches, spanning within a particular time period.

Research Protocol of this paper defines the structure in which different steps are specified which have to be followed in a particular sequence in all of this paper. Summary methods of this study, different analyses of early papers, and types of studies which will be included in this mini literature review are advanced. Moreover, this is shown as the recent result in theory and practical application. Type of studies will be focused on Information Systems which will be scientific papers, reports, electronic resource, etc.

We will use quantitative and applicative methods to give more concrete results on related topics. We are analyzing data in an inexhaustible and realistic way, so that the work and the results to be correct and as evident to those who read this research and give a clearer answer on that how healthcare patterns are implemented on the most powerful on healthcare institution.

Regarding the collection of literature, research will be done mainly by Internet resources. We were focused more on credible databases of scientific publications, such as: IEEE, ACM, Springer,

Elsevier- Science Direct, but also we are considering the literature from other sources for example Google Scholar, internet resources etc. We will try to ignore the literature published by predatory journals by using some different verified journals such as Bell’s list, Scimago, ISI Web, and similar.

In total, we have downloaded 88 papers, where from all of these papers we have extracted 54 where they are the most relevant with our topic. Number of extracted papers are achieved by selecting papers which have similar content with our topic and implementation of healthcare patterns.

The search keywords were “Managing Information System,” “Information System,” or “healthcare information systems” (Chen Wang et al., 2020), (Reza Toorajipour et al., 2020). In table 1 and 2 is shown number of papers and electronic sources (platforms) in two forms such as wide table content of extracting papers and briefly indicated. Also, in figure 1 are shown the papers which are extracted with our topic.

*Identifying relevant papers*

<b>Date</b>	<b>Databas e</b>	<b>Keywords</b>	<b>Results</b>
20/01/2021	IEEE	Information System, Healthcare, Case Study healthcare	19 Articles
25/01/2021	ACM	Information systems, case study healthcare, complex system healthcare	15 articles
27/01/2021	Springer	Management information system, healthcare, Literature Review Healthcare.	10 Articles 1 Book
29/01/2021	Elsevier/ Science Direct	Healthcare System, Medical Information Systems.	13 Articles
24/01/2021	Google Scholar	Impact of Healthcare, Organization, Information System Usage,	10 Articles
22/01/2021	Research Gate	Analysis MIS, Healthcare data management	7 Articles
27/01/2021	SSRN	Information System, Healthcare, Case Study healthcare	1 Articles
30/02/2021	Others	Impact of Healthcare, Organization, Information System Usage, MIS,	12 Articles

		Healthcare, Literature Review Healthcare	
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TABLE I. PAPERS DOWNLOADED FROM THE MOST RELEVANT RESEARCH PLATFORMS

Databases extracted papers	
IEEE	1 9
ACM	1 5
Springer	1 1
Elsevier / Science Direct	1 3
Google Scholar	1 0
Research Gate	7
Others	1 2
<b>Total:</b>	<b>8</b> <b>8</b>

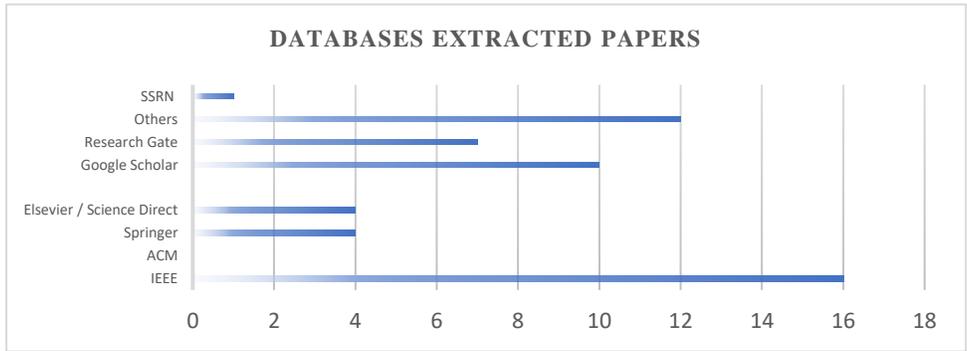


Fig. 1. Dataset extracted papers

Fig. 2. All relevant papers which are taken from different digital platforms are published in the period of 2010–2021.

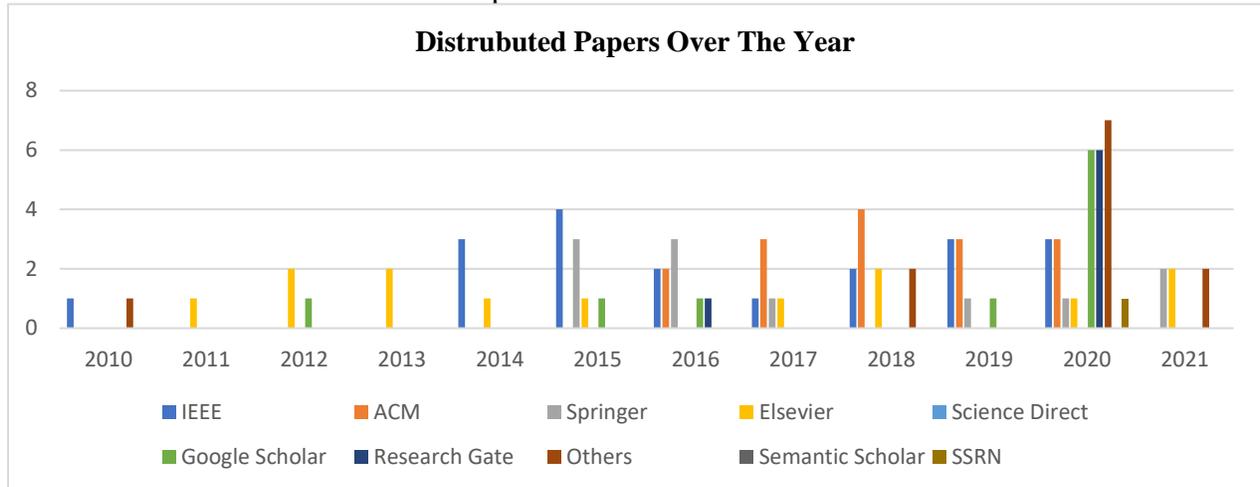


Fig. 3. *Distribution research papers by publisher.*

#### Inclusion and Exclusion Criteria

According to (Noor Al-Qaysi et al., 2020), using evaluation's forms of the papers while they do literature review, includes two forms of extracting taken papers from several studies which are inclusion and exclusion criteria which confirm that the relevant papers would be the only studies included in the systematic review process.

To be included in this analysis, each critically analyzed study should meet the inclusion and exclusion criteria.

In this section, most relevant literature is selected with the particular selection criteria. The selection criteria further consist of IC (inclusion criteria) and EC (exclusion criteria).

#### Inclusion Criteria (IC)

- ✓ Inclusion criteria is formed with the following rules:
- ✓ **IC1:** Papers published from year 2010 till 2021.
- ✓ **IC2:** Papers that used Information system, Information system Healthcare and Managing Information system and literature review in this field;
- ✓ **IC3:** Papers that used Hybrid Models for our SLR services

#### Exclusion Criteria (EC)

- ✓ Exclusion criteria is formed with the following rules:
- ✓ **EC1:** Papers published before 2010.
- ✓ **EC2:** Papers which aren't suitable to discuss;
- ✓ **EC3:** Papers that do not target generally Information Systems, Healthcare proposed systems and services which are related with our topic.

## **RELATED WORK AND DISCUSSION**

In the rapid development of information technology, information systems are key elements that empower the impact of technology. So, the management and the development of different systems gives a special impact in the way of facilitating and enabling in order to automate a lot of tasks and responsibilities of different professions. According to Sebastian K Boell & Dubravka Cecez-Kecmanovic (Sebastian K Boell & Dubravka Cecez-Kecmanovic, 2015), information systems (IS) involve a variety of information technologies (IT) such as computers, software, databases, communication systems, the Internet, mobile devices and much more, to perform specific tasks, interact with and inform various actors in different organizational or social contexts. Information Systems (IS) are complementary networks between hardware, software, people, and organizations that jointly perform the functions of collecting, filtering, processing, making, and distributing data to support operational, management, and decision making under organizational goals (Dwi Cahyono & Erma Suryani, 2020). Also, according to Nowduri, S (Nowduri, 2011), the Information System (IS) could be defined as the integrated set of components for facilitating the collection, controlling, organizing, storing/ retrieving and processing of data into information. Management Information System (MIS), on the other hand, is the information on the people, technology and the organization, and the relationships amongst them to ensure overall efficiency of the system. Ayedun et al. (Ayedun et al., 2020) involves a computer based and manual system which transforms data into relevant information essential to provide support necessary for making right decisions.

In a study of MIS Karim, A. J. (Karim, 2011) explains a high percent of financial institutions has adopted and often make use of MIS in order to promote the provision of their rendered services. Also, according Ayedun et al. (Ayedun et al., 2020), the difference between management as a word is included with the factors of production with machines, materials, manpower and money. It is the most crucial force for a successful performance for all manner of social activities.

### **Information System Evaluation**

According to Dwi Cahyono and Erma Suryani (Dwi Cahyono and Erma Suryani, 2020), IS evaluation is an effort to define how good IS operation is in an organization implementing it to improve its performance. Evaluation can be conducted if implemented in the organization that has been operating for a certain period under the design stages and types of programs created and implemented.

In 1990, an IS evaluation framework was developed and so called IT Organization Fit Model by Michael S. Scott Morton of the MIT Sloan School of Management who covers each internal and external element's fit, as in Figure 3. Internal fit is achieved by a dynamic balance of organizational components, including business strategy, organizational structure, management processes, and role of skills. External fit is achieved by planning organizational strategy based on environmental trends and changes such as markets, industry, and technology. In this internal and external fit, IT acts as an enabler, so IT is expected to affect the management process, impacting organizational

performance, and impacts on organizational strategies at a certain level Dwi Cahyono and Erma Suryani (Dwi Cahyono and Erma Suryani, 2020).

The classification of medical information systems is based on a hierarchical principle and corresponds to the multi-level structure of health care (H A Primova et al, 2020).

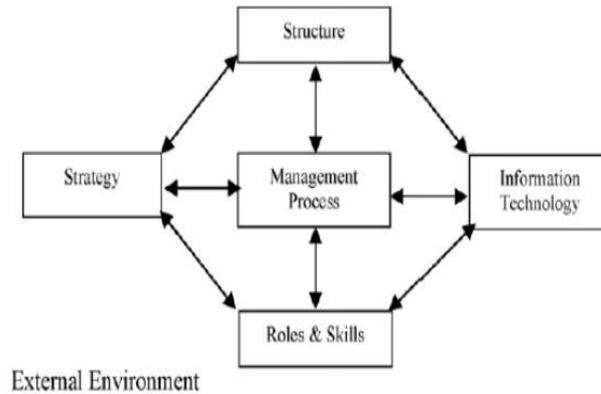


Fig. 4. *IT-Organization Fit Model Framework*

Also, according (Ignou the people's University) discuss four terms of HMIS where they propose an updated diagram which is proposed from Joseph TAN in 2010. Also, [18] say that a collection of components that work together to achieve a common objective. On their proposed idea Information system it means the system that provides information support to the decision-making process at each level of an organization and in the other side Health information system is defined as a system that integrates data collection, processing, reporting, and use for improving health service effectiveness and efficiency through better management at all levels of health services. All information systems, including HMIS (see table 4), are built upon the conceptualization of three basic foundations.

These are data input, data management, and data output.

The data input phase includes

- a) Data acquisition, and;
- b) Data verification.

The data management or processing phase includes

1. Data storage;
2. Data classification;
3. Data update, and;
4. Data computation.

Finally, the data output phase includes

- a) Data retrieval, and;
- b) Data presentation.

Altogether, these eight elements and three phases define a typical information system as represented schematically according to (Ignou the people's University).

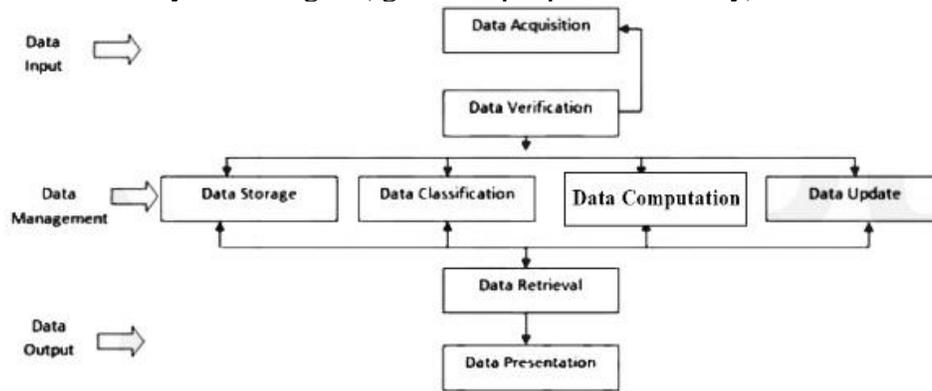


Fig. 5. Adapted from Joseph Tan (2010) HMIS- A Management Perspective.

### Economic Impact on Health Care Effectiveness

Four studies examined health care effectiveness, among which, three showed positive effects and one showed mixed effects. One study showed that higher levels of functional capability of HITs led to smaller readmission rate (N. Gill, K. Leonard, and A. Jonker, 2010).

Also, according to (Hillo Bala et al., 2015), it seems as a positive contribution of the proposed strategies which will help healthcare providers to understand, appreciate, and implement the role of HIT in processes of a disaster response.

Also, it encourages them to develop effective HIT infrastructure and capabilities to overcome serious service interruptions during natural disasters and other emergencies.

The study revealed that when the HEIS is designed to be easy to use and user friendly, better system usage will occur leading to more positive impacts on both user tasks and service quality provided to patients (Abugabah, 2017).

According to (Ruyu Bai et al., 2015), literature review in their paper found HIT has positive effects on healthcare quality and safety, and could give assistance to clinical decision making and enhance patient satisfaction.

Another proposed successful framework from (Marco Todde et al., 2020) is implemented which supports validity and capability which highlight a risk and criticisms in the available software/systems.

They also contribute and highlight that limitation in general viewpoint is threats and risks which are not standardized or categorized and that the organizational process of managing such methodology was not defined yet. This seems as negative elements which are sensitive for data and privacy of services which are used from different healthcare institutions.

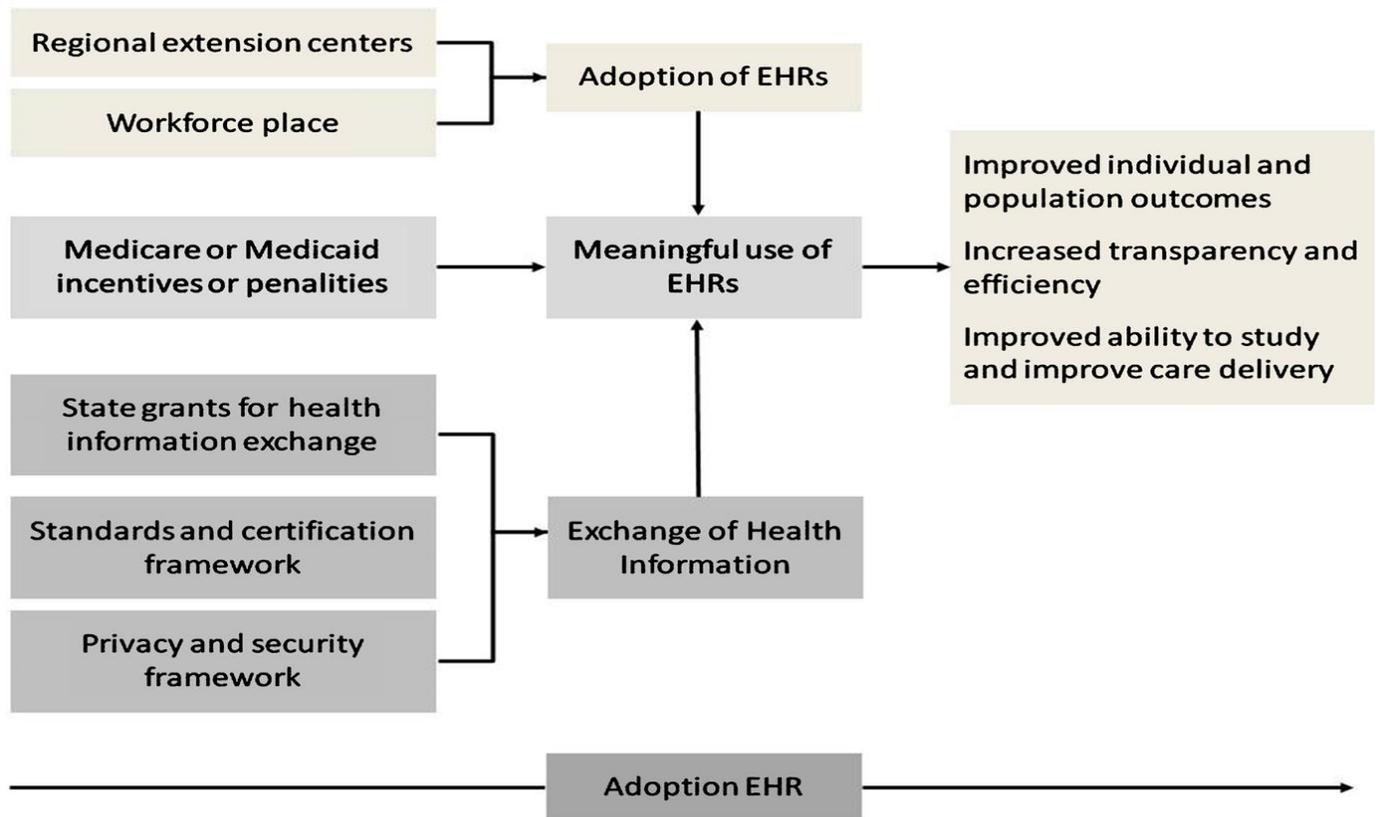


Fig. 6. Structure of Electronic Health Records (EHRs) (Maria Jose Amaral Salomi and Priscila Borin Claro, 2020).

In **figure 5** is presented an example of metrics that could prove useful for both already established and new healthcare proposed managing information systems. According to (Maria Jose Amaral Salomi and Priscila Borin Claro, 2020), the authors believe that this evidence is vital for continuous investment on Managing Information Systems in Healthcare initiatives by communities, healthcare systems, governments, and others.

However, today's modern health monitoring trackers are highly priced, limiting their adoption to a small band of the financially wealthy community. Furthermore, they are large in size and strict, owing to the limitations imposed by traditional jurisdiction catalyst electronic components (ECs), trying to make them unsuitable for ongoing clothing and sensing. Humans are witnessing a wide range of commercial devices in terms of wearable technology, armbands, or devices, which are primarily intended to supervise strength and conditioning indications and activities and performance (Joanna M. Nassar et al., 2017).

Due to the infectious and hazardous nature of HCW, inappropriate healthcare waste (HCW) organization poses substantial environmental risks, public health, and social economic sustainable development. Many issues confront HCW plans and policies, including a complete absence of budgetary allocations by the healthcare administration, unskilled labor ability to handle infectious materials, and outmoded technology and innovations for disposing of Health care workers (Meisam Ranjbari et al., 2022).

The current economic crisis, as well as competitive pressure from managed care organizations, has compelled healthcare facilities and healthcare institutions to reduce the morbidity and mortality through efficiency improvements or to be creative, introducing technological advances, procedures, and assistance.

Public health care organizations are facing significant challenges in the coming centuries, including increasing prices, expanded transparency and accountability, as well as a shrinking demand and supply pool. Management of medical services organizations encompasses both the entire design of healthcare provision as well as independent treatment centers such as information and communications technologies, smart devices, mobiles, and tablet devices used outside the overall organizational structure (Juan Gabriel Cegarra Navarro & Gabriel Cepeda-Carrión, 2013). This conversation is demonstrated by increased prices as a (partial) consequence of institutional structures, as well as various decisions throughout different countries becoming the outcome of different circumstances, even when the decision-making requirements are all the same (Barros, 2018).

Taking into account all of this, different projects has impact in investments in well-being and supporting of people with different health problems. Cost of these services and especially technology notably for special services is high which in a lot country in transition phase undoubtedly is challenge on that how to invest and improve these services.

In many countries has special need to invest in this field including devices which has low cost and sending in digital form by controlling patients remotely by analyzing state and treating health problems by offering optimal solution.

## **CONCLUSIONS**

According to the literature, it can be seen that the existing review studies have afforded a better understanding of the management information systems especially healthcare patterns research trends. We can conclude that Healthcare Information Technology (HIT) has been a promising tool to improve quality and safety of healthcare patterns.

From the analysis it was also indicated that different institutions should permanently have systems where they can save the history of their patient and could be managed remotely. MIS involves a computer based and manual system which transforms data into relevant information essential to provide support necessary for making right decisions.

Like any other study, this study was limited in three ways. First, the study has focused on analyzing the managing information system studies from two main directions, namely healthcare and Management Information (MI) theories/models.

Also we were limited to have access to serious platforms especially such as the newest papers on IEEE, ACM, Elsevier, Scopus and Web of Science (WoS). In future works we hope we will have more opportunity to have access in the most relevant papers and databases to explore papers we didn't.

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# THE TYPES OF VOCABULARY LEARNING STRATEGIES USED BY ESL STUDENTS

MSc.Zylfije Tahiri

EFL, TOEFL, Business, and Professional English Communication Instructor

## *Abstract*

One of the most important challenges that learners will face during the process of second language learning is learning vocabulary. Vocabulary has been recognized as crucial to language use in which sufficient vocabulary knowledge of the learners led to difficulties in second language learning. Thus, in the case of learning vocabulary in a second language, students need to be educated with vocabulary learning strategies.

The present study examined the type of vocabulary learning strategies used by Albanian ESL students majoring in Teaching English as a Second Language (TESL). Based on the aim of this study, it was decided that the best method for this investigation to better understand the use of VLSs by these particular students is to adopt the qualitative research design. Hence, the method of conducting is an open-ended interview that was conducted individually with ten students at the Faculty of Islamic Studies. The concluded strategies such as the learning a word through reading, the use of the monolingual dictionary, the use of various English language media, and applying new English words in their daily conversation where are related to memory, determination, and metacognitive strategies respectively are popular strategies and the learners are keen in using them.

**Keywords:** Vocabulary Learning Strategies, VLS, LLS, ESL

## **1. Introduction:**

Acquiring a second language involves different areas such as motivation, learners' needs, learning environment, learning strategies, and language awareness. It is becoming increasingly difficult to ignore second language learning strategies. In any event, learning strategies are, defined by Chamot and Kupper (1989) as *“techniques which students use to comprehend, store, and remember information and skills”* (p.9). However, learning strategies have been used for thousands of years as Oxford (1990) mentioned that mnemonic or memory tools were used in ancient times to facilitate narrators remembering their lines. Studies on language learning strategies started in the mid-1960. Subsequently, the past twenty years have seen increasingly rapid advances in the field of second language learning strategies (Wenden and Rubin, 1987; O'Malley and Chamot, 1990 Oxford, 1990). Nevertheless, Oxford (2003) defined language learning strategies as *“specific actions taken by the learners to make learning easier, faster, more enjoyable, more self-directed, more effective, and more transferable to new situations”*.

While particular strategies are used by second language learners for the acquisition of new words in the second language are called „vocabulary learning strategies“ (Gu, 1994). Whereas, language learning strategies (LLSs) are a sub-category of general learning strategies, and vocabulary learning strategies (VLSs) are considered a part of language learning strategies (Nation, 2001). The research to date has tended to focus on vocabulary learning strategies rather than language learning strategies. Several studies have produced taxonomies of vocabulary learning strategies (Schmitt and Schmitt 1993; Schmitt, 1997; Nation, 2001; Fan, 2003; and Gu, 2003). First, Schmitt and Schmitt (1993) divided learning vocabulary into remembering a word and learning a new word. Secondly, Gu (2003) classified second language (L2) vocabulary learning strategies as cognitive, metacognitive, memory, and activation strategies. Thirdly, Schmitt (1997) improved vocabulary learning strategies based on Oxford (1990) into determination (not seeking another person’s expertise) strategies, social (seeking another person’s expertise), and though the remembering category comprises social, memorization, cognitive, and metacognitive strategies. Finally, Fan (2003) who refined Gu’s (2003)’s classification, categorized vocabulary learning strategies into a “primary category” which contains dictionary strategies and guessing strategies as well as, a “remembering category” which integrates repetition, association, grouping, analysis and known words strategies.

## **2. Vocabulary Learning Strategy (VLSs)**

Vocabulary learning strategies (VLSs) are steps taken by language learners to acquire new English words. There is a wide range of different vocabulary learning strategies as demonstrated by the classifications of vocabulary learning strategies proposed by different researchers (Stoffer, 1995; Nation, 2001; and Gu, 2003). In addition, there is a wide-ranging inventory of vocabulary learning strategies developed by Schmitt in 1997. While a variety of definitions of the vocabulary learning strategies have been suggested, this study has applied the definition that is suggested by Schmitt (1997) who saw it as two main groups of strategies:

*1. Discovery strategies: Strategies that are used by learners to discover learning of words;*

*2. Consolidation strategies: a word is consolidated once it has been encountered.*

He categorized vocabulary learning strategies into five sub-categories:

*1. Determination strategies: they are individual learning strategies.*

*2. Social strategies: they are learners who learn new words through interaction with others*

*3. Memory strategies: they are strategies, whereby learners link their learning of new words to mental processing by associating their existing or background knowledge with the new words.*

*4. Cognitive strategies: they are strategies that do not engage learners in mental processing but are more mechanical means and*

*5. Metacognitive strategies: they are strategies related to processes involved in monitoring, decision-making, and evaluation of one’s progress.*

After viewing these different classifications the prudent study used Schmitt's taxonomy as a basis of the study. It was developed based on Oxford (2003)'s classification of language learning strategies. The classification of strategies perhaps is before the most wide-ranging in vocabulary learning strategies usage. Although, Schmitt's five major strategies maintained their application in an ESL/EFL environment since he established his taxonomy using Japanese L2 learners. Similarly, the present study has used Albanian second language learners' samples of the study. The use of VLSs counts on several factors such as proficiency, motivation, and culture (Schmitt, 2000). This is because culture and environment can influence their preference for exacting learning strategies (Schmitt, 2000). However, far too little attention has been paid to vocabulary learning strategies used by ESL undergraduate students in the Faculty of Islamic studies (FSI). The purpose of this study was to determine what type of vocabulary learning strategies are used by ESL students.

### **3. Cognitive Theory**

The cognitive orientation describes second language learning as a complex cognitive skill that, similar to other such skills, engages cognitive systems (such as perception, and information processing) to overcome limitations in human mental capacity which may inhibit performance (Ellis 2000, as cited by Višnja, 2008). One of the important concepts of the cognitive theory that influence vocabulary learning strategies are learning strategies. This study is conducted to examine the vocabulary learning strategies which provide an understanding of what vocabulary learning strategies are all about.

### **4. Classifications of Language Learning Strategies**

There are many and various classifications of language learning strategies. O'Malley et al. (1985) declared the use of 24 strategies employed by learners of English as a second language in the States. They divided these strategies into three main categories:

#### **“Metacognitive”, “Cognitive”, and “Socio-affective” strategies.**

There is another accepted classification as suggested by (Oxford,1990). She distinguished between the direct and indirect strategies. She added that direct strategies contain “Memory”, “Cognitive”, and “Compensation” strategies while indirect strategies include “Metacognitive”, “Affective”, and „Social” strategies. Each of these is divided into several subscales. Oxford (1990) distinguished several aspects of learning strategies; *1) Relate to communicative competence, 2) Let learners become self-directed, 3) Increase the role of teachers, 4) Are problem-oriented, 5) Special behaviors by the learners, 6) Include many aspects of the learners as well as the cognitive approach, 7) Support learning both directly and indirectly, 8) Are not always observable, 9) Are teachable, 10) Are flexible, and 11) May be influenced by a variety of factors.* Oxford and Crookall (1989) described language learning strategies as “learning techniques, actions, learning to learn, problem-solving, or learning skills” (p.37). They come to the end that no matter what learning strategies are called, strategies can make learning more efficient and effective and the strategies

used by learners could lead to more proficiency or competence in a second language. Oxford classified an extensive category of language learning strategies under two superordinate categories as Direct and Indirect strategies. Figure 1 presents Oxford (1990)'s classification. With regards to the direct strategies (which are more directly associated with the learning and the use of the target language in making a good judgment that they require the mental processing of the language), these are the Memory strategies that "[...] store and retrieve new information"; Cognitive strategies which "[...] enable learners to understand and produce new language by many different means", ranging from repeating to analyzing expressions to summarizing and Compensation strategies which "[...] allow learners to use the language despite their often large gaps in knowledge" (Oxford, 1990, p. 37). As for the Indirect strategies (which help the learning process internally, i.e. which support and manage language learning without directly involving the target language), there are the metacognitive strategies that "allow learners to control their cognition"; Affective strategies which "help to regulate emotions, motivations, and attitudes"; and Social strategies "help students learn through interaction with others" (Oxford 1990, p. 135). However, Schmitt (1997) classified vocabulary learning strategies based on Oxford's taxonomy.

## **5. Inter-Relationships between VSL and LLS**

'Language learning strategies' form a sub-class of 'learning strategies' in general whereas 'vocabulary learning strategies' constitute a sub-class of language learning strategies. There are researchers (Oxford and Scarcellat, 1994 and Schmitt, 1997) who have acknowledged that in addressing vocabulary learning strategies, one should not lose sight of their correlation with language learning strategies. A considerable number of researchers (Wenden and Rubin 1987; O'Malley and Chamot, 1990; Oxford, 1990 and Schmitt, 1997) asserted that VLS forms a sub-class of a framework for language learning strategies and this reason applies to a wide variety of language learning (LL) tasks, sighting from the more remote ones, such as vocabulary, pronunciation, and grammar to integrative tasks such as reading comprehension and oral communication. A few studies including a study by Schmitt (1997) have manifested that LLS is not inherently „good“ for various factors, for example, the contexts in which the strategies are used, frequency of use, the combination with other strategies, language portability, background knowledge, the texts, target language, LL proficiency level, and language characteristics. The importance and popularity of vocabulary learning strategies in the group of language learning strategies in terms of their actual use is reflected by the fact that the vast majority of language learning strategies listed in taxonomies such as in Oxford (1990)'s, are either vocabulary learning strategies (all strategies in the memory category), or can be used for vocabulary learning tasks. Despite this, research into language learning strategies has tended to neglect vocabulary learning strategies, preferring to focus on language learning as a whole. However, one of the most significant current discussions in language learning strategies that are related to the present study is vocabulary learning strategies which will be explained in the following section.

In learning any language, vocabulary is the center focal point of acquisition. As put forward by McCarthy (1992) “without words to express a wider range of meanings, communication in L2 just cannot happen in any meaningful way (p.50)”. Vocabulary has been gradually recognized as crucial to language use in which insufficient vocabulary knowledge of the learners led to difficulties in second language learning. Nation (2000) describes the „learning burden“ of a word as the amount of effort that a learner puts into learning the word. According to him, “different words have different learning burdens for learners with different backgrounds and each of the aspects of what it means to know a word can contribute to its learning burden” (p. 23). Thus, in the case of learning vocabulary in a second language, students need to be educated with vocabulary learning strategies. They are most persuaded to use basic vocabulary learning strategies (Schmitt, 2000). However, teachers may help to decrease students“ learning burdens by providing some organized vocabulary learning strategies for them.

This research investigated the application of vocabulary learning strategies by undergraduate ESL students who are studying to teach English as a second language at FIS. Thus, with small sample size and the nature of the study (qualitative study) caution must be applied, as the results of this research might not be transferable to other ESL students in the FSI. The present study attempts to explore the use of vocabulary learning strategies (VLSs) experiences in the process by undergraduate ESL students. This study aims to answer the following question; *“What are the vocabulary learning strategies actively employed by undergraduate ESL students in learning the English language?”*.

## **6. Method & Materials:**

The purpose of the present study is to examine the use of vocabulary learning strategies (VLS) by Albanian ESL students at University-level to better understand the ways that they applied to learn new words in English. It was decided that the best method for this investigation to better understand the use of VLSs by these particular students is to adopt the qualitative research design. Cresswell (2008) identified qualitative research as an investigative method for understanding a phenomenon based on separate methodological traditions of inquiry that elicit human conditions or social problems. In addition, the researcher is the main instrument for analyzing the data. Personally, the researcher is interested in this topic because he has been taught in an EFL (English as a foreign language) context where it was very difficult to gain access to teaching and learning materials of the English language. As Merriam (1988) explained, interview utilization is one of the major sources to obtain qualitative data from subjects. Hence, the method of conducting an interview is one of the most popular means to investigate, research, and inquire about data from one phenomenon.

The interviews were conducted individually with ten students (four males and four females) who are randomly selected, at the Faculty of Islamic Studies to gain a deep understanding of the subject's varied backgrounds in vocabulary learning, the strategies that they used to learn new words in English.

## **7. Results and Discussion:**

### ***7.1 Vocabulary Learning Strategies Use***

The results showed that ESL learners in FIS are not aware of most of the vocabulary strategies mentioned in the present study. On the other hand, they are usually using vocabulary learning strategies in either a medium or low frequency. The common and specific strategies used by participants will be discussed in the following section.

### ***7.2 The Common Strategies Use***

Schmitt's (1997)'s taxonomy of vocabulary learning strategies is utilized in categorizing the vocabulary learning strategies demonstrated by the data of the current study. The findings of the study showed that ESL Albanian students used determination, cognitive, social, and metacognitive strategies which are the most common and are employed comprehensively by participants of the present investigation. Therefore, all students used at least one of the most popular strategies such as using the monolingual dictionary, guessing from the context, and learning through the English language media. The strategies which required the use of reliable materials and tools are also among the highly used group, e.g. reading the English language texts, using English-language media, and watching TV. Most of these strategies mentioned by all subjects in this study require only low-level mental processing whereas subjects seem to rely on strategies that mostly require rehearsal and meaning determinations without any type of deep processing. The strategies which have been mentioned by participants are listed according to their category and will be explained in the next section.

### ***7.3 Learning New Words through Reading***

The first common strategy which has been used by participants was guessing from textual context is under the determination category. This is a determination strategy where one makes guesses from the textual context. One possible explanation for the findings is related to the education system whereby in most English language classrooms, teachers have used the same teaching method such as using English newspapers to improve and assist the learning and acquiring of new vocabulary processes. The findings are consistent with Haggan (1990) who has found the use of newspapers in EFL classes to be a successful method. However, the most acceptable explanation for using this strategy which is also true for the current study has been provided by Oxford and Scarcellat (1994) as "by far the most useful strategy is guessing from various given contexts" (p.237).

#### ***7.4 Use of Dictionaries***

Another common strategy was using a monolingual dictionary (e.g. English to English dictionary) which is under the categorization of determination strategies and has been mentioned by Ahmed, Jamal, Sarah, Rose, and Jim as one of the common strategies that have been used by them. The popularity of this strategy is expected simply because the use of a monolingual dictionary is a common practice among second language learners. These dictionaries give detailed guidance on pronunciation, grammar, and usage with explanations written in a controlled, simplified vocabulary. Other than that, the dictionaries also provide examples of words used in various contexts (Carter, 1987). The monolingual dictionaries are designed for native users but publishers have later on developed this type of dictionary for L2 students as well (Oxford and Scarcellat, 1994). An explanation for the common use of a monolingual dictionary among these students in FIS is that the new curriculum is focusing on independent learners. This method is widely performed in English language classes. However, this finding is in agreement with the findings of Noor and Amir (2009) which showed the commonly used dictionary strategies among Albanian students.

In addition, in classrooms, most of the time, the teachers encourage the students to refer to the dictionary and the students are expected to learn new words on their own. Another reason that can be accounted for the result is related to the process of learning language as the participants become mature, the more advanced they become. This advocated Ahmed's study (1989) on poor and good language learners among ESL students in Khartoum. In other words, the use of a monolingual dictionary in this study is consistent with (Ahmed, 1989). An explanation that he presented, which is also true for the subjects of the present study, is that more successful learners at the upper proficiency levels have moved on from using bilingual dictionaries to using monolingual ones, in which they make use of some of the information in such dictionaries beyond merely just the definitions.

#### ***7.5 Applying New English Words in Their Daily Speaking***

Hence, one of the more significant findings to emerge from this study was that the respondents applied new English words in their daily speaking. It can be considered a social strategy. They practice new words among friends in the university (mentioned by five subjects), ask questions in the classrooms (two subjects), and interact with native speakers (mentioned by three subjects). A possible explanation for this might be that these students benefitted from the receptive and productive knowledge of vocabulary learning in a second language. These findings are consistent with those of Nation (2001) and Webb (2005) who found the receptive and productive role of vocabulary learning in a second language. However, Monderia and Wiersm (2004) explained receptive vocabulary learning as learning the meaning of a second language word to the target language, and productive vocabulary learning makes the learner able to translate a word from L1 to L2.

Another possible explanation for this issue has been identified by Webb (2005) who indicated that the greater part of vocabulary is learned receptively through reading or listening and production through writing and speaking.

### ***7.6 Use of Media***

Another important finding of this investigation showed that using the English-language media (songs, movies, internet, computer games, TV programs, etc.) is also among the high-frequency strategies used by the students. Besides, using materials that involve authentic language use is also listed among the frequency strategies used. A possible explanation is that the popularity of this metacognitive strategy may relate to the accessibility of the materials. Moreover, authentic materials are good in terms of learning new words in their contexts. As mentioned in the literature review strategies involving authentic language use are demonstrated by Stoffer (1995). This category was the first category of Stoffer's (1995) classification and later Schmitt (2000) included this strategy in his taxonomy as a sub-category of metacognitive strategies. This result may be explained by the fact that highly developed technology is becoming a major part of vocabulary learning and the second language learning process.

### ***7.7 Social Strategies***

It is interesting to note that in all ten subjects of this study, none of the students described studying words with the help of others for the purpose of learning words. The participants only shared their problems with others when they could "t find any other sources to learn those unknown words. These results are similar to the results of the study which has been done by Schmitt (1997) which showed that using social strategies is rather popular; this data also revealed that social strategies are frequently used by subjects of this study.

## **8. Conclusions, Implications & Recommendations**

The study has discovered that ESL students perceive the substance of vocabulary as a branch of language learning. However, some strategies such as the learning a word through reading, the use of the monolingual dictionary, the use of various English-language media, and applying new English words in their daily speaking where are related to memory, determination, and metacognitive strategies respectively are popular strategies and the learners are keen in using them. On the other hand, strategies that require cognitively deeper processing such as putting English labels on physical objects, listening to tapes of word lists, and writing down the new words and their meanings on cards are not mentioned by participants of this study. Based on the results, some implications can be observed. First of all, an advantage of this study is that it will increase public awareness of the importance of vocabulary learning strategies in second language learning and teaching. As Oxford (2003) mentioned "Vocabulary is not explicitly taught in most language classes" (p. 9). The results of the current study can assist language teachers to improve their teaching methods. Second,

teachers who are interested in their students' performance in learning the English vocabulary can introduce the vocabulary learning strategies and techniques to their students by designing useful tasks and giving relevant assignments. Next, unfortunately, based on the interviews conducted, most of the students are not aware of the existence of the numerous strategies used to learn words other than using dictionaries and rote memorization. Future studies on vocabulary learning strategies can be carried out from two viewpoints. Studies on the individual differences of language learners from primary to university level can be conducted both in qualitative and quantitative approaches. In addition, studying the effect of culture, home environment, peer groups, effective teaching methods and classroom atmosphere on vocabulary learning strategies could be very helpful to get a better understanding of the relevant strategies.

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# THE IMPACT OF THE PANDEMIC CRISIS ON THE ECONOMY, WITH SPECIAL EMPHASIS ON THE REPUBLIC OF NORTH MACEDONIA

**Prof.Dr.Neritan Turkeshi** (University “Mother Teresa” -Skopje, RNM)  
(neritan.turkeshi@unt.edu.mk)

**Qamil Kovaçi, PhD candidate** (University “Mother Teresa” -Skopje, RNM)  
(kovaci\_qamil@hotmail.com)

## I. INTRODUCTION

The Covid -19 crisis has swept across the globe for months, disrupting the rhythm of humanity and drastically changing the way people live. The Covid-19 virus first appeared in late 109 in China. Its rapid spread led to the declaration of a world pandemic by the World Health Organization on March 11, 2020.

COVID-19, as an important and unpredicted event, will have a negative impact both nationally and globally, where besides destroying the social order, it has also destroyed the economy, creating an economic collapse and great loss of human life.

The Covid-19 pandemic at the beginning of its emergence first caused a health crisis, and then grew into a humanitarian and socio-economic crisis that has strong negative implications for gender equality, as well as further deepening of existing inequalities. Almost all sectors were negatively affected by the crisis, such as: tourism, manufacturing, catering, healthcare, food sales, financial services, etc.

The COVID-19 crisis has launched a digitalization impulse in North Macedonia (and globally) which will last and present challenges, but also will provide new opportunities in the economy, education, and other fields of the society. The main challenge is to ensure that all groups of society will have access to and will benefit from the digitalization process.

The slow economic growth does not provide the creation of new jobs. Unemployment comes in big dimensions and is considered as the biggest economical issue of the country, it presents an economical problem, but as a result of this issue, many other issues come into sight.

The Covid-19 crisis has slowed the economy, especially small businesses are feeling the effects of the crisis. The government proposed the companies to prepare their own plan for restructuring, to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic their own plan for restructuring, ie to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic are small businesses, such as those that first shut down catering.

## **1.The notion of the Covid crisis**

Covid-19 is an unknown disease that we have not encountered so far. The Covid-19 pandemic is the secret enemy of human health and life. Pandemic is a new and unknown phenomenon, so the fear of people is justified. The Covid-19 crises has swept across the globe for months, disrupting the rythem of humanity and drastically changing the way people live.

The Covid-19 pandemic at the beginning of its emergency first caused a helath crisis, and then grew into a humanitarian and socio-economic crisis that has strng negative implications for gender equaility, as well as further deepening of existing inequalities.

The corona virus pandemic has changed the habits of domestic customers, who have shifted most of their online shopping to domestic e-commerce instead of the foreign one. The implications for this, of course, are the closing of the borders and the complexity that has emerged with the delays in delivery of foreign-purchased products, as well as the fear of ordering products that originated mainly form countries that were infected with the COVID-19 virus.

In order to prevent the rapid spread of the Covid crisis, many countries were forced to introduce partial or complete restrictions on the movement of people, isolation, quarantine, closure of kindergartens, schools and their public institutions in order to maintain a greater social, health and economic system in conditions of the Covid crisis.

## **2.Economy in conditions of pandemic**

In economics, the Covid-19 is a black swan. The back swan on the stock exchange is a symbol of unforeseen events with far-reaching consequences. Economists are discussing the consequences of the Covid crisis, that is, how bad the consequences of avoiding the Covid crisis will be.

In 2020, in late January, economist Jill Zhibo was asked f the corona virus could be a black swan, to which he replied: “Yes, maybe for companies that have a large business in China” . His position has weight, as he is the responsible strategist for the shares of Axa Investment Managers in Europe, which manage a capital of around 800 billion euros. But then it was not possible for Axa’ s chief strategist, as well for other investors, to predict that the virus would hundreds of people around Milan. Nervousness in the world financial markets has already grown.

The state of emergency in the country, the state of emergency in the economy closed the catering facilities, shops, maret, and some of the employees lost their jobs. Many businesses are run remotely, ie from home. Based on the above, we can conclude that the Covid-19 crisis has slowed down the economy, especially small businesses are feeling the impact of the crisis.

The government proposed the companies to prepare their own plan for restructuring, ie to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic are small business, such as those that first shut down catering. There are two types of losses. The first type of losses that catering faces are financial, in terms of lack of asistence, because the company is closed, does not work at all, and costs become higher, such as rent, overhead costs, etc.

The negative impact on the economy caused by the crisis became more visible with time, and the economic consequences are not as favorable neither now, nor in the short term. Because of a considerable decrease and imbalance on both the supply and demand sides, economies were faced with major shocks and weakened the resilience of economic entities. While the demand for products and certain services dramatically increased (medical equipment, connecting platforms, electronic payment etc.), for others (tourism and catering, automobilism, etc.), the demand significantly decreased.

In the same time, suppliers cannot meet the increased demand for the certain products and services. The transport sector faces serious difficulties because of the security precautions recently imposed by every country, which shows the critical dependence on a globalized economy. Today's production is highly dependent on transport and trade as the product requires parts produced in different countries.

While the second type of losses, if the pandemic situation is postponed and the catering facilities are closed for more than three months, there will be losses from food, ie materials that caterers use to prepare food. Wages are a problem for companies, and non-payment of regular salaries means inability of citizens to be able to pay their monthly expanses and loan installments. The government has come up with several measures, such as providing interest-free loans, subsidies form a fund of 74 million denars for the most affected sectors such as tourism, catering and transport, as well as prolonging the payment of some of the taxes. The global pandemic has put large and stable economies to the test.

### **3. The impact that COVID-19 has brought to the world economy!**

The degree of damage in the economy will depend on many factors, such as the steps that the authorities will take to improve the health situation and how much economic support governments are willing to provide during the immediate impact of the epidemic and its aftermath. COVID-19 might cost 1 trillion dollars to the world economy during 2020. "We predict a slowdown in the global economy to less than two percent this year, and that would probably cost 1 trillion dollars, compared to what people were forecasting in September", said Richard Kozul-Wright, President, UNCTAD.

China's example showed that the economy in this situation heads toward general decline, which made Chinese exports drop by 17.2%, automobile sales by 80% in the first two months of the year alone. According to researcher Khan A.H the world is facing the perspective of a deep and sustained global recession. "Chinese GDP will drop by a few percentage points. EU will lose around two percentage points, and USA will lose between one and one and a half percent. With falling oil prices, oil-producing economies are already experiencing economic downturns. The direct and indirect effects of COVID-19 will exacerbate this trend". OECD forecasted that COVID-19 will lower the global growth of GDP by half a percentage point for 2020 (from 2.9 to 2.4 percent). Bloomberg Economics warns that the GDP growth over the full year could drop to zero in a worst case pandemic scenario.

#### **4. The dangers posed by the pandemic in Balkan and North Macedonia!**

The situation can worsen even more. The main danger for the Western Balkans is that along with a complicated social and political environment, a prolonged pandemic combined with a deeper recession in the EU may make it increasingly difficult to manage the economic crisis that will unfold. In addition to rising human and social costs, a longer pandemic would reinforce the spread of global effects through trade, finance, and of goods channels.

Its extension would also intensify investor risk averse behavior and consequently borrowing costs, which would have significant fiscal costs for the Western Balkan countries that have high external debt to GDP ratios. Unfavorable exchange rate developments may further increase debt service costs. The upcoming waves of COVID-19 outbursts that require isolation will further raise economic uncertainty, as well as economic and social costs.

In addition to pressure on fiscal and external accounts, there is a risk that measures responding to the socio-economic crisis will not be effective in the new context of social distancing, the imperfect rate of use of online government services and disruptions in the functioning of public administrations. North Macedonia and Serbia have postponed their spring parliamentary elections; in BH, Kosovo, and Montenegro, political instability can add to the already high level of uncertainty and cause many problems for governments' ability to respond.

#### **5. THE IMPACT OF THE PANDEMIC WITH EMPHASIS ON THE ECONOMY OF NORTH MACEDONIA**

The Covid -19 pandemic has infected most of the world's population, in 40-70%. The purpose of the pandemic is to affect a large part of the global population, we can see that according to the recorded number of cases of Covid-9, in the first quarter of 2020, in March of the Covid-19 pandemic about 170.000 people in 148 countries, as a result of the large number of infected people recorded 6500 deaths. Covid crisis is a shock to the economy, as well as to labor markets, because in addition to affecting the supply itself, in the production of goods and services, it also affects demand, ie investment and consumption.

Almost all companies in the world, regardless of size, face serious challenges from Covid-19, among which the biggest challenges are on the tourism, aviation and catering industries, which face losses in terms of jobs, declining revenues and insolvency. The effect of the crisis is especially reflected in small and medium enterprises, making it difficult for them to maintain their business operations. As a result of taking action against the Covid crisis, the majority of works are unable to do their jobs or get to work due to quarantine measures, border closures or travel bans, resulting in a domino effect on income, especially fast temporary and informal workers.

Due to the Covid-19 crisis, consumers in many economies are reluctant or unable to buy goods or services. Due to the uncertainty and fear of the Covid crisis, companies are likely to delay procurement of goods, hiring of workers, as well as investments. The prospects of the economy, namely the quality and quantity of employment are deteriorating rapidly. In fact, all forecasts point to the negative impact caused by the Covid crisis on the global economy or the global economic recession. To mitigate the effects of the Covid crisis on the Macedonian economy, rapid and coordinated policy measures are needed at both the national and global levels with a strong multilateral level. Key to stimulating the economy are demand side measures to protect entities facing reduced activity or loss of revenue due to the Covid crisis.

The sources of risk from the Covid-19 crisis are entirely linked to the pandemic. Compared to the projections made in April, the risks are even more unfavorable, given the further downward revisions of the projected global economic activity, as well as the extremely high uncertainty about preventing the spread of the disease, as well as the effect on the economy. During the first quarter, the National Bank twice reduced the key interest rate by 0.25 percentage points in the historically lowest level of 1.5 percent. In addition, during the second quarter, the supply of treasury bills was reduced twice or by a total of 15 billion denars, in order to provide support to the Macedonian economy by maintaining credit flows and the credit cycle by the banking system.

In the absence of inflationary pressures and a solid level of foreign exchange reserves, this monetary stance was assessed as appropriate to the current economic and financial developments, which are under strong impact of the Covid-19 pandemic, as well as restrictive measures to prevent the spread of the virus Covid-19. The National Bank intervened in the foreign exchange market during the second quarter of the year in conditions of reduced foreign exchange inflows due to the pandemic. Foreign exchange reserves in the second quarter of the year increased, mainly due to transactions at the expense of the state and according to all indicators of their adequacy, they are still in the safe zone. Favorable developments were also registered in the deposit and credit flows, which registered solid growth above the expectations according to the April projection. The data on the gross foreign reserves for the second quarter indicate an increase compared to the previous quarter, which is mainly due to the transactions at the expense of the previous quarter, which is mainly due to the transactions at the expense of the government, in the government borrowing from the International Monetary Fund in April and the issuance of securities in the international financial markets.

A study was conducted in North Macedonia on the effects caused by COVID-19 in the tourism and catering sector with recommendations for addressing the economic effects. The research was conducted by the Economic Chamber of North Macedonia, the Economic Chamber of North-West Macedonia, MASIT - ICT Chamber of Commerce, and Macedonian Chambers of Commerce.

The study shows that during the period August-September arrangements are being massively canceled, while there is a drastic decrease in the number of foreign tourists in the country.

The majority of tourism and catering companies would need at least six months to a year to recuperate, if the COVID-19 pandemic comes to an end by the end of the year.

The study predicts two scenarios. According to the first scenario, if the crisis ends by the end of this year, (2020), depending on the effectiveness of the measures that are to be taken, 2000 to 12 000 people would be made redundant, while the decline in tourism will be close to 200 million dollars or over 50% of the planned forecasts and based on this, recovery from the crisis would occur in 2023.

According to the second scenario, if the crisis continues after 2020, 4000 to 20 000 jobs will be lost, the decrease will be over 80% and recovery would occur in 2027. Almost 100% of hotels have cancelled arrangements for April, May, June, while in July there is canceling of group reservations in 89 percent of hotels, in August 69% of hotels, in September 50% of hotels, while cancellations have also been made for December of this year, and January 2021.

In order to improve the situation in the tourism sector, the study shows that the stimulation of domestic tourism is needed, while presenting special subsidized arrangements and conducting strong campaigns to encourage domestic tourism.

Artisans are also affected by the COVID-19 crisis; the real situation reflects the situation on the field. One of the most visited places by tourists that visit Skopje is the Old Bazaar of the city, where craftsmen say that for several months now they have been on the verge of survival, and that they can only last for another month and a half. Afterwards, if the situation does not change, they say that they will be forced to close their shops, just like the majority of the shops in the bazaar. Data from the State Statistical Office shows that the number of tourists has drastically decreased. In May 2020, 838 tourists visited the country, a rate 99,2 percent smaller compared to the same period of last year.

The credit activity of the banking sector the second quarter of the year achieved accelerated quarterly growth, which was largely a result of the increased lending to the “corporate” sector, with a solid positive contribution to household loans. On annual basis, credit growth at the end of the second quarter reached 6.6 percent, which is above the projected annual growth according to the April projection (4.3 percent). Regarding the sources of financing, in the second quarter, accelerated growth of the deposit base was registered, which was mostly due to the increase of household deposits, with solid and the deposits of enterprises and other financial institutions. The annual growth of total deposits at the end of June was 8.4 percent, which is a solid growth and is higher than expected according to the April projection (6.3 percent). The National Bank expect that the measures taken in the first half of the year will provide further and adequate credit support to the domestic economy by the banks, in the absence of inflationary pressures. Foreign exchange reserves are within expectations and are expected to remain in the safe zone, while inflation is estimated to remain within acceptable limits.

## II. CONCLUSION

Covid-19 is an unknown disease that we have not encountered so far. The Covid-19 pandemic is the mysterious enemy of human health and life. Pandemic is a new and unknown phenomenon, so the fear of people is justified. Covid crisis with lightning speed, in just a few months swept across the world, changed the way of life of people and disrupted the pulsating pace of humanity.

The Covid-19 crisis carries great risks in all spheres of the economy, but it can emerge from the crisis as a more resilient economy and a more functional society, because every lesson learned is a gain, as is the lesson from the Covid-19 crisis. The first challenge is to create a new fiscal space by narrowing the gap between revenues and expenditures, stabilization, without affecting economic growth.

The emergency health crisis caused by the COVID-19 has directly affected the labor market in almost all the countries in the world. The movement restriction has caused a drastic decline in business activities on one hand, and the complete closure of many industries has left many employees jobless. But, the easing of restrictive measures and the gradual opening of business activities does not imply an immediate return to the pre-pandemic situation. Firstly, not all economic activities are expected to open immediately. Secondly, not all activities that will open will have the same demand for the provision of goods or services. And thirdly, the post-pandemic world might demand new economic activities and services which also require new skillsets. On the other hand, the pandemic situation could have been used to test some new social protection policies. With an accurate calculation of the financial cost, some of the measures taken could be translated into long-term government policies. Enterprises that register new workers with one-year contracts could have financial support from the state as support for their contribution to the formalization of the economy. Employees who have been employed for a certain period could have the right to a monthly allowance in the event of a job loss. Finally, the labor market may not be the same as it was before the pandemic.

A lot of jobs with low wages and abilities, especially those provided by small companies, will not return after the recovery and normalization of the situation. The changes in needs, a lot of which are accelerated by the economic upheaval caused by the pandemic, will change the future composition of the GDP. The distribution of services in the economy will continue to grow.

The Covid-19 crisis is an important issue for countries planning to integrate into the EU, given that global economic turmoil has shown that policy is the first “stumbling block” to the union’s sustainable macroeconomic stability. As a representative of open and small economies – Northern Macedonia in this regard was no exception to global trends. In recent years, the strong fiscal expansion has put the country to the test, its fiscal sustainability in terms of the rapid growth dynamics of the level of indebtedness. In this regard, we should take into account all the factors and challenges we face, which make our economy extremely vulnerable to changes in the environment with further repercussions on the fiscal sphere.

### III.LITERATURE

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