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UNIVERSITETI "ALEKSANDËR MOISIU" DURRËS

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"TRANSFORMING ECONOMIES: INNOVATION, SUSTAINABILITYAND ECONOMIC DEVELOPMENT IN THE EU INTEGRATION ERA"

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UNIVERSITY “ALEKSANDËR MOISIU” DURRËS

FACULTY OF BUSSINES

15th International Scientific Conference

“Transforming economies: Innovation, Sustainability and Economic Development in the EU Integration era”

Durres on 23-24 April 2025

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In collaboration with our esteemed partners:

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PREFACE

The 15th International Scientific Conference of the Faculty of Business, titled "Transforming Economies: Innovation, Sustainability and Economic Development in the EU Integration Era", was successfully held at Aleksandër Moisiu University of Durrës on April 23–24.

This edition of the conference marked an important step toward strengthening the role of the Faculty of Business as an active center for scientific research and the exchange of ideas among academics, researchers, and experts in the fields of economics, management, and innovation.

The papers presented at this conference addressed a wide range of significant issues, including the challenges of sustainable development, the impact of innovation on the economy, and the European integration process in the context of contemporary economic developments. Interdisciplinary contributions and discussions enriched the scientific dialogue and fostered new collaborations among participating institutions and scholars.

As organizers, we are pleased with the level of engagement, the quality of presentations, and the fruitful discussions that took place during the conference sessions. We express our sincere gratitude to all authors, academic collaborators, and participants who contributed to the successful realization of this scientific event.

The papers compiled in this conference proceedings volume aim to reflect the most important outcomes of the scientific discussions and to further encourage research and debate in the fields addressed.

Sincerely,
Conference Coordinators
Faculty of Business
Aleksandër Moisiu University of Durrës

Conference Theme Summary
15th International Scientific Conference
"Transforming Economies: Innovation, Sustainability and Economic Development in the EU Integration Era"

The central theme of the 15th International Scientific Conference of the Faculty of Business at "Aleksandër Moisiu" University, Durrës, focuses on the complex and dynamic processes of economic transformation in the context of European Union integration. The conference brings together scholars, researchers, and practitioners to discuss how innovation and sustainability are becoming critical pillars for economic development, institutional reform, and regional competitiveness. In an era defined by technological advancement, geopolitical shifts, and environmental challenges, the conference aims to explore interdisciplinary insights and evidence-based approaches that support inclusive growth, green transitions, and the advancement of knowledge economies. The theme encourages dialogue on how EU accession can serve as a catalyst for aligning national economic strategies with broader European values and objectives, while fostering collaboration between academia, policy, and industry.

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Assessing the determinants of profit allocation in albanian enterprises: an empirical analysis using regression techniques

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Abstract
Dividend payout decisions are a cornerstone of financial theory, continuing to pose a significant challenge since the assertion that dividends hold no relevance in perfect capital markets (Miller and Modigliani's,1961). Despite extensive research identifying numerous factors influencing these decisions, no universally applicable framework has materialized, primarily due to the heterogeneous effects of country-specific, company-specific, and market-specific variables. When a company generates net profit, it is confronted with pivotal choices: reinvestment in core operations, dividend disbursement, debt settlement, or share repurchase. The determination of how profits are allocated is of critical importance, as it profoundly impacts the company's valuation and its long-term financial trajectory. This study aims to investigate the critical determinants influencing profit distribution within Albanian enterprises, utilizing sophisticated regression techniques for rigorous empirical analysis. By leveraging regression models, the research scrutinizes the financial data of Albanian firms from 2018 to 2022. The insights derived from this analysis provides the explainability of factors shaping profit distribution strategies, providing a solid foundation for strategic management and evidence-based decision-making in Albanian businesses. In our research, data sources include financial statements collected from Albanian enterprises by the National Business Center. The results of this research will offer valuable perspectives on profit distribution management within Albanian businesses, enhancing the overall comprehension of the diverse factors that impact financial decision-making processes.

Key words: profit ,distribution, dividend payout decisions,performance**.**
JEL classification: G35, G30, C33, L25, M40

1. Introduction

Accounting plays a crucial role in determining a business's economic performance, specifically by summarizing revenues and expenses to calculate profit or loss over a given period. The adjustment of financial statements is influenced by the legal and regulatory framework in which a business operates. The need for unstructured financial reporting, which addresses the informative address of investors, led to the address of IFRS. However, as noted by Ball et al. (2003) and Prochazka (2017), the mere adoption of IFRS does not guarantee high-quality financial reporting. For accurate financial reporting, companies must be incentivized, and effective enforcement mechanisms must be established. While IFRS primarily focuses on reporting historical events, it does not address issues related to profit-sharing or capital maintenance. Although it recognizes both financial and physical capital, it does not provide clear guidance on capital maintenance. In Central and Eastern Europe, national accounting regulations remain predominant. For instance, in Slovakia, companies are required to allocate a portion of their profits to a statutory reserve fund (Kosovska et al., 2017; Paksiova, 2017). Additionally, concerns such as the double taxation of profit distribution have been explored by Krajciova et al. (2017). To ensure long-term success, businesses should prioritize sustainable asset management. The decision regarding profit distribution is strategic and significantly influences a company's future. Strategy defines long-term objectives and resource allocation to achieve these goals (Glautier & Underdown, 1991). Profit serves as a key internal source of financing, and strategic management focuses on analyzing both external and internal factors (Sebestova & Wagnerova, 2007). Corporate strategy may focus on growth, diversification, or revitalization, with maintaining assets and capital being essential (Tumpach & Bastincova, 2014). Financial strategy, which involves managing cash, assets, and liabilities, is crucial for business development (Paksiova, 2017).

2. Literature review

Dividend payout decisions

The decision on how to distribute profits is a critical aspect of corporate strategy. This decision involves determining whether a portion of the profit should be distributed, the amount to be distributed, and the method of distribution (Kowerski & Kazmierska-Jozwiak, 2022). The decision to distribute dividends is closely aligned with the company’s investment and financial policies (Alekneviciene, Domeika, & Jatkunaite, 2006). In contrast, share repurchase programs are a relatively recent practice compared to dividends. While share repurchase has never been prohibited in the United States, there was significant uncertainty regarding its legality until 1982 (Grullon and Michaely, 2002). A company's decisions regarding payouts are determined by a combination of its financial condition and external environmental elements, notably macroeconomic conditions (Kowerski, 2011).

Profit and Value Maximisation Theory

In the traditional economic model, firms are assumed to focus on short-run profit maximization, typically within a one-year period, which guides decision-making in market structures such as perfect competition and monopoly. This approach has been valuable for efficient resource allocation. However, in modern managerial economics, the emphasis shifts to maximizing the firm's value, which translates to maximizing shareholder wealth. This model contrasts with the traditional view, as managers of corporate firms often prioritize long-term value over short-term profits. Critics argue that the traditional profit-maximization model is unrealistic, as it overlooks factors beyond financial outcomes (Tripathi, 2019). Managers may prioritize personal interests, such as power, prestige, and leisure, over maximizing profits. William

Baumol proposed a sales-maximization model, suggesting that managers should focus on sales rather than profits. Oliver Williamson argued that managers seek to maximize their utility, which is influenced by factors such as salaries, benefits, stock options, and control within the company.

- **Profit Allocation Theories**

A prominent theory in the literature on payout policy is the signaling or information hypothesis (Miller & Rock, 1985). As proposed by this theory, dividend distributions are utilized by managers to communicate insider information about projected profitability and future cash flows to the market .In this framework, a reduction in information asymmetry would, all else being equal, lead to a lower inclination to distribute dividends. This effect contrasts with the direct influence of information asymmetry on payout decisions, as seen in the Free Cash Flow (FCF) theory (Kalay, 2014). According to Baker & Wurgler (2004), dividend choices are influenced by investor preferences; managers pay when their investors are free, and forgo them when the market favors firms without dividends. The evidence shows positive results with their initiation and negative results with their termination, highlighting the key role of investor sentiment.Furthermore, once dividends are initiated, changes in dividend amounts are more influenced by a firm’s profitability than by stock price fluctuations. This perspective aligns with their broader view that investor sentiment significantly influences dividend policies over time.

- **Dividend policies according to different authors**

Degree of dividend payout is contingent upon the dividend policy the company has in place.Franco Modigliani and Merton Miller's irrelevance theory asserts those dividends don't influence share value or cost of capital, rendering it insignificant in financial decision-making Brigham, E., & Houston, J. F. (2010). Several factors influence dividend policy, including legal regulations, liquidity, loan repayment needs, restrictions from loan agreements, asset growth rate, profit levels, earnings stability, capital market opportunities, control, shareholders' tax positions, and taxes on illicit income Weston, J. F., & Brigham, E. F. (2004). The signaling theory suggests dividend changes indicate a company's future prospects Suhadak, & Darmawan, A. (2011).The Clientele Effect Theory states that shareholder groups have varying preferences for dividend policies Amaliya, V. K., Topowijono, & Wi Endang, M. G. (2015).

3. Research methodology

In contemporary scientific research, direct involvement in data collection is often avoided due to its time-consuming nature. Instead, researchers frequently utilize secondary data—existing information from reliable sources—to perform relevant analyses and draw conclusions. This study follows that approach, beginning with the identification and organization of pertinent data, followed by its analysis to derive meaningful insights. The primary data source is the National Business Center (NBC), from which financial statement data were obtained. The analysis employs multiple linear regression, incorporating four explanatory variables—ROA, ROE, and Profit Tax— and the DPR as the sole dependent variable.A sample of 32 entities was selected based on three criteria: their primary operations are in the city of Durrës, they are limited liability companies, and they reported profits during the study period.To yield clear and meaningful results, every research study must be guided by specific research questions and corresponding hypotheses. This paper aims to address the outlined questions :

a. What is the connection between ROA and the Dividend Payout Ratio ?
b. How does Profit Tax relate to DPR?
c. How is ROE associated with DPR?
d. Can we draw conclusions about these relationships within the context of companies in the city of Durrës?

In response to these questions, this study puts forward the following hypotheses:

- H_0: Profit tax negatively affects DPR.
- H_1: ROA positively influences DPR.
- H_2: ROE positively influences DPR.
- H_3: Other factors also influence DPR.

4. Analysis of the results

Econometric analysis focuses on three elements: the direction of coefficients, their statistical significance, and model fit. In simple regression, R^2 shows how much of the variation in the dependent variable is explained by the model.In multiple regression, lower R^2 values can occur, especially with scattered or numerous data points, as in this case.

Table 1: Summary output

Regression Statistics	
Multiple R	0.486216402
R Square	0.23640639
Adjusted R Square	0.221721897
Standard Error	0.409176207
Observations	160

Source : Authors

With an R value of 0.48, the multiple correlation coefficient indicates a moderate relationship between the predicted and observed values of the dividend payout ratio. An R-squared of 0.23 means that 23.6% of the variation in the dividend payout ratio is explained by the model's variables which include ROA, ROE, and Income Tax. This implies the existence of additional factors that are not captured by the model. The adjusted R-squared value of 0.22 indicates that, even when adjusted for the number of predictors, the model maintains a modest level of explanatory power. Meanwhile, the standard error of 0.40 represents the average deviation between the predicted and actual values, with smaller values reflecting better predictive accuracy.This measure is proportional to the scale of the dividend payout ratio.

In the ANOVA table the data for the explained sum of squares and the residual sum of squares let us examine the following hypotheses :

H_0 : β1= β2= β3= β4=0 so the model we are studying is insignificant.
H_1 : β1 ≠ β2 ≠ β3≠ β4 ≠ 0 so the model we are studying is important

Table 2 : ANOVA of Regression Model

ANOVA

	df	SS	MS	F	Significance F
Regression	3	8.086158822	2.695386	16.09905	3.62487E-09
Residual	156	26.11832624	0.167425		
Total	159	34.20448506			

Source : Authors

With an F-statistic of 16.09, this value quantifies the ratio of explained variance in the dependent variable relative to the unexplained variance due to residual errors.A higher F-value indicates that the model more effectively accounts about how the dependent variable changes. In this case, the F-value suggests a significant impact from the independent variables. Also, the Significance F value of 3.62487E-09, which is much smaller than 0.05, shows that the model is statistically significant. This means the independent variables have an important effect on the dependent variable and that the regression model is not due to random chance.

Table 3 : Regression Coefficients Tables

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.253988209	0.044383242	5.722615	5.22E-08	0.166318547	0.341658	0.166319	0.341658
ROA	1.373613445	0.313677898	4.379057	2.18E-05	0.754009411	1.993217	0.754009	1.993217
ROE	0.25616802	0.098603447	2.597962	0.010276	0.061397863	0.450938	0.061398	0.450938
Profit Tax	-1.46283E-08	4.78123E-09	-3.05953	0.00261	-2.40726E-08	-5.2E-09	-2.4E-08	-5.2E-09

Source : Authors

- The ROA coefficient, valued at 1.37, signifies that a one-unit increase in ROA results in a corresponding 1.37 increase in the dividend payout ratio, assuming other variables remain constant. With a standard error of 0.31, the estimate demonstrates notable precision. The t-value, exceeding 2, confirms the coefficient's statistical significance in this context. Additionally, the p-value, being significantly below the 0.05 threshold, strongly supports the conclusion that ROA plays a vital and statistically crucial role in explaining the dividend payout ratio.

- The ROE coefficient, standing at 0.25, indicates that each one-unit rise in ROE corresponds to a 0.25 increase in the dividend payout ratio, provided other variables remain unchanged. The standard error, measured at 0.098, highlights the accuracy and reliability of this coefficient estimate. A t-value of 2 places ROE right at the threshold of statistical significance. Moreover, the p-value, being below 0.05, confirms that ROE is statistically significant in explaining fluctuations in the dividend payout ratio.
- The Profit Tax coefficient, it is negative and statistically significant (p-value = 0.0026), meaning that a higher profit tax is linked to a small decrease in the dependent variable. However, the value of the coefficient (-1.46283×10^{-8}) is extremely small, suggesting that the practical impact of this variable, although statistically significant, is minimal in real terms. In other words, to see a noticeable change in the dependent variable, a large change in the tax paid would be required. This result suggests that, although the profit tax has a negative effect on the performance or indicator analyzed, its impact is limited in practical terms.

ROA has the greatest impact on the dividend payout ratio, suggesting that profitability relative to assets significantly influences decisions regarding dividend payments.ROE also has a notable impact, though it is smaller compared to ROA. The coefficient for the Profit Tax variable is negative and statistically significant (p = 0.0026), showing that an increase in tax leads to a decrease in the dependent variable.However, the effect is very small in practice, as the change must be large to have a significant impact.

Table 4: Correlation between variables

	ROA	ROE	Profit Tax
ROA	1	0.5013	0.414281
ROE	0.5013	1	0.16879
Profit Tax	0.414281	0.16879	1

Source : Authors

From the analysis of the correlation matrix between ROA, ROE and Profit Tax, it results that there is a positive and moderate relationship between ROA and ROE (0.5013), which suggests that companies with a higher ROA tend to also have a higher ROE. There is also a positive and moderate correlation between ROA and Profit Tax (0.4143), which indicates that companies with higher performance in asset utilization also have a higher tax burden, perhaps due to higher profits. On the other hand, the relationship between ROE and Profit Tax is weaker (0.1688), indicating that the ROE variable does not have a significant influence on the company's profit taxes. These results indicate that there is no significant multicollinearity problem, as none of the correlations is sufficient to cause serious concerns. This relationship between ROA and ROE indicates different aspects of a company's financial performance, with ROA measuring the efficiency of asset use and ROE the return on equity. Using both variables allows for a richer and more complete analysis of financial performance, providing a deeper understanding of the factors that influence profitability and efficiency.

Table 5: Multicorrelation analysis

	ROA	ROE	PROFIT TAX
VIF	1.570275	1.338916	1.210139517

Source : Authors

Variance Inflation Factor (VIF) is a widely used technique to analyze the occurrence of multicollinearity among the independent variables in regression models. The VIF value expresses how much the regression coefficients vary as a result of the correlation between the independent variables. The higher the VIF value, the stronger the link between the independent variables, reflecting a higher level of multicollinearity. As a rule, a VIF value greater than 5, or in some cases greater than 10, indicates a possibility of potential multicollinearity problems that can negatively affect the reliability and interpretation of the results of the regression model. The Variance Inflation Factor (VIF) for ROA is 1.57, well below the threshold of 5, indicating that there are no significant issues with multicollinearity for this variable. Similarly, the VIF for ROE is 1.34, suggesting that there are no strong correlations between ROE and the other variables in the model. Lastly, Profit Tax exhibits a VIF of 1.21, which is also quite low, further reinforcing the absence of significant multicollinearity. Collectively, these results demonstrate that Profit Tax aligns well with the other variables and does not introduce any detrimental effects to the model due to excessive inter-variable relationships. One of the most commonly used tests to determine whether or not there is serial autocorrelation is the Durbin Waltson d test. It ranges from 0-4. Autocorrelation is the correlation of a signal with a copy of itself. In other words, it measures how closely a time series is related to its past values. Positive autocorrelation occurs when the value is near zero, while negative autocorrelation occurs when the value is close to 4 (Durbin & Watson, 1950). Although DW = 1.30 indicates positive autocorrelation, due to the nature of the data, the impact on the conclusions is not considered significant.

5. Conclusions and recommendations

The dependent variable in this study was the Dividend Payout Ratio, which shows the percentage of a company's profit that is given as dividends to its shareholders from the total profit made during the fiscal year. Of course, we noticed that not all entities distributed the entire profit as dividends, but on the contrary, many of them reinvested it in the entity. This ratio is important because it is related to the stability of profits as well as to the perception of the market and the value of the shares. It can also be used as a tool to manage profits, especially in entities where the distribution of dividends is a constant pressure from investors. From the study of the three variables ROA, ROE and Profit Tax, we noticed that businesses that have higher returns on assets and capital are more likely to distribute dividends, so DPR increases. This is in full accordance with the economic theory related to with the fact that profitable businesses have higher opportunities and desires to reward shareholders. Alternatively, the profit tax which according to the tax legislation of the Republic of Albania has a rate of 15% on the operating profit of the period, is seen to have a significant negative impact on the DPR ratio. Although the effect is relatively small, if the profit tax rate were to be reduced, we would have an increase in dividend distribution. This is because a significant part of the profit is used to settle tax liabilities. Based on the regression results, the constructed model shows a modest explainability of the dividend payout ratio, reaching an R^2 of 0.2364 this means that about 24% of the changes in dividends paid can be explained by the variables in the model.Statistical tests for the significance of the variables show that all three factors, ROA, ROE and Profit Tax, have a statistically significant impact, with small p-values (below 0.05), confirming that these variables are closely related to the dividend payout ratio. Furthermore, the multicollinearity analysis, based on the VIF values, does not indicate significant problems, as all values were well below the critical limit of 5, suggesting that there were no strong correlations between the independent variables. However, a Durbin-Watson value of 1.30 suggests the presence of a slight autocorrelation in the residuals, which may help illuminate the possibility for future model improvements. Overall, the model is valid and provides a consistent analysis for understanding the factors that determines the dividend payout ratio. Profit management, on the other hand, plays an important role as it has a direct impact on the use of accounting policies while staying within the legal framework. One of the reasons why we manage profits is to maintain a DPR ratio as stable as possible or even minimize costs, mainly tax ones. So DPR does not remain only an indicator of profit distribution, but is also the purpose of earnings management. Some recommendations arising from this analysis may be:1-Tax legislation should encourage all entities to use accounting methods and policies for the fairest possible distribution of profits, avoiding strict profit management which can often lead to fraud. This should then be monitored in a more advanced manner so that we do not have entities that commit accounting fraud which not only affects incorrect tax payments but also affects the research analyses and results that we report. Another aspect that should not be forgotten is absolutely the investment in treatments and scientific research to promote and guarantee financial education.2-Shareholders should undertake a more advanced activity to assess the financial practices of the company, not being satisfied with only the superficial assessment of indicators such as Dividend Payout Ratio. A high DPR, although often perceived positively, can mask earnings management strategies that aim to maintain artificial stability in dividend distribution. Therefore, shareholders should demand greater transparency in financial reporting, support independent auditing and demand clear explanations of dividend distribution policies. 3-Managers should be careful and aware of the impact of financial factors on profit distribution policy. Evidence suggests that excessive dividend distribution can be used to manipulate the image of a company’s financial performance, creating a false perception of its economic viability. Therefore, it is essential for managers to maintain a balanced approach, where the distribution of profits it accurately reflects the company's operational and financial performance, based on indicators like ROA and ROE, rather than strategies that might distort the truth. Managers should also strengthen internal control mechanisms and ensure that financial reporting is accurate, clear and transparent. Despite the potential impact of tax and taxation policies, as the regression suggests, managers should balance fiscal impacts with the aim of maintaining a stable and reliable long-term performance for the company. This would contribute not only to strengthening the confidence of investors and shareholders, but also to building a sustainable and ethical financial strategy that promotes the long-term growth and development of the enterprise.4-Universities should emphasize the importance of including these factors in their finance and accounting curricula. In particular, they should give a detailed analysis of how financial performance indicators affect the company (such as ROA and ROE) on earnings management policies and dividend distribution. Furthermore, the regression results suggest that earnings management, especially through tax-related decision-making, is an important aspect that students need to understand. Universities should ensure that young professionals develop the necessary skills to analyze and interpret the effects of potential changes in tax policies on financial performance and dividend distribution. Curricula should also promote a deep understanding of ethical and legal responsibilities in financial reporting, emphasizing the importance of transparency and reliability in the earnings reporting process. Through these elements, universities can contribute to the formation of a new generation of professionals who are capable of analyzing and managing company finances in a sustainable and responsible manner.5-For young economists, it is essential to develop a deep and sophisticated understanding of the impact of financial factors on earnings management processes and dividend distribution policies. Regression results show that key indicators such as ROA and ROE are important elements in assessing a company's financial sustainability, while the impact of Profit Tax proves that fiscal policies can have a strong and important impact on earnings management decisions.Young economists should have the ability to analyze these indicators and understand that earnings distribution should be based on a clear and accurate assessment of the company's real financial performance, avoiding practices that may undermine the integrity of financial reporting. Furthermore, it is important for them to build a deep understanding of earnings management and financial ethics, promoting transparent and reliable financial reporting, which is key to maintaining company stability and shareholder trust. Young economists should also understand the impact of fiscal and tax policies on dividend distribution strategies and develop the skills to assess how these factors can affect company performance. This knowledge will enable them to contribute to clear and consistent financial analyses that balance shareholder interests with the demands for sustainable, long-term growth of companies.

To further develop the paper, you can examine the impact of factors such as different industries, macroeconomic factors, and fiscal policies on dividend distribution and earnings management. You can also include the impact of technology and financial analytics to improve transparency and decision-making. An international comparison of dividend distribution practices, market risk analysis, and earnings management can provide insights into sustainable financial practices. You can also add concrete case studies to show how these policies affect financial performance and shareholder relations, providing recommendations for improving earnings management practices and the long-term sustainability of companies.

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Achieving economic development through solid waste path

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Abstract

To meet current needs without compromising the ability of future generations, sustainable development is an approach that emphasizes economic, social, and environmental factors. Both the public and private sectors find it difficult to manage the rapidly growing volume and diversity of solid waste caused by continued economic growth, urbanization, industrialization, and tourism.

This study examines a number of factors that influence solid waste generation in Albania between 2001 and 2023. By analyzing data on tourism, education, industry, trade, urbanization, renewable energy consumption, and employment, the study assesses the impact of economic and environmental factors on solid waste generation using a regression model. Secondary data were processed using the EViews software.

The independent variables of tourist arrivals, government expenditures, and urban population have a positive relationship with the dependent variable of solid waste. Solid waste will rise by roughly 0.18 units for every unit increase in government expenditures. The dependent variable is negatively correlated with the other independent variables. There should be a 0.08 unit decrease in solid waste for every unit increase in employment, a 0.11 unit decrease in the dependent variable for every unit increase in industry, a 0.07 unit decrease in solid waste for every unit increase in renewable energy, and a 0.03 unit decrease in solid waste for every unit increase in trade.

In order to support environmental sustainability, the study offers suggestions for stakeholders, academics, and policymakers to create sustainable and efficient waste management plans.

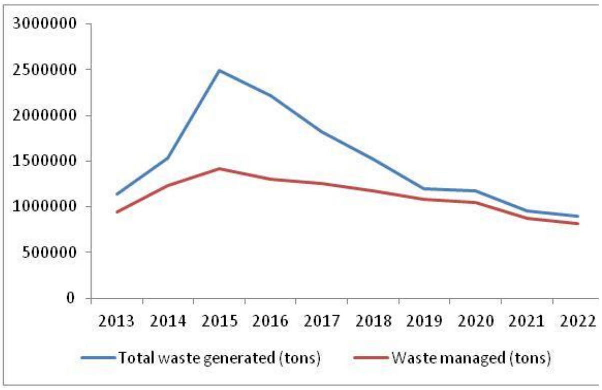
Key words: Economic Development, Solid Waste, Tourism, Urbanization, Expenditures
JEL classification: O1, Q53, Z32, R11, E01

1. Introduction

Solid waste can originate from various sources such as households, institutions, agriculture, medicine, etc. It also has different forms, such as organic, inorganic, biodegradable, hazardous, plastic, radioactive, etc.

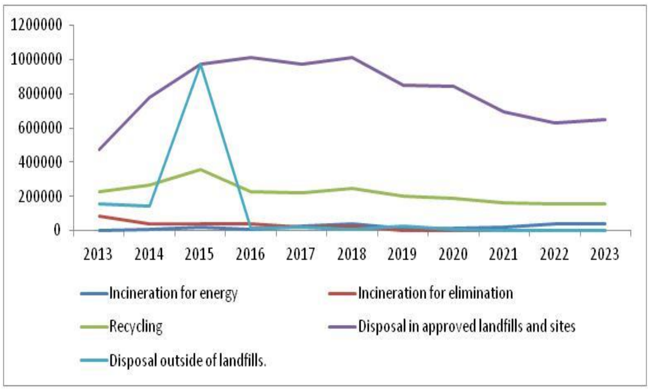
The increase in the amount of solid waste is one of the biggest problems in Albania. As can be seen from Figure 1, there is a downward trend in total waste generated in recent years, but on the other hand, its management over the years has been almost constant. The largest part of generated waste is organic with about 58%, and 42% consists of waste such as wood, paper, glass, plastic, textiles, metals, hazardous non-hospital waste, hospital waste, electrical and electronic tools, inert waste, etc.

Figure 1 Waste generated and managed



Source: Processing by the authors

Figure 2 Managed waste by category



Source: Processing by the authors

Recycling waste is an activity that is still not integrated into the life of the community. Very little of it is recycled or buried. In most cases they are deposited or incinerated (see Figure 2), thus causing environmental pollution, deterioration of soil and water quality, air pollution, and various diseases.The purpose of our paper is to understand the behavior of solid waste in Albania when it is affected by the performance of several factors representing economic development, industrial and economic activity, consumption, and urbanization.

2. **Literature review**

Although tourism can create a lot of jobs and revenue, it also has a big effect on the environment and people's health (Mateu-Sbert et al., 2013). The production of municipal solid waste is one of the most significant effects of tourism. According to Visuwan et al. (2024), the amount of waste produced rises in tandem with tourism in popular destinations. Martins and Cró (2021) investigate the connection between waste generation and tourism. According to the report, solid waste creation is strongly impacted by tourism, particularly during peak seasons of the year, which raises management expenses. Waste output rises with the amount of visitors, placing a strain on regional waste management systems. Koliotasi et al.'s study (2023) looks at the connection between tourism and managing waste. He asserts that the reputation and image of tourism locations are directly impacted by the quality of waste management. While inefficient management harms the destination's reputation, effective waste management may increase visitor numbers.The potential of municipal solid waste as a renewable energy source is examined in the paper by Kasiński and Dębowski (2024). It examines developments in thermochemical conversion systems that produce useful energy from waste. These techniques generate power or biofuels while assisting in the reduction of waste volume. The report examines issues like technological costs and efficiency while highlighting environmental benefits like decreased waste and greenhouse gas emissions. According to Raza et al. (2024), solid waste can be used as a renewable energy source by means of technology that turns waste into biofuels or power. The article emphasizes the potential for reducing dependency on fossil fuels, lowering greenhouse gas emissions, and promoting a circular economy by utilizing solid waste for energy production. The integration of solid waste management strategies with renewable energy projects is examined by Abubakar et al. (2022). He highlights that although poor waste management harms the environment, solid waste can be turned into renewable energy by implementing sustainable techniques.Wikurendra et al. (2024) investigate the connection between Indonesia's solid waste generation and urbanization. Because of increased consumption and economic activity, the amount of solid municipal waste also rises as urban populations do. The impact of urbanization on the generation and management of solid waste is examined by Arteaga et al. (2023). Increased waste generation brought on by urbanization has created environmental problems, particularly in public areas. Urban environmental quality deterioration is a result of poor waste management techniques. Abubakar et al. (2022) investigate the connection between solid waste and urbanization in emerging nations. Rapid urbanization has resulted in increasing population densities and consumption habits, which have raised the amount of solid waste. The development of efficient waste management systems frequently lags behind urban growth, leading to degradation of the environment and problems with public health.The substantial volume of hazardous and non-hazardous waste generated in industrial operations is one of the major contributions of industry to the generation of solid waste, according to Yang et al. (2021). The growing issue of industrial waste produced by EU manufacturing sectors is examined by Mesjasz-Lech (2025). It identifies the primary factors that influence waste creation, such as production scale, industrial processes, and regulatory changes. The article claims that industrial waste is increasing, particularly in industries like chemicals, electronics, and construction.According to the research of Vesere et al. (2021), green jobs play an important role in controlling and reducing solid waste, especially when considered in the context of a circular economy. They show that working for green businesses encourages efficient waste sorting and recycling, which makes these positions essential for environmentally friendly waste management systems. Araújo et al. (2018) investigate the relationship between solid waste and employment in the framework of green building methods. They point out that in an effort to support environmental sustainability, the construction sector is embracing green jobs more and more in order to promote sustainable growth and reduce waste production.The Mihaliková et al. (2022) study looks at the relationship between solid waste management in Slovakia and the EU and government spending. Their research indicates that higher public spending on environmental protection, particularly on waste management infrastructure, is linked to higher rates of municipal waste recycling and energy recovery. According to Kinnaman (2009), effective use of public funds can lead to improved solid waste management practices, which can lower total costs and have a smaller negative environmental impact.Bernard and Mandal (2016) examine how 60 developed and developing nations' environmental quality is affected by open trade. Their research indicates that open trade may improve the Environmental Performance Index (EPI) and tends to increase CO_2 emissions. While, according to Pham and Nguyen (2024), open trade doesn’t have a significant impact on environmental pollution. However, they support the idea that trade can relocate pollution-intensive industries to countries where environmental laws are weaker.

3. Methodology and data analysis

The present study employs a multiple regression model to investigate the relationships among several independent variables, including tourism arrivals (ARRV), employment (EMP), government expenditures (GOVEXP), industry (IND), renewable energy (RENENR), trade (TRD), and urban population (URBPOP), and the dependent variable, solid waste (SWAST). We use a quantitative approach, statistically analyzing data to assess each independent variable's impact on the dependent variable. The goal of this model is to examine the effects of changing those independent variables on the one dependent variable, solid waste. Using EViews, we assessed Albanian data from 2001 to 2023.

The multiple regression model is predicated on the following assumptions (Tranmer et al., 2020):

- There is a linear relationship between the independent and dependent variables.
- The independent variables don't significantly correlate with one another.
- Individual observations are selected at random from the population.
- The residuals should have a mean of 0 and a variance of σ, indicating a normal distribution.

The following is the fundamental mathematical model of multiple regression:

$$Y_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \dots + \beta_k X_{ik} + \varepsilon$$

where, for

i = number of observations

Y_i = dependent variable

β_0 = constant term

X_i = explanatory variable

β_k = slope coefficients for each explanatory variable

ε = the model's error term (residuals

Some of the results from the short-term testing and estimates of the regression model are shown in Table 1 below. We transformed the variable solid waste (SWAST) into its logarithmic form in order to normalize the data. A lack of observations prevents us from doing the tests for the variables' long-term co-integration.

Table 1 Results of the regression model estimation

Dependent Variable: LOGSWAST
Method: Least Squares
Sample: 2001 2023
Included observations: 23

Variable	Coefficient	Prob.

C	21.24748	0.0000		
ARRV	2.32E-08	0.3668		
EMP	-0.077733	0.0070		
GOVEXP	0.182497	0.1513		
IND	-0.107120	0.0014		
RENENR	-0.071585	0.0007		
TRD	-0.025347	0.0242		
URBPOP	1.45E-06	0.0214		
R-squared	0.774480			
F-statistic	7.358979			
Prob(F-statistic)	0.000631			
Breusch-Godfrey Serial Correlation LM Test:				
Null hypothesis: No serial correlation at up to 2 l...				
Obs*R-squared	5.125948	Prob. Chi-Square(2)		0.0771
Heteroskedasticity Test: Breusch-Pagan-Godfrey				
Null hypothesis: Homoskedasticity				
Obs*R-squared	3.854035	Prob. Chi-Square(7)		0.7964

Source: Processing by the authors

We employed the Fisher test to confirm the model's validity after estimating it using ordinary least squares (OLS) estimation. The F-test is used to see if all regression coefficients are equal to zero at the same time. The following is the formula for the F-test:

$$F = (R^2/k)/[(1 – R^2)/(i - k - 1)]$$

where:
R^2 = coefficient of determination,
k = number of independent variables,
i = number of observations.

Given that the p-value for the F-statistic in this instance is 0.06%, we may conclude that the independent factors jointly affect the dependent variable, solid waste. This suggests that these variables, when considered jointly, provide important information about the reasons behind the variance in solid waste.
In addition, we analyzed the statistical significance of each coefficient through the t-test. The t-test formula is:

$$t = \hat{\beta}_i/SE(\hat{\beta}_i)$$

where:
$\hat{\beta}_i$ = estimated coefficient of the independent variable,
$SE(\hat{\beta}_i)$ = standard error of the coefficient.

We have evaluated whether each variable significantly influences the dependent variable, solid waste, based on the results of the t-tests. The independent variables of trade, employment, industry, renewable energy, and urban population all have p-values below 5%. This suggests that solid waste, the dependent variable, can be explained by five of the seven variables in the model. Both government spending and arrivals of tourists have independent variables with p-values more than 5%, meaning that neither variable significantly predicts solid waste. The regression model's estimated outcomes are shown in Equation 1.

(Equation 1): LOGSWAST = 21.3 + 2.32^{-8}*ARRV - 0.08*EMP + 0.18*GOVEXP - 0.11*IND - 0.07*RENENR - 0.03*TRD + 1.45^{-6}*URBPOP

The dependent variable of solid waste is positively correlated with the independent variables of tourist arrivals, government spending, and urban population; hence, an increase in these factors will lead to an increase in solid waste. For every unit increase in government spending, solid waste will increase by about 0.18 units. There is a negative correlation between the dependent variable and the other independent variables. Equation 1 states that for every unit increase in employment, there should be a 0.08 unit decrease in solid waste; for every unit increase in industry, there should be a 0.11 unit decrease in the dependent variable; for every unit increase in renewable energy, there should be a 0.07 unit decrease in solid waste; and for every unit increase in trade, there should be a 0.03 unit decrease in solid waste.
If we look at the equation with standardized coefficients (Equation 2), where the units of measurement of the independent and dependent variables have been eliminated, we can use the absolute value of standardized coefficients to rank independent variables. Therefore, we may draw the conclusion that employment, industry, trade, urban population, renewable energy, and employment are the most important elements in predicting the variable solid waste. Compared to government spending and tourists, solid waste may be forecast approximately three times more precisely by renewable energy, urban population, and employment, and approximately twice as accurately by industry and trade.

(Equation 2): LOGSWAST = 0.39*ARRV - 0.85*EMP + 0.22*GOVEXP - 0.63*IND - 0.94*RENENR - 0.62*TRD + 0.94*URBPOP

The coefficient of determination, or R^2, is used to calculate the amount of the dependent variable's variation that can be accounted for by the independent variables. It is computed as follows:

$$R^2 = 1 - (SSR/SST)$$

where:
SSR = sum of squares of the residuals,
SST = total sum of squares.

Specifically, the independent variables of employment, tourism, government spending, industry, urban population, commerce, and renewable energy may account for 77.5% of the variance in solid waste. We may argue that the model fits the data well because it accounts for a significant portion of the variability in the dependent variable. The remaining 22.5% of the

variation, however, cannot be explained by the model and may be due to residuals or other important factors that were not included in the analysis.
The Breusch-Godfrey serial correlation LM test is used to ascertain whether the residuals are serially correlated. The test yielded a p-value of 7.7% for the observed R-squared statistic, indicating that the residuals do not exhibit any significant serial correlation. The model's residuals are then unaffected by earlier errors.
The Breusch-Pagan-Cooksey test is applied to evaluate the heteroskedasticity of the residuals. The p-value in this instance, which is higher than the usual significance threshold of 5%, is 79.6%, indicating that the residuals are homoskedastic and have a constant variance.
The Jarque-Bera test is used to determine whether the residuals have a normal distribution. The test's p-value of 32.4% indicates that the residuals are regularly distributed. This illustrates how precisely defined the model is, guaranteeing reliable statistical results.

4. Conclusions and recommendations

We examined the effects of a few factors on solid waste in this paper. All of the independent variables jointly explain the variation in the dependent variable and our regression model. All independent variables, with the exception of government spending and tourist arrivals, are statistically significant for the dependent variable.The literature claims that tourism poses significant environmental problems, especially in the form of an increase in municipal solid waste. Our research indicates a positive association between waste generation and tourism, but a weak one. Studying quarterly data on this relationship, segmented by tourist destinations, would be interesting.Due to increased economic activity and consumption, urbanization has also led to rising municipal solid waste amounts. The production of solid waste rises with urban population growth, degrading the quality of the urban environment. Production scale, technological procedures, and regulatory considerations all play a significant role in the industrial sectors' significant contributions to hazardous and non-hazardous waste. According to our regression model, waste generation decreases in Albania as economic activity increases. Further investigation into the contradiction between statistical findings and literature will be interesting. Solid waste and Albanian government spending are positively correlated. This relationship isn't significant, but it will be interesting to investigate it further. We believed that government spending was not being allocated to technological advancements that convert waste into recyclable products.Additionally, reducing solid waste at its source requires the utilization of renewable energy. We have come to the conclusion that using renewable energy can significantly reduce the production and accumulation of solid waste.Working in the environmental sector encourages efficient recycling, energy recovery, and the concepts of the circular economy. We have shown a negative correlation between solid waste generation and employment. This variable provides a good explanation for the variability in solid waste. Finally, the role of international trade is still complicated. According to the literature, trade openness may improve economic activity and environmental performance, but it may also worsen the environment if industries that produce a lot of pollution move to nations with less strict environmental regulations. According to this study, there is a significant and negative relationship between trade and solid waste.
We suggest and recommend that in Albania:

Municipalities should invest in flexible, adaptable waste management systems in anticipation of seasonal increases in waste brought on by tourists. Partnerships between the public and private sectors may also lower expenses and increase efficiency.

Policies that support green enterprises, especially those in the tourism and construction industries, can provide jobs that support sustainability and waste reduction.

Waste management infrastructure must be given the greatest importance in urban development plans to ensure that sustainable disposal and recycling systems keep pace with population and consumer increases.

To increase public knowledge and involvement in recycling and waste minimization initiatives, governments should increase financing for municipal waste infrastructure and education initiatives.

Environmental regulations should be incorporated into trade policies to stop pollution outsourcing. Cross-border adherence to environmental norms requires international cooperation.

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Regional comparative analysis of albanian tourism law. Strengths and weaknesses of a law that should follow the eu green agenda and immediate tourism demand changes.

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Abstract

For Albania, tourism is rising to be a very significant sector. With a yearly fast rise shown by the numbers on tourism influxes, tourism is the most significant contributor to GDP of around 27% (2023). While the travel sector is trying to satisfy demand with supply and change companies to fit the different needs of visitors, the legislative framework is not responding at the same speed. Tourism and travel regulations in Italy, Greece, and other surrounding nations fit two criteria: they offer fresh angles and insights to this vital industry while complementing European goals including sustainability and the Green Agenda.

Though the fast changes in tourist demand call for a more flexible legal framework that adapts and offers fresh insights on the evolving tourism environment in Albania, the tourism Law in Albania is not entirely out of current.

The researchers of this paper have assessed seven aspects of the legislation that they think are essential for addressing the new reality of rising tourism and for enhancing its capacity to resist shifting socio-economic forces. Examining these requirements regionally alongside all the nations in the area helps to highlight variations and pinpoint areas where legislation may be improved, so enabling tourism to become a key source of income for Albania.

Through a benchmarking analysis the authors have implemented a methodology that allows for structuring of the law in the main Law regulation areas, pointing out differences as well as strengths and weaknesses for all neighbor countries with Albania.

The study gives recommendations on what is to be improved in the near future so to comply with European agendas as well as with the increased tourist demand in Albania.

Key words: Tourism, Regional Tourism, Tourism Law, Comparative analysis, Benchmarking
JEL classification: Z32, K190, K20

1. Introduction

The economic and cultural settings of Albania and its surrounding nations, such as Italy, North Macedonia, Greece, Montenegro, and Kosovo, depend much on tourism. Albania's stunning Adriatic and Ionian beaches, along with its rich historical past and diverse terrain, set the country as a growing tourist spot. Since tourism creates vital money, creates jobs, and energizes local businesses, this possibility has significant consequences for economic development. The industry drives infrastructure investment, including hotels, restaurants, and transportation systems, therefore enabling the overall expansion of the economy.

The major objective of the study is that through a comparative analysis of the major tourism legislation of sic neighbor countries, such as Albania, Italy, Greece, Kosovo, Montenegro and North Macedonia to highlight best practices that have promoted the development of tourism, or enhanced the visitors experiences as well as hindered the development of sustainable Tourism.

The paper will promote regional collaboration among nations in tourist legislation by means of common difficulties and possibilities, thereby guiding cooperative policies improving cross-border tourism and mutual advantages.

Aimed at legislators and tourism industry stakeholders, the paper will close with policy suggestions. These suggestions could cover improved practices for sustainable tourism, and regulatory changes.

Using a comparative method, the paper will examine the similarities and differences in tourism legislation among the chosen jurisdictions. This could involve legal text, case law, and empirical data on tourism activities qualitative and quantitative study as well as legal texts.

2. Literature review

Tourism law as a discipline has drawn increasing academic interest during the last twenty years, with the phenomenon of global tourism growth intersecting with more and more areas of law and policy. Researchers have emphasized that tourism legislation should function not only as a means of providing market access, and investor confidence but also as an essential instrument for protecting consumer interests, the environment, and sustainable development (Dredge & Jenkins, 2007; Eagles et al., 2002).

The legal basis for tourism governance is complex and multifaceted, in line with the variety of stakeholders and policy goals concerned. Hall (2008: 1) stresses that tourism law should be viewed as part of the general legal system, in which the requirements of national laws meet with international obligations, particularly in those areas with high levels of cross-border movement and migration such as the European Union and the Western Balkans. Considering the latter, the legal foundation for tourism, including consumer protection (e.g., EU Directive 2015/2302), labor legislation, environmental and public health regulations are needed in order to guarantee the sustainability and competitiveness of the sector (see Yilmaz & Yilmaz, 2017).

Tourism Laws in EU Member States The most remarkable characteristic of European tourism law is that it seems to be of a high level of legal sophistication and aligned with the supra-national policies. For example, in Italy and Greece, tourism regulations have been formulated that include EU environmental and consumer protection directives but also make space for local variations in governance (Baggio and Cooper, 2010). High degree of tourism authority decentralization found in these countries sometimes allows context-oriented policy responses, yet results in territorial fragmentation and legal divergence among regions (Pechlaner & Volgger, 2012).

As for the tourism legislation in the Western Balkans states such as Albania, North Macedonia, Kosovo and Montenegro, it both converges and diverges from the EU standards. Montenegro and similar countries have actively prepared legal reforms in the tourism sector in accordance with the EU requirements (Pavlović, 2020), while others such as Kosovo, continue to operate under incomplete legal frameworks with little institutional capacity and enforcement (Nientied, 2021). Albania is in transition (despite the good development by the Law No. 93/2015 on Tourism). It has introduced investor-friendly measures and entered sustainable incentives but does not provide a complete alignment with EU regulation on consumer protection and short-term rental regulation (Gjika & Pano, 2023). Recent research has also highlighted the role of law as infrastructure in promoting sustainable tourism. Weaver (2006) and Saarinen (2006) posit that sustainability in tourism should not be treated as a policy orientation but a legal requirement in developed countries. Strong environmental policy making -which, inter alia, include the mandating of EIAs and the use of zoning laws and green certification incentives- is important to conserve environmental and cultural commons. In this respect, Greece and Montenegro have taken a regional lead, especially on regulating development in protected areas. "The role of law in addressing the impacts of the platform-based tourism, such as Airbnb, and other short-term rentals, is another major school of academic thought," he said. (2015) and Koopman et al. (2015) point out that illegal short-term rentals present powerful implications for conventional host sectors, local authorities and tax regimes. For countries like Italy and Greece, they have promulgated specific laws aimed at controlling this demographic, while for Albania, its legal response is still confined in breadth and its implementation.

Finally, collaboration at a regional scale and the development of cross-border tourism have been considered as key strategies to improving competitiveness in small and emerging destinations. From this perspective, as Hall and Williams (2008) have pointed out, the legal structures which can facilitate cooperation across borders, such as mutual recognition of standards and joint marketing, are particularly important in regions such as the Balkans, where cultural and natural heritage is frequently held in common. However, the Western Balkans continue to grapple with institutional and legislative barriers in actioning such collaboration (see Bërxholi and Kola 2022). Having considered all these implications, the original contribution of this paper is filling of the existing literature gap in terms of legal dimensions analysis of the tourism inner laws in six neighboring countries—Albania, Italy, Greece, Montenegro, Kosovo, North Macedonia following a structured legal framework consisting of the specific seven dimensions: the legal system & governance, the business licensing, the promotion & development, the consumer protection, the sustainability & eco practices and the short-term rentals as well as the taxation dimensions. The research intends to promote success stories, point out legal gaps in the Albanian context and suggest practical policies in order to come into line with regional and European standards. VI Conclusion Albania finds itself at this important stage in its development as a tourist destination. The country has great potential to evolve into a major tourist destination in the Balkans, with its beautiful nature, rich culture and expanding international recognition. To keep this promise however, Albania needs to develop its tourism legal framework to be in line with current regional realities, EU requirements and sustainable development objectives. By embracing the reforms described above – which are all premised on decentralization, alignment with the EU, environmental preservation and cross-border collaboration – Albania can rethink its tourism law as a dynamic driver of inclusive, sustainable and quality tourism growth throughout the region.

The rationale behind the dimensions for Tourism Law comparison

To understand better the commonalities and differences between laws, the authors of the study have found seven dimensions which are deemed as a necessity for a solid benchmarking analysis. The dimensions found are results of an understanding of the aspects that influence the sector of Tourism in both legal and regulatory level.

These dimensions emerge from legal scholarship, policy analysis, and an understanding of global tourism dynamics. They reflect interdisciplinary considerations from law, economics, environmental science, and social studies, providing a framework for analyzing and comparing tourism laws across different jurisdictions. Researchers and policymakers utilize these dimensions to identify strengths and weaknesses in tourism governance, promote best practices, and enhance the overall legal framework supporting tourism.

Every legal study has as the cornerstone the specific legislation that exist on the field. The component is made of the legal frameworks that support or hinder tourism sector operations. Considering that Tourism is a highly consumer centered sector, the authors have considered that this dimension is very important for this Tourism law comparison. Methodologies regarding consumers rights may variate from country to country giving us different points of views on which Law treat consumers the best.

Nowadays there is a raised attention and a global concern in relation to environmental issues. Tourism is a sector which development may have adverse impacts on the environment especially in countries that depend on mass Tourism. Therefore, the protection of environment as the prerogative for sustainability of Tourism is considered another dimension that should be kept in consideration.

Tourism in Albania and in other region countries is a significant employer. In Albania the employment reaches more than 30 percent of active workforces and the importance is the same for other regional countries especially for Montenegro and Greece. Thus employment, the workers' rights, and spaces that the Law gives to it are considered a very important dimension to be analyzed.

Health crises, such as pandemics, make the safeguarding of tourist health and safety absolutely vital. Therefore, its crucial to understand how the law tackle the safety of tourist in all the accommodation structures.

Taxation laws relevant to both businesses and visitors affect the economic viability of tourism. This part looks at how financial limits could either support or impede travel. Thus, the dimension of how this element is reflected in law is considered of a strong importance for the comparative analysis.

Understanding the laws protecting these areas is therefore essential for preserving cultural integrity while promoting travel as tourism often overlaps with cultural and historical sites. Legal research, policy analysis, and a knowledge of world tourist dynamics give rise to these dimensions. These dimensions create a framework for the examination and comparison of tourism policy across several jurisdictions by reflecting multidisciplinary viewpoints from law, economics, environmental science, and social studies. The writers of this paper have worked on the above-mentioned traits to identify strengths and weaknesses in tourism governance, promote best practices, and strengthen the general legislative framework supporting tourism.

3. Results

Comparison of 7 Dimensions of Law

Dimension 1: Legal system and government

This aspect is important, as it will have an impact on how tourist policies are constructed, enforced.

This dimension is crucial because it determines how policies in tourism are developed and reinforced.

The rules of Tourism, their clarity, and enforceability are determined by a country legal system. So they affect investor confidence and consumer protection. The performance of policy is influenced by the degree of government centralization. By understanding those, we understand how tourism laws work in multiple jurisdictions and what the national themes will be. Analyzing these features is necessary to understand the context in which the strengths, weaknesses, and overall effectiveness of tourism management can be evaluated nationwide.

Countries Dimension 1: Law Comparison

Countries	**Dimension 1: Law Comparison**
Albania	Tourism in Albania is regulated by the article 7 of the Law No. 93/2015 on Tourism where its legal base is defined, but in addition there are a series of secondary legislative acts that regulate the areas concerning the functioning, respectively the development of the tourist activity, representing the framework law for the tourist Judiciary acts in the Republic of Albania. Tourism is promoted and controlled by the Ministry of Tourism and Environment.
Italy	Control of tourism in Italy is decentralized. Article 117 of the Italian Constitution gives a considerable freedom of action in tourism to regional authorities, and that is why each region can set its own rules of tourism inside national and EU parameters. National regulations are led by means of the Ministry of Tourism and regional laws play an important role.
Greece	There are many laws which affect tourism in Greece; one of the important ones is the Law 4276/2014 on tourism businesses. Tourism is also monitored by the Greek National Tourism Organization (GNTO), which along with the Ministry of Tourism, are responsible for the development of the tourism sector.
Kosovo	Kosovo The Law No. 04/L-176 on Tourism, based on which travel activities are regulated, is the core law governing tourism. Under the authority of the Ministry of Industry, Entrepreneurship and Trade are tourism, local development programs by the rich local municipalities.

Montenegro	The main law is the Law on Tourism and Hospitality (2022), which follows EU travel advice. Local tourism control is in theory, however, under the purview of the municipalities, which is considerably more power for them, than municipalities in Albania have in relation to tourism, where the Ministry of Economic Development and Tourism also controls the tourism.
North Macedonia	North Macedonia Law of Tourism Law of Hospitality Civil law system (influenced by continental European tradition). It encompasses tourist services, hospitality quality, license and promotion and protection. Complying with EU legislation and policies as an EU candidate country

Dimension 2: Business Regulation and Licensure

Countries	**Dimension 2: Business Regulation and Licensing**
Albania	Tourist companies (hotels, tour operators and travel agencies) are required to be licensed and classified in accordance with government criteria. Tourist facilities are classed and monitored by the National Tourism Agency.
Italy	There are separate licensing and classification systems for tourist companies according to the area. Every Italian region has a set of rules on how to categorize hotels, B&Bs, tour companies and similar businesses, which can lead to variations in business requirements from region to region across the nation.
Greece	Licensing in Greece is regulated by the GNTO under the authority of the Ministry of Tourism. Airbnb-style rentals need a Property Registration Number, while hotels, guesthouses, and travel agencies need a Special Operating Sign (EOS).
Kosovo	Tourism companies in Kosovo are also required to obtain permits, but the rules are not as established as in Albania. There is a division of responsibility between national and municipal authorities in terms of classification and licensing.
Montenegro	The decentralized Montenegro licensing regime has a role for local governments. Adapted hotel rating is more strict than in Albania (classification of accommodation in Montenegro corresponds to EU hospitality criteria).
North Macedonia	Tourism businesses in north Macedonia require regulatory classification of the government's Ministry of Economy and Permits. However, local authorities determine the ranking of the hotels and the registration of companies, and the system is therefore more decentralized than in Albania.

Dimension 3: Promotion and Development

Countries	Dimension 3: Promotion and Development
Albania	The government actively promotes tourism, provides incentives for tourism infrastructure investment, especially in the rural and coastal areas to assist which it goes The legislation encourages public sector and private sector partnership and travels is sound and ecological.
Italy	Each region in Italy has a tourism board responsible for the tourism development. Investment incentives are embryo to regional policies, albeit dismissing national government appetency for supporting marketing at both domestic and international levels.
Greece	The GNTO is responsible for promoting tourism in Greece internationally and co-ordinating the activities of regional tourism authorities. Investment incentives are available to tourism companies and hotel developments from the government
Kosovo	Though its tourist development is emerging, focusing on agrotourism, cultural tourism and adventure tourism. With fewer investment incentives than Albania, its government encourages tourism with advertising campaigns.
Montenegro	Economic development has made Montenegro’s tourism a very high priority. From high-end beach resorts to national parks, the nation is vigorously promoting luxury and eco-friendly travel. Foreigners who invest in tourism infrastructure receive financial and tax incentives.
North Macedonia	North Macedonia North Macedonia focuses on cultural, religious, and lake tourism—and particularly around Lake Ohrid. The government funds the tourist sector including scholarships for foreign tourist offices for group tours to the country.

Dimension 4: Tourist Rights and Consumer Protection

Countries	Dimension 4: Tourist rights and consumer protection
Albania	The law provides for transparency in pricing, quality controls, and response to complaints through the Consumer Protection Commission, for the protection of visitors.
Italy	Italy adheres to EU Directive 2015/2302 on package travel and linked travel arrangements as an EU member, providing strong consumer protection such as the right to a refund and assistance in instances of travel disruptions
Greece	Greece implements the EU Directive 2015/2302 on package travel (which provides strong consumer rights, including refund and compensation terms for cancellations / disruptions).

Kosovo	While the law includes many elements of Kosovo consumer protection, there is less robust enforcement. Complaints can be filed by visitors in the department of consumer protection.
Montenegro	Montenegro, an EU candidate, has stronger consumer protection rules based on the EU Directive 2015/2302 on package travel, ensuring refunds and assistance in the event of travel disruptions
North Macedonia	North Macedonia's transposition of the provisions of the Law on Tourism Activity and consumer protection requirements for North Macedonia are assured by the provisions on dispute resolution, on refunds and on compensation for cancellations in accordance with relevant EU standards.

Dimension 5: Sustainable and Environmental Tourism Policies: Countries

Countries	**Dimension 5: Sustainable and Environmental Tourism Policies: Countries**
Albania	The Tourism Law of Albania promotes "ecotourism" and sustainable development through special incentives granted to"green" tourist companies.
Italy	Italy's Italian provinces have strict environmental regulations in place, especially in costal areas and preserves such as the Alps. Italy also means itself to observe to the environmental European policies in the tourism sector.
Greece	Greece has strict laws when it comes to the environment, particularly in national parks, on islands and through archeological sites. The country prohibits any tourism activity in protected areas in accordance with EU environmental standards.
Kosovo	Environmental protection laws cover matters such as national parks and protected areas, but less specific regulations apply to eco-tourism.
Montenegro	Tougher environmental standards in Montenegro protect its beaches, national parks and UNESCO sites. Tough building codes limit new development in sensitive areas like the Bay of Kotor. Montenegro is in line with EU standards on the environment.
North Macedonia	North Macedonia is considered to have better environmental policies and are implemented and followed especially in terms of some areas such as the ones around the UNESCO-protected Lake Ohrid. Proposed tourism projects, near to protected areas, require EIAs.

Dimension 6: Airbnb and Short-Term Rentals Regulation

Countries	**Dimension 6: Short-Term Rentals & Airbnb Policies**

Albania	While not as strict as in Italy, Albania's short-terms rental sites are becoming regulated. While there are some tax obligations, its enforcement is still developing.
Italy	In Italy much of the country and cities — Rome, Florence, Venice — have adopted strict regulations for Airbnb and short-term rentals, among them registration, tourist levies, and a limit on rental days.
Greece	Broad restrictions against Airbnb, requires taxes and registration. In some regions, there are restrictions on non-resident property ownership and rental days.
Kosovo	Kosovo has very lenient rules when it comes to short-term rentals with few licensing policies and restrictions.
Montenegro	Short-term rentals in Montenegro are better regulated and require to pay tax and be registered at the municipal authorities. There are some cities where Airbnb isn't permitted in older parts of town
North Macedonia	Short term rentals are now subject to greater regulation, taxation and registration. Local authorities may have mandated rules in protected areas like monuments.

Dimension 7: Taxes & Travel Costs

Countries	**Dimension 7: Taxes and Travel fees**
Albania	There's a tourist tax Albania has less price gouging than Italy, but the government imposes a tourist tax. Tax breaks exist for investment in the tourism sector.
Italy	Many cities in Italy a tourist tax (tassa di soggiorno), which varies according to the city and the type of accommodation. Some also charge environmental or heritage taxes, respectively.
Greece	Greece charges a climate crisis resilience fee (formerly the stayover tax), which varies according to the type of accommodation and season. Other taxes related to tourism apply in some locations.
Kosovo	Although some cities apply local tourism fees, there is not a national tourist tax.
Montenegro	Montenegro's mandatory tourism tax applies to all tourists, with the coastal areas having a higher rate. Some also levy additional taxes for environmental or sustainability purposes.
North Macedonia	Every overnight stay is subject to a tourist fee depending on the municipality in the North Macedonia. To generate more visitors, the country also provides VAT reductions to travel agencies.

Albania's tourist legislation is more centralized, investment-driven, and sector-boosting centered approach. Emphasizing consumer protection and sustainability, Italy's tourist law is scattered, varies by region, and follows EU rules.

Legal structure, government, regulatory approach, and compliance with EU rules define Albanian and Greek tourist laws apart. The main variations are below:

Greece's tourist law mandates tighter environmental and consumer protection policies, is in line with EU laws, and is scattered in reality.

Although their historical and cultural ties bind them, Albanian and Kosovo tourist laws differ primarily in governance, regulatory structure, and policy aims. Their primary distinctions are compared below:

Though it gives cultural and adventure tourism first priority, Kosovo's tourism law is less comprehensive and features less incentives and less enforcement.

Legal structure, regulatory approach, and policy priorities set Albanian and Montenegrin tourist laws apart. Although both nations concentrate on tourism as a major economic sector, Montenegro, an EU candidate nation, more closely conforms its policies to EU guidelines.

Decentralized, more in line with EU rules, and emphasizing sustainability and upscale travel, Montenegro's tourism law is giving to tourism in Montenegro strong basis to develop.

Although their governments, regulatory systems, and investment objectives differ, the tourist laws of Albania and North Macedonia show parallels because of their geographical proximity and reliance on tourism.

More centralized, investment-oriented, and promotes shoreline tourism Albania's tourist laws reflect.

North Macedonia's tourism laws stress cultural and lake tourism, follow EU standards, and are more scattered.

SWOT Analysis of Albanian Tourism Law and Conclusions

Tourism now constitutes an important part of the economy of Albania with the sector contributing to some 27% of GDP as of 2023. Despite this brilliant history of development, the frame of reference of the Albanian legislation in tourism has not kept up with this pace of development.

Comparison with neighboring countries – Italy, Greece, Montenegro, North Macedonia and Kosovo

Based on a comparative analysis with five neighboring countries, which are: Italy, Greece, Montenegro, North Macedonia and Kosovo, there have been identified precious strengths, as well as deficiencies of Albanian tourism law in force. Assessing the legal framework in Albania in view of SWOT analysis clearly it indicates the advancements made, but also the urgent reforms that Albania needs to undertake to reach a position of competitiveness in its regional tourism market.

Strengths: The Foundation Is Set

One of the prominent advantages of the tourism law in Albania, is the centralized, and investment cognitive law, benefiting from. Unlike Italy and Greece, Albania's tourism regulatory framework, Law No. 93/2015 on Tourism, is based on a national, not regional, approach. This power concentration makes control easier for governance, decision-making and policy implementation, which foreign investors and developers (especially large scale tourism developers) find attractive. “Albania’s focus on PPPs and fiscal incentives, including VAT reduction, and tax exemption for targeted investments, provide an added benefit, also making it an attractive market for tourism sector development.” When compared to Kosovo and even

North Macedonia, Albania exhibits a well-organized and proactive set of measures for attracting investments in tourism. Coastal and rural tourism is specifically promoted by the legal system as part of the overall national development aims. Also, Albania is slowly becoming part of the global changes in tourism for the environment and sustainability. Though nascent, the introduction of incentives for green certification marks a positive direction and the increasing awareness among the tourism sector stakeholders about their environmental responsibilities.

Weaknesses: Gaps That Limit Long-Term Sustainability

Despite the benefits, Albania's tourism law exhibits several deficiencies in comparison with more established tourism jurisdictions in the surrounding area. A substantial gap is that the regime that, unlike the EU, is not fully harmonized with EU rules, particularly with directive 2015/2302 on package travel and linked travel arrangements. Although Italy, Greece and Montenegro are implementing such measures into their national laws, providing tourists with guarantees, such as refund rights and organized dispute resolution, Albania lags behind in the adoption and implementation of these measures. It devalues Albania in the eyes of many European holidaymakers and diminishes yet further the opportunity to develop upscale travel products such as multi-day tours, packages and cruising. Albania is lacking in another area where it hurts most: the regulation and taxation of short-term rentals like those available on platforms like Airbnb. Unlike in Italy and Greece, where towns levy fees on and set limits for short term stays through licensing and tax collection, Albania has weak and scattered enforcement. This goes not only to lose revenue, but creating uncontrolled development and overtourism in sensitive coastline and city areas. In addition, as Albania is attracting investments in its tourism structure, the implementation of labor rights, environmental criteria and service quality is uneven from one region to another. Unlike in Montenegro or North Macedonia, where local governments have extensive powers, with municipalities playing a direct role in licensing, classification and promotion of tourism businesses, the law does not provide too much autonomy to local authorities. This centralization works for the most part, but restricts development and reaction time from the front lines.

Opportunities: Regional Integration and Sustainable Growth

Albania has several regional untapped options. "As a candidate country with the EU, and a Western Balkan nation, Albania has the potential to be aligned with European policy and legislation and take advantage of the availability of funding that is channeled toward green economy and sustainable tourism. In addition, common cultural and ecological resources with its neighbours means the potential for transnational tourism products, such as cross border heritage paths, nature routes and religious pilgrimage networks, could be considered. Partnership with North Macedonia (e.g. for Lake Ohrid), Montenegro (Adriatic Coast), or Kosovo (cultural and adventure tourism) has the potential to strengthen regional branding and offer tourists a more varied experience. Albania has the opportunity to learn from the experience of Italy and Greece and use EU structural funds for protecting heritage, sustainable mobility and small enterprises. As more and more travelers seek "off-the-beaten-path" destinations, Albania has potential to become a future player in the "Emerging Balkans" niche.

Threats: Stagnation in Reform and Competitive Pressures

Meanwhile, Albania is up against a number of external threats. Countries in the vicinity, such as Montenegro and Greece, are energetically improving their tourist legal framework by approaching EU standards. Montenegro, for instance, has incorporated strict environmental regulations and tax benefits for the luxury and eco-tourism sectors thereby attracting high-end guests and sustainable investments. Albania is in danger of losing out to tourists and investors unless it gets its act together soon. On second thought, there is also the threat of environmental fall. This tourism boom, particularly on the coast, has not been accompanied by legal guarantees for defense of the territory. With no effective enforcement tools (such as mandatory Environmental Impact Assessments [EIAs] and zoning regulations) fragile ecosystems are also threatened. Uncontrolled construction, especially on the coast and in the countryside, could threaten permanent harm to Albania's natural tourism resources. lastly, political instability and compromised cross-border relations in the rise Western Balkans could also make the flow of regional tourists unstable restraining joint promotional efforts influence. "Albania is becoming more and more dependent on foreign markets, in the region and in the EU, therefore the policy environment must remain stable and attractive."

4. Policy recomandations

Legal Reform for a Sustainable Tourism Future

Real law reform for a sustainable tourism future The Albanian government could implement a range of legislative changes to remedy the shortcomings and take advantage of the opportunities in the region as follows:

Harmonize with EU Tourism Directives

Accord with EU Tourist Directives Albania will have to apply in full Directive 2015/2302 of the EU on package travel and related provisions. It would increase consumer confidence, promote cross-border tourism, and it would bring Albania's tourism in line with EU standards, making more appealing to both EU operators and tourists.

Establish a Strong Regulatory and Enforcement Mechanism

Enhance the ability of the Consumer Protection Commission and the National Tourism Agency to enforce standards, address complaints and oversee business practices. That needs to include firm, enforceable quality standards and a complaints mechanism.

Modernize Short-Term Rental Policies

Introduce a nationwide regulatory framework for platforms like Airbnb, including mandatory registration, tax obligations, and municipal oversight.

Propose to put in place a national regulatory structure for platforms like Airbnb, with specific requirements about registration, tax obligations and local supervision. These actions will promote equity, enhance safety, recoup lost revenue and address impacts to neighborhoods.

Decentralize Governance to Empower Local Authorities

Amend the tourism law to allow municipalities more control over the licensing, promotion and regulation of tourism in their area. Decentralized governance, such as the Italian or Montenegrin case, makes tourism management more contextual and adaptive.

Embed Environmental Safeguards into Law

Require EIA for all large tourism projects, and regulate land use, especially in protected or natural value areas. Provide tax breaks and rewards for green tourism establishments.

Create a Legal Basis for Regional Cooperation

Develop bilateral or multilateral arrangements to facilitate joint tourism products and shared cultural heritage programs and mutual recognition of tourism standards with Kosovo, North Macedonia and Montenegro. It will enhance the overall competitiveness of the region.

Expand Legal Support for Workforce Protection and Training

Protection and Training include provisions on safeguarding the rights of workers in the tourism industry, to guarantee fair remuneration and provide opportunities for skill development, particularly in rural areas. Not only is this an avenue for fair development, but also for better service delivery.

5. Final remarks

Albania is at a crossroads in the evolution of its tourism. Due to its natural beauty, cultural heritage, and even more increasing possibilities for tourism, the country is a possible rival in the tourist industry in the Balkans for sure. But to fulfill this promise, Albania must reform its tourism legislation to reflect modern regional realities, EU norms, and sustainable development principles. By implementing the abovementioned reforms -focused on decentralization, and EU-related laws, environmentally sound and cross-border cooperation, Albania can turn its tourism law into a vibrant instrument of inclusive, resilient and high-quality tourism growth in the region.

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The regional of agricultural production as strategy for orientation of the support policies

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Abstract
The paper discusses the lack of regional agricultural development policies is accompanied by a number of negative phenomena, such: the efficiency of agricultural production turns out to be very low (almost 1/3 of potential opportunities); the farm is "too far" from the market and processing industry and the level of competitiveness of agricultural and processed products both in the domestic and foreign markets is quite low; the impact of the public policies used so far in support of agriculture, does not turn out to be the expected one. The paper brings to attention that policies implemented so far have focused more on the fight against poverty and not on a long-term strategy for a harmonious and sustainable development of agriculture. This research is based on interviews with agricultural experts and farmers. At the conclusions we estimate that a policy/strategy of regionalization of production at the country level according to counties and districts and the design of agricultural support policies on this basis, among others, would enable: increasing the level of production capacity in agriculture; more opportunities for building optimal production structures; rational use of land, labor and other productive skills; intensification of production through the application of new, more efficient production technologies; more efficient use of production inputs and environmental protection; development of efficient marketing systems and integration of farmers in markets.

Keywords: farm production, crop productivity, livestock productivity, production efficiency, the regionalization of production.
JEL Codes: Q18, Q12, R58, O13, Q56

1. Introduction

The statistics, but also many studies, show that Albanian agriculture faces a high cost of activity and as a consequence, it is characterized by a very low level of efficiency of the economic activities.

The production structures of the Albanian agriculture are characterized from the development of plant systems made up by **a great number of plants** (4-7 open field plants as well as fruit trees, generally dispersed on the farm) and livestock systems, which encompass **a considerable number of livestock types.** In these conditions, the link of the farmers to markets is very week.This is so because the conception logic of the production structures from the side of the farmer is based on objectives, which are related **to guaranteeing of the food needs of the family** and **minimize the economic risk**. It is clear that such behavior shall continue for as long as the agricultural development policies are not led by policies that give precedence to the regionalization of production. The absence of the regional policies of agriculture development has been associated with a number of negative phenomena: (1) the efficiency of agricultural production results to be very low (almost 1/3 of the potential opportunities); (2) the farms is still “far away” from the market and processing industry and the level of competitiveness of agricultural products and of those from processing, in the internal and external market, is very low; (3) the impact of these public policies, employed so far, in support of agriculture, doesn’t appear to be the one expected. These Policies have had more as their focus poverty reduction rather than the implantation of a long-term strategy for economic development and a balanced and sustainable agricultural development. A policy or strategy regionalization of production on country level, according to the regions and districts, and subsequent planning of the agriculture support policies on this basis, would enable the: (1) increase of the production capacities in agriculture; (2) more opportunities for the establishment optimal structures of production (3) rational use of land, manual labor and other production skills; (4) Intensification of production through the application new production technologies, of higher effectiveness; (5) efficient employment of production inputs and environmental protection; (6) development of efficient marketing systems; (7) market integration of the farmers; (8) availability of an agricultural map, which would enable a proper addressing of the agricultural support policies.The agriculture regionalization strategy would be completely serving a better orientation of the agricultural support schemes, implemented by the Agriculture and Rural Development Agency.

2. Materials and methods

The completion of the study shall be based on a wide base of information and more concrete on the:

- Review of the previous studies on the above mention topics, and consultation with the OECD and EU papers related to the regionalization of agriculture;
- Detailed interviews with experts of various fields;
- Interview with the focus groups;
- Structured questionnaires;
- Workshops.

3. Identification and assessment of base indicators in agricultural regionalization

Wheat production

Planted for centuries in Albania, in the last decade it occupies approximately 18% of the cultivated land. In comparison with the year 1990, its area is reduced to almost 64%, yet, as the cultivated area is ranked second after forage plants.

Considering these problems but and for purposes of completing the objectives of this study, to determine the **place of wheat in the agriculture map of the country and at regional level,** the data collected from the surveys conducted, as well as the assessments of the working group, according to the matrices for each type of activity, there were given many important directions.

The matrices developed for each type of activity, took into consideration 13 indicators, economic and agronomic, as follows:

- **Economic Indicators:**
  - Yield, Added Value, Employment of Labor Resources, Labor Resources, Added Value in the Chain, Processing Capacities, Contribution in the Import-Export balance, Being or not a Strategic Product.
- **Agronomic Indicators:**
  - Climate Conditions, Soil Conditions, Irrigation, Tradition, Crop Rotation, Biodiversity.

The use of the abovementioned indicators encountered many difficulties. The difficulties consisted in determining the intervals and measure of value that each agriculture activity represents, for each region. The value interval for all the indicators is the same (from 1 to 10 points), whereas the determiningof the average values calculated for all of the indicators isset out three levels (not good,averagely good, very good).

After taking into consideration all the used indicators in the construction of the matrix, and that condition the cultivation of wheat, it is stressed that wheat has economic effectiveness and a rational use of the natural resources (land, water, vegetation, landscape) in some areas, that is why its cultivation should follow this priority: Korça (district of Korça), Fier (district of Fier) and Elbasan (district of Elbasan).

Analyzing the above, a number of qualitative indicators to assess the performance of any agricultural activity are taken into consideration as well as the place it should have in the **regional agricultural map and in country level**.

Tabela 3.1. Data for the indicators and their share in assessing priorities in the agricultural map

No.	INDICATORS	Their nature of operation and consideration	Assessment degree and scoring					
			Degree	Score	Degree	Score	Degree	Score
Agrotechnic Indicators								
1	**Climatic conditions**	Three climatic zones of our country are taken in consideration: Mediterranean area, continental Mediterranean and pre mountain Mediterranean. The assessment is based on the concept to establish eligibility (suitability) of culture in different climatic situations	**Not good**	**01-Apr**	**average**	**05-Jul**	**High**	**08-Oct**
2	**Soil conditions**	The assessment is based on two concepts: (i) production capability-soil fertility function directly influenced by the chemical, physical, and biological	**Not good**	**01-Apr**	**Average**	**05-Jul**	**Very good**	**08-Oct**

		qualities (capability) and (ii) the combination of productive capacity with suitability (suitability). The dominance of the type of land and topography were the most visible elements of assessment.						
3	**Irrigation**	Water resources are assessed considering the plant's need for water, irrigable surfaces for regions / districts. Values are linear inverse to the plant's need for water - as a natural and right resource use with irrigation capacities. Plants that require more water have lower values than those that require less. Regions with	**Not good**	**01-Apr**	**Average**	**05-Jul**	**Very good**	**08-Oct**

		larger irrigation surface and guaranteed water resources are higher estimated.						
4	**Tradition**	The value for the plant tradition is based on: (i) history of agricultural development in Albania and (ii) historic use of agricultural product. The assessment is proportionally positive.	**Poor**	**01-Apr**	**Good**	**05-Jul**	**Very good**	**08-Oct**
5	**Crop rotation**	The values for crop rotation are based on the importance of the culture in an agriculture crop rotation scheme for each of the climate zones. The more the improvement scale of the land for the role of the flowing plants (all categories of land involved) the higher the values.	**Poor**	**01-Apr**	**Good**	**05-Jul**	**Very good**	**08-Oct**

6	**Biodiversity**	The values of biodiversity are based on: (i) impact that the plants have in improving or deterioration compared with the natural one of the respective study zone, (ii) improving or deterioration of the habitats, (iii) the intensification degree of agriculture and (iv) the presence or not of protected zones and especially of those with National Parks status. The assessment is proportionally linear negative[1]	**Poor**	**01-Apr**	**Good**	**05-Jul**	**Very good**	**08-Oct**
Economic Indicators								
1	**Productivity (according to type)**	Performance assessment system of yield as one of the most important indicators of				**05-Jul**		**08-Oct**

		productivity and identification of comparable advantages is based on the statistical indicators at regional level for each. Since the advantages are the product of a number of factors (especially the specific share of the surface planted at regional level compared to the total has a very important impact on average yield at the regional level) then to determine the productivity advantage should be used an indicator that takes account of both indicators (yield and specific share of the surface of the plant). This is achieved by standardizing				

		both indicators due to different measurement unit. By collecting all the standardized indicators, we choose a single indicator which is identified as determinant of the advantage from productivity of a particular region.				
2	**Added value from the productions**	Represents the annual benefit for a fixed activity and reflects the effectiveness of the investment and the level of conversion of inputs in outputs and this are calculated as a difference between the estimated productions for each product with the costs of inputs used.	**Poor**	**Average**		**08-Oct**
3	**Use of working recourses**	The extent to which a given agriculture activity uses its workforce for	**Low**	**Average**		**08-Oct**

		an average production technology. The assessment is proportionally positive: (lower values have the crops that require less labor forces).				
4	**Availability of working recourses**	The availability of the working force, differentiated according to the regions, makes possible the opinion regarding the distributions of plants and animals.	**Low**	**Average**		**08-Oct**
5	**Impact on value added chain**	Reflects the place and role that has a certain agricultural activity in the chain of the related chains. This represents the added value which comes as a result of the process of processing, sales etc. Values are not differentiated between	**Low**	**Average**		**08-Oct**

		regions for a given culture but are more differentiated especially among cultures.				
6	**Existing processing capacities**	Represents the state, distribution and relevant capabilities of the agroprocesing industry. This is very important because a significant part of agricultural and livestock products are intended for processing. Values are almost not differentiated between regions for a particular crop, but more differentiated especially between group cultures.	**Low**	**Average**		**08-Oct**
7	**Impact on Import – Export ratio**	Represents the role that a certain product has in the improvement of	**Low**	**Average**		**08-Oct**

		import-export balance. Values are almost not differentiated between regions for a given culture but more differentiated especially between group cultures.				
8	**Being or not a strategic product**	Aims to identify whether a particular product is or not potentially a strategic product. Values are almost not differentiated between regions for a given culture but more differentiated especially between group cultures.	**Not strategic**	**Average**		**08-Oct**

As it can be seen in the table below, the identified indicators are classified in two major groups: **(i) Agricultural Indicators and (ii) and Economic Indicators**. An accurate assessment of their share for each activity[1], at the regional and national level, **would allow the establishment of the matrix and based on this, a much more fair judgment related to the share of wheat in the structure of agricultural productions.**
The results of the matrix for wheat are as below:

[1]In this case it refers to wheat

Table 3.2. Indicator matrix for the assessment of wheat[2]

No.	Region/ District/	Economic Indicators								Agronomic Indicators						
		Productivity	Added value	Use of work	Work resources	value added chain	Processing	Imp-Export ratio	Strategic products	Climatic condition	Land condition	Irrigation	Tradition	Crop rotation	Biodiversity	TOTAL
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**1**	**2**	**3**	**4**	**5**	**6**	
1	**Berat**	32	29	7	2	5	4	2	3	5	8	3	6	3	4	**113**
2	**Diber**	16	14	5	4	5	3	2	2	8	4	2	3	3	2	**73**
3	**Durres**	15	13	7	2	5	7	2	2	5	7	3	6	3	4	**81**
4	**Elbasan**	70	77	8	2	5	8	2	6	5	7	3	7	3	4	**207**
5	**Fier**	112	123	10	2	5	10	2	7	7	8	2	10	3	7	**308**
6	**Gjrokaster**	12	11	4	5	5	3	2	2	3	3	7	5	3	2	**67**
7	**Korce**	91	100	7	2	5	10	2	8	10	10	5	10	3	7	**270**
8	**Kukes**	9	8	3	5	5	3	2	2	7	3	7	2	3	3	**62**
9	**Lezhe**	25	23	7	2	5	5	2	2	5	5	2	2	3	3	**91**
10	**Shkoder**	12	11	5	4	5	3	2	2	5	5	4	2	3	5	**68**
11	**Tirane**	23	21	7	2	5	10	2	2	5	5	2	4	3	4	**95**
12	**Vlore**	14	12	5	4	5	3	2	2	3	2	2	3	3	2	**62**

[2]To better inform the readers, we are presenting as an integral part of the report only the matrix of indicators for the assessment of wheat cultivation, meanwhile, the assessment matrix for all the other activities will be found in the relevant annexes to the report.

The conclusions that stem from the analysis and interpretation of the results of the above matrix for wheat production is as follows:

- Wheat is spread in twelve regions throughout the country because: (i) is used as a culture in crop rotation in the three eco-climatic zones, that despite the few positive effects on biology of successive cultures and land is needed for the rotation of hoed crops; (ii) used as a culture with a special role in food, especially in hilly and mountainous areas. The assessment in points varies from 62 points for Kukes and Vlora regions, to 308in Fierregion.
- In terms of importance of wheat among the different regions, the results show that three regions are evaluated at the first place between 207 and 308 total points: Fier, Korca and Elbasan. The regions ranked at the fourth fifth and sixth place, or at the second group of regions, are evaluated with more than 90 and less than 113 points. The average point of the second group is almost three times lower than the average of the first group of regions.
- Two economic indicators (productivity and added value) with greater share have made the difference between regions. The region of Fier has the greatest planted area and greater yield provided and for that reason it is more highly estimated than Korca in the scoring of regionalism.
- Climate indicators of utilization of natural and tradition resources are higher in the region of Korca followed by the region of Fier.
- Considering all the factors, it is recommended that the wheat has economic efficiency, climate conditions and rational use of natural resources (land, water, vegetation, landscape) and it must be planted under this priority:
  Korca (district of Korca), Fier (district of Fier) and Elbasan (district of Elbasan).

  Planting on other regions is justified on other grounds, but not according to the above mentioned indicators.
  The same procedure has been followed for the construction of matrices of all crops, fruits and livestock. On this basis **was developed a map of regionalization of agricultural products** at the national and regional level:

Agricultural map of the country for each region[3]
Agricultural map of the country

No	Agricultural activities/Regions	BR.	DI.	DU.	EL.	FR.	GJ.	KO.	KU.	LE.	SH.	TR.	VL.
I. CROPS													
1	Wheat												
2	Maize												

[3]For the agricultural map of the country, please see the annexes

3	Beans												
4	Vegetable and watermelon												
5	greenhouse												
6	Potato												
7	Tobacco												
8	Medicinal plants												
9	Forage												
II. FRUIT TREES													
1	Apple												
2	Nut trees												
3	Plums												
4	Cherry												
5	Peach												
III	VINICLUTURE												
IV	OLIVE ORCHARDS												
V	CITRUS												
VI. LIVESTOCK													
1	Cattle/Cows												
2	Sheep												
3	Goats												
4	Swine												
5	Bees												

Legend:	**Main priority**		**Average priority**		**Not a priority**	

4. Conclusions

The results of this study help us identify the best policies for development in the perspective of Albanian agriculture, as follows:

Policies that promote the regionalization and intensification of production; promotion of the contract system in agriculture; promotion of marketing cooperatives; promotion of the "Cluster" organizations according to their value chains; development of human resources; promotion of renting; effective strategies for a sustainable rural development; promotion of the development of agro industry; steering of the production structures; new crediting products that give priority to young people; promotion of savings-credit cooperatives; training at farm level and for agro industry; promotion of development of non-agricultural activities; development of the agriculture production potentials; training at the level of all the actors involved in the value chain.A policy or strategy regionalization of production on country level, according to the regions and districts, and subsequent planning of the agriculture support policies on this basis, would enable the: (1) increase of the production capacities in agriculture; (2) more opportunities for the establishment optimal structures of production (3) rational use of land, manual labor and other production skills; (4) Intensification of production through the application new production technologies, of higher effectiveness; (5) efficient employment of production inputs and environmental protection; (6) development of efficient marketing systems; (7) market integration of the farmers; (8) availability of an agricultural map, which would enable a proper addressing of the agricultural support policies.

The agriculture regionalization strategy would be completely serving a better orientation of **the agricultural support schemes**, implemented by the Agriculture and Rural Development Agency.

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The Financial Impact of Tourism in Albania: Innovation, Digital Transformation, and Economic Growth

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Abstract
Tourism is a crucial driver of economic, social, and cultural development worldwide, playing a significant role in Albania's economic landscape and contributing substantially to GDP growth. As one of the fastest-growing industries in the global economy, tourism has the potential to foster innovation, create employment opportunities, and enhance business competitiveness. This paper aims to explore the financial impact of tourism in Albania, analyzing its contribution to economic growth and assessing the extent to which the sector embraces digital transformation and innovation.Using secondary data from 2018–2023 obtained from the United Nations World Tourism Organization (UNWTO) and the Institute of Statistics of Albania (INSTAT), this study evaluates the current state of the Albanian tourism sector, identifying key trends, challenges, and opportunities. The findings reveal that while a considerable number of tourism enterprises engage in innovation initiatives, only a smaller fraction successfully integrates these advancements into their daily operations. The study highlights that factors such as limited digital infrastructure, inadequate investment in emerging technologies, and lack of specialized workforce hinder the full-scale adoption of innovative solutions within the sector.Moreover, the research underscores the adoption of advanced digital tools, including artificial intelligence, big data analytics, blockchain, and smart tourism solutions, can enhance operational efficiency, improve customer experiences, and optimize resource management. In addition, the study explores how these technological advancements can facilitate personalized tourism services, increase visitor engagement, and contribute to sustainable tourism development.Furthermore, the paper discusses the critical role of government policies and strategic investments in supporting digitalization and innovation within the tourism sector. Albania's tourism industry can enhance its global competitiveness, attract a higher volume of international visitors, and contribute more significantly to the country's long-term economic prosperity.

Keywords: Tourism Industry, Digital Transformation, Innovation, Artificial Intelligence, Economic Growth

(JEL) Classification Code: Z32

1. Introduction

Tourism represents one of the most dynamic and impactful sectors for global economic, social, and cultural development. In the Albanian context, it has become a key pillar of economic growth, contributing significantly to Gross Domestic Product (GDP) and employment—particularly following the recovery from the COVID-19 pandemic.

The steady increase in foreign visitor arrivals, the gradual shift toward a year-round tourism model, and the high potential for alternative tourism development have elevated the strategic importance of this sector in Albania's economy. However, to fully harness this potential, the adoption of innovation and digital transformation is essential. These elements are critical to enhancing competitiveness, improving the tourist experience, and ensuring sustainable development.

This paper aims to analyze the financial impact of tourism in Albania during the period 2018–2023, assessing its contribution to economic growth and examining the role of innovation and technology in supporting sustainable sectoral development. Through a combined approach of statistical data analysis and theoretical modeling, the study explores the enabling and inhibiting factors of digital transformation, as well as the importance of public policies and strategic investments in facilitating this process.

Special emphasis is placed on the impact of advanced technologies such as artificial intelligence, big data analytics, and smart tourism platforms in increasing operational efficiency and generating added value for Albanian tourism enterprises. The research also includes data from key national and international institutions such as INSTAT, UNWTO, WTTC, and the Global Innovation Index, to position Albania within a broader regional and global comparative framework.

2. Literature review

Tourism has become a cornerstone of Albania's economic development. In 2023, Albania welcomed over 10.1 million foreign tourists a 34.6% increase from the previous year, reflecting its growing appeal as a Mediterranean destination (INSTAT, 2023). According to the World Travel & Tourism Council (WTTC), the sector's total contribution to Albania's GDP is projected to reach approximately 608.5 billion ALL in 2024, reinforcing its pivotal role in national economic planning (WTTC, 2024).

Despite this progress, Albania still lags behind more developed tourism economies in several dimensions of the **Travel & Tourism Development Index (TTDI),** including infrastructure, environmental sustainability, and readiness for digital transition (World Economic Forum, 2024). Continued improvements in regulatory frameworks, transportation services, and digital ecosystems are essential for increasing Albania's international competitiveness.

The integration of digital technologies is increasingly recognized as critical for enhancing service delivery, operational efficiency, and competitiveness within the Albanian tourism industry. Technologies such as artificial intelligence, smart tourism platforms, and mobile applications can enable personalized tourist experiences and better data-driven decision-making (Buhalis & Amaranggana, 2015; Xiang et al., 2021). The driving factors of digital innovation in the tourism industry according to Chen, X., Li, L., & Ling, X. (2024) include: The technological environment **(**greatly improving trip planning and enjoyment).E-commerce platforms(digital booking platforms and mobile applications. Internet infrastructure (internet access in urban and rural tourist destinations).Human skills (Investing in digital skills training).Those factor are analyzing in the data results of innovation in the tourism sector.

INSTAT (2023) reports that while 46% of businesses in the Albanian services sector, including tourism, have implemented some form of innovation, only 39.8% have made improvements within their business processes. This gap underscores the need for targeted investment in digital transformation and workforce digital literacy.

Recent global trends highlight the role of **smart tourism ecosystems**,integrated systems that utilize IoT, big data, and real-time feedback loops to streamline services and improve customer experiences (Gretzel et al., 2022). However, in Albania, the uptake of such solutions remains limited and uneven, particularly outside major urban areas.

The financial contribution of tourism to Albania's economy has intensified post-pandemic. In 2023, international visitor spending reached 464 billion ALL surpassing 2019 levels by over 45%—while domestic visitor spending exceeded L100 billion (WTTC, 2024). This resurgence has led to job creation, with projections of nearly 10,000 new tourism-related jobs in 2024.

Moreover, tourism has helped narrow Albania's current account deficit, primarily through a significant rise in the services surplus, which increased by approximately 40% to EUR 752 million (Raiffeisen Research, 2023). These trends highlight tourism's growing capacity to drive financial stability and regional economic integration.

Albania is increasingly transitioning from a seasonal to a year-round tourism model. In the first 11 months of 2023, over 9.5 million tourists visited Albania—a 33.3% increase compared to the same period in 2022 (Raiffeisen Research, 2023). This trend supports more consistent revenue flows and enables sustainable development in rural and inland regions. Notably, in October 2024, overnight stays in non-coastal areas rose by 84.5% compared to the same month the previous year (Albanian Daily News, 2024). These shifts indicate changing tourist preferences and present opportunities to diversify tourism offerings across the country.

Recognizing tourism's strategic potential, the Albanian government and international organizations are prioritizing infrastructure development, workforce training, and sustainable investment. The United Nations World Tourism Organization (UNWTO) recently launched the Tourism Investment Guidelines for Albania, which aim to attract responsible investors aligned with national development goals (UNWTO, 2023). These efforts underscore the importance of coordinated public-private partnerships to ensure that innovation and digital transformation are effectively integrated into tourism development strategies, thereby strengthening Albania's long-term economic resilience.

According to the **Global Innovation Index (GII) 2024**, Albania ranks **84th out of 132 economies,** with an innovation score of **24.5** (WIPO, 2024). While this positions the country in the lower half of the global rankings, it performs relatively better within its income group ranking **16th among 38 upper middle-income economies**. This suggests that although Albania faces challenges in terms of global innovation competitiveness, it demonstrates a moderate innovation capacity compared to similar economies.

Similarly, the **Travel & Tourism Development Index (TTDI) 2024,** compiled by the **World Economic Forum**, places Albania **72nd out of 119 countries** (World Economic Forum, 2024). The index evaluates a range of tourism-related factors including enabling environment, infrastructure, policy frameworks, sustainability, and labor market conditions. While Albania remains in the lower half globally, its performance reflects **growing potential** in tourism development, especially relative to regional peers. The ranking highlights both **recent improvements and persistent structural challenges** that need to be addressed to enhance long-term competitiveness and resilience in the global tourism landscape.

3. Research methodology

This study employs a **mixed-methods research design** combining **quantitative analysis** of secondary data with **conceptual modeling** to evaluate the financial impact of tourism on Albania's economy between 2018 and 2023. Special emphasis is placed on the role of innovation and digital transformation within the tourism sector and their implications for broader economic growth.

Secondary data for the period **2018–2023** were obtained from the following reliable sources:

- The **Institute of Statistics of Albania (INSTAT)-**for national-level data on tourism revenues, employment, and business innovation.
- The **United Nations World Tourism Organization (UNWTO)-**for international tourism trends, receipts, and comparisons across regions.
- The **Global Innovation Index (GII)** and the **Travel & Tourism Development Index (TTDI)-** to assess Albania’s international position in terms of innovation capacity and tourism sector performance.

These data sources offer both macroeconomic indicators (e.g., GDP, employment, foreign arrivals) and innovation-related metrics (e.g., R&D intensity, ICT adoption, digital skills), enabling a multi-dimensional analysis of the tourism sector's development.

The study draws from classical tourism-led growth models. Previous empirical research such as Lanza and Pigliaru (1999), Brau et al. (2003), Balaguer and Cantavella-Jordà (2002), and Vietze and Freytag (2005) focused on the impact of international tourism receipts on GDP growth. However, more disaggregated approaches, as suggested by Ivanov (2005) and Ivanov & Webster (2007), provide deeper insight into the **contribution of tourism GDP relative to total GDP growth**.

To quantify this contribution, we adopt the **GDP decomposition formula** from Ivanov & Webster (2007), which distinguishes between tourism and non-tourism components of GDP growth:

$$G = \frac{\frac{Yq1(po)}{N1}}{\frac{Yqo(po)}{No}} - 1 \qquad (1)$$

Where:

- $Y_{q1}(p_0)$ is GDP at period 1 in base year prices,
- $Y_{q0}(p_0)$ is GDP at period 0 in base year prices,
- N_1, N_0, are the population at times 1 and 0.

Disaggregated into tourism and other sectors:

According to Ivanov&Webster (2007) if separate the tourism GDP in constant prices $Y^t q1(po)$from the GDP in constant prices of other industries $\sum_{i\neq t}^{i} Y^i q1p(0)$ and tourism GDP in base period $Y^t q0(po)$from GDP of other sectors in base period $\sum_{i\neq t}^{i} Y^i q0p(0)$ so the first equation (1) is transform in equation (2)

$$G = \frac{\frac{Y^t q1(po)}{N1} - \frac{Y^t q0p(0)}{N0}}{\frac{Y^t q0p(0)}{N0}} + \frac{\sum_{i\neq t}^{i} \frac{Y^i q1p(0)}{N1} - \sum_{i\neq t}^{i} \frac{Y^i q0p(0)}{N0} -}{\frac{Y^i q0p(0)}{N0}} \qquad (2)$$

This decomposition allows for separating the **direct contribution of the tourism sector** (Y^t) from **other industries** (Y^i), offering a more precise understanding of tourism's role in driving per capita real GDP growth.

Tourism's impact is not only direct but also indirect, as it stimulates demand in other areas such as trade, construction, and agriculture.

This study is guided by the conceptual framework illustrated in **Figure 1**, which reflects the interconnected impact of innovation within tourism enterprises in Albania. The framework identifies three primary dimensions through which innovation influences national development:

1. **Financial and Economic Impact** – This dimension captures how innovation drives GDP contribution, foreign exchange earnings, job creation, and overall tourism-related revenue growth. It is grounded in the tourism-led growth hypothesis and GDP decomposition methodologies (Ivanov & Webster, 2007; WTTC, 2024).
2. **Tourism Enterprises' Performance** – Innovations, especially digital ones, are expected to improve firm-level outcomes such as operational efficiency, customer satisfaction, and competitiveness. This aligns with findings from Hjalager (2010) and Gretzel et al. (2022) on how service innovation and digital transformation affect productivity and brand positioning.
3. **Government Policies and Investments** – Innovation diffusion in tourism is significantly influenced by public sector involvement, especially in digital infrastructure, training, and financial incentives. Recent policy efforts, such as UNWTO's investment guidelines for Albania (UNWTO, 2023), play a critical enabling role.

The framework serves as a basis for organizing both the empirical and theoretical components of the research and guides the interpretation of both quantitative and qualitative findings.

Figure 1 . Conceptual Framework

Sourse: Authors

4. Results

4.1.Economic Contributions of Tourism to Albania's Growth

Tourism represents a key driver of Albania's economic growth, contributing both directly and indirectly to national development. According to data from the World Bank and INSTAT, while overall GDP growth reflects the combined influence of all economic sectors, the tourism sector alone contributes an estimated 1.3% to 1.4% of GDP annually. This figure is notably significant when viewed in the broader economic context, especially as several other sectors have shown smaller or even negative contributions during certain years.

Importantly, tourism's economic influence extends beyond its direct financial inputs. It also generates indirect effects by stimulating demand in supporting sectors such as transport, construction, trade, and agriculture, thereby producing a multiplier effect across the economy. To quantify these impacts, the study employs the GDP decomposition model proposed by Ivanov and Webster (2007). In this model:

- Equation (1) captures overall GDP per capita growth.
- The first component of Equation (2) isolates the direct contribution of tourism to GDP.
- The difference between Equation (1) and the first component of Equation (2) represents the indirect and residual effects, including the influence of other sectors.

This methodological distinction enables a more precise assessment of the direct impact of tourism on Albania's economy, our primary focus in this analysis. Based on the secondary data we have use the Eq(1) and Eq(2) to calculate the contribution of tourism to GDP.

An illustration of this direct impact is provided below

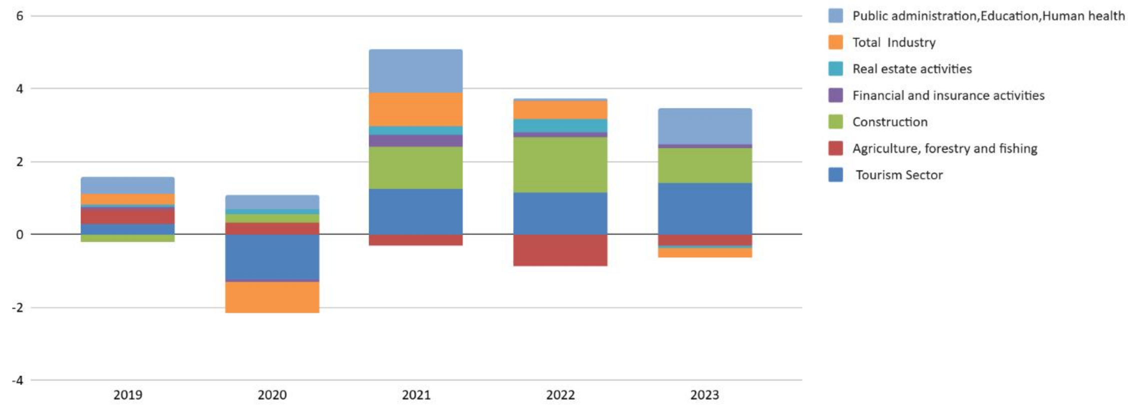
Figure 2. The contribution of Tourism sector to the real GDP growth

Sourse: Authors

Fig.2 illustrates Albania's real GDP growth alongside the tourism sector's specific contribution for the years 2019 to 2023. It highlights both the resilience and the growing importance of tourism within the national economy.

In **2019**, before the COVID-19 pandemic, Albania recorded a modest real GDP growth of **2.27%,** with tourism contributing nearly **12% of total growth.** This baseline reflects a stable but not dominant role for tourism at the time. In **2020,** the economic impact of the pandemic is clearly evident. The overall economy contracted by **-2.10%,** while tourism's contribution turned negative **(-1.34%),** signaling the sector's vulnerability to global travel restrictions and domestic lockdowns. By **2021,** tourism played a significant role in economic recovery. Out of a **6.01%** total GDP growth, tourism accounted for **1.25%,** over **20% of the total**, indicating both a rebound in international arrivals and increased domestic travel activity. In **2022,** although the overall GDP growth rate decreased to **4.40%,** tourism still contributed roughly **26% of total growth**. This continued relevance suggests that the sector maintained strong momentum post-COVID, likely aided by investments in infrastructure, digitalization, and increased marketing of Albania as a tourist destination. In **2023**, preliminary data show tourism **highest share across the five-year period**. This implies that over **33% of GDP growth** in 2023 stemmed from the tourism sector, underscoring its escalating role in Albania's economic structure.

Figure 3. The contribution of economic sector in a real GDP growth.



Sourse: INSTAT

Figure 3 presents the annual contributions of major economic sectors to Albania's real GDP growth from 2019 to 2023. The chart reflects how different sectors responded to external shocks and economic recovery dynamics over the five-year period.

In 2019, the available data suggest that most sectors contributed relatively similarly to GDP growth. This indicates that, before the pandemic, the economic landscape was more balanced, with no single sector overwhelmingly driving growth.

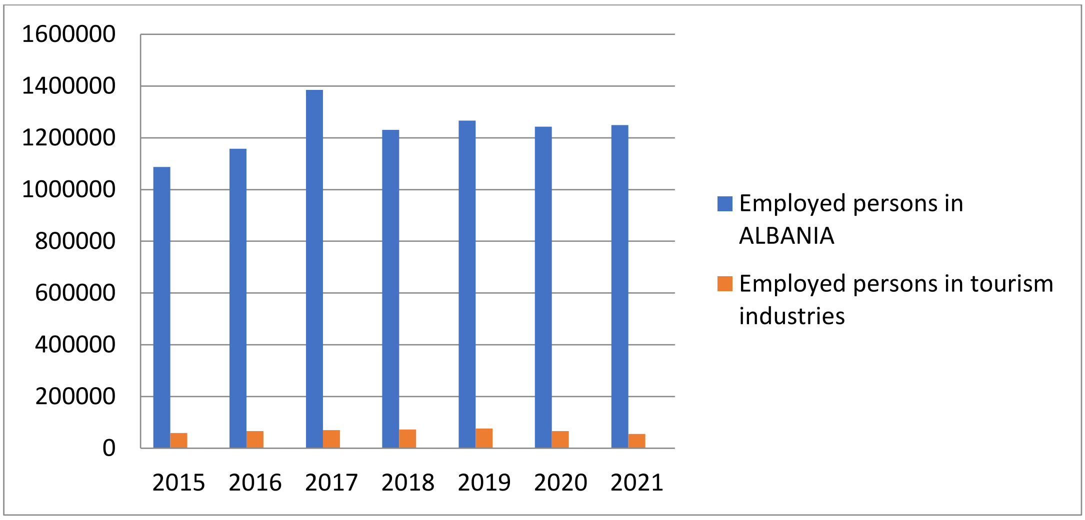
In 2020, the sector experienced a sharp decline and had a distinctly negative impact on GDP growth, emerging as one of the most adversely affected industries by the COVID-19 pandemic. Border closures, travel restrictions, and global uncertainty drastically reduced tourist activity, contributing significantly to the economic contraction.

The subsequent recovery phase from 2021 to 2023 has seen tourism not only rebound but also take a leading role in economic growth, outperforming several other sectors. This robust performance underscores the importance of tourism as a driver of economic growth and suggests that further strategic investments could yield significant long-term benefits for Albania's economy.

4.2 Employment Generation

The tourism sector is a vital source of employment in Albania, directly creating jobs in accommodation, food and beverage, passenger transportation, travel agencies and reservation services, and other. Also, it generates indirect employment opportunities in sectors such as retail, agriculture, and construction. In contrast, employment in tourism industries, although representing a small fraction of total employment, remained relatively stable throughout the period. The number of tourism-related jobs slightly increased from 2015 to 2019 but experienced a decline in 2020 and 2021, likely due to pandemic-related disruptions that hit the hospitality, transport, and recreation sectors particularly hard. The figure underscores the structural reality that while tourism is a vital economic sector in Albania especially for GDP contribution and regional development its share in total national employment remains modest because of seasonality. However, given the sector's potential for growth, particularly through innovation and digitalization, tourism could play a more prominent role in job creation in the future if properly supported by policy and investment.

Figure 4. Employed person in Albania and in Tourism sector.



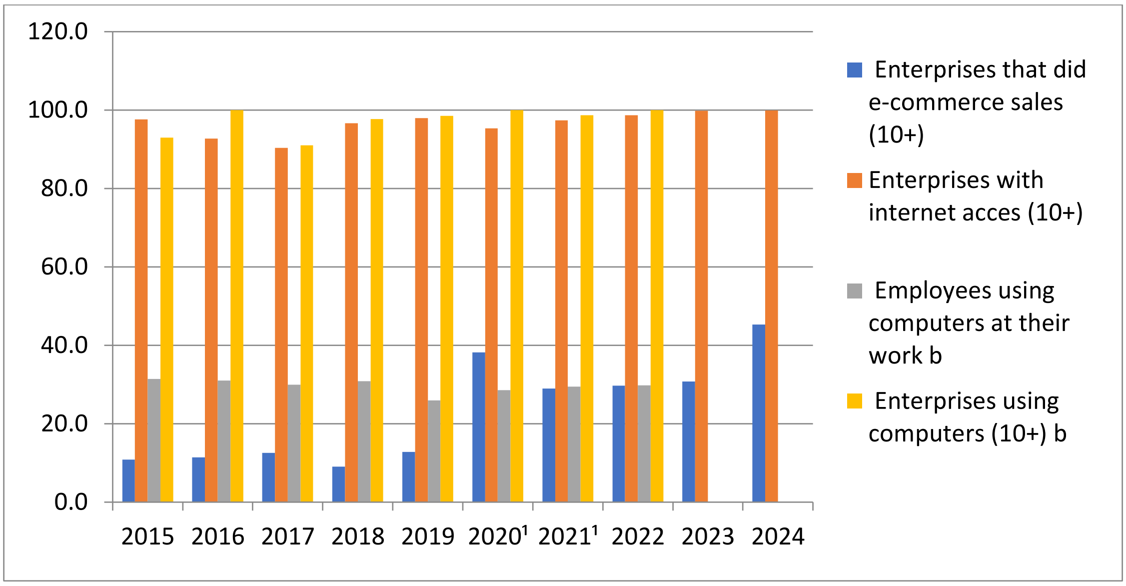
Sourse:UNWTO and INSTAT

The figure 4 illustrates the number of employed persons in Albania overall compared to those employed specifically in tourism-related industries from 2015 to 2021. The data show two distinct trends: overall employment in the country experienced fluctuations over the period, while employment in the tourism sector remained relatively stable, though consistently much smaller in absolute terms. Between 2015 and 2019, total national employment rose steadily, peaking in 2017 with over 1.4 million employed individuals. This was followed by a period of slight decline and stabilization from 2018 to 2021, possibly reflecting broader economic adjustments and external pressures such as the COVID-19 pandemic.

4.3 Innovation and Technology in the Tourism Sector

As in most sectors, tourism innovation is an interrelated phenomenon involving cooperation among governments, academia, corporations, micro, small and medium enterprises, start-ups, investors, enabling business partners and other stakeholders. Building a thriving tourism innovation and entrepreneurship ecosystem involves linking diverse voices to collaboration pathways and prioritizing capacity building in tourism and technology. The driving factors of digital innovation in the tourism industry are ilustratit below in the figure 5.

Figure 5. The driving factors of digital innovation in the tourism industry



Sourse: INSTAT

The chart shows near 100% internet access among enterprises with 10+ employees from 2015 to 2024. Albania has achieved full penetration of internet access in medium and large enterprises. This is a critical precondition for digital innovation in tourism, enabling online booking, digital marketing, and virtual experiences. However, in this analysis doesn't include micro-enterprises or rural tourism operators, which are very common in Albania and may still face digital exclusion. While digital tools are available in businesses, employee-level digital engagement remains low. E-commerce adoption has increased steadily but slowly, reaching around 45% by 2024 this trend shows positive growth in digital business models, especially online bookings and tourism services but the adoption rate is still below 50%, which suggests Albania lags behind EU countries, where e-commerce in tourism is more mature.

5. Discussion

While Albania possesses substantial economic potential, its tourism sector continues to face several structural and strategic challenges. Key issues include **inadequate infrastructure, seasonal dependency,** and **limited policy coordination**. The country's heavy reliance on coastal and beach tourism has resulted in regional imbalances, with much of the economic benefit concentrated along the Adriatic and Ionian coastlines, while interior regions remain underdeveloped and under-promoted (OECD, 2022).

Additionally, **environmental sustainability** and the risk of **over-tourism** in high-demand destinations pose long-term threats to the sector's resilience. As noted in Butler's (1980) Tourism Area Life Cycle (TALC) model, destinations that fail to adapt to sustainability pressures can enter a phase of stagnation or decline. This highlights the urgent need for diversified, managed growth strategies that preserve Albania's ecological and cultural assets.

Nevertheless, Albania is increasingly positioned to benefit from emerging global trends in **alternative tourism markets,** including **ecotourism, cultural tourism,** and **digital nomadism.** These models are less dependent on seasonality and offer more sustainable and inclusive paths for growth, especially in rural or inland regions (Richards, 2018; UNWTO, 2023). For Albania, such trends provide a unique opportunity to attract new visitor segments and extend tourism's economic impact throughout the year.

One of the central challenges in this transformation is the **adoption of digital technologies**. According to the UNWTO (2023), digital transformation in Albania's tourism industry has improved the sector's competitiveness and operational efficiency. Tools such as **online booking platforms, mobile tourism apps,** and **social media marketing** are increasingly used to reach global markets and improve service delivery. However, widespread implementation remains constrained by persistent obstacles, including **limited digital infrastructure, low levels of investment**, and **insufficient digital skills among tourism operators** (OECD, 2022; WTTC, 2024).

To fully exploit the opportunities of digitalization, Albania must enhance **public and private investment in technology**, expand **training programs**, and build **digital literacy** across the tourism workforce (OECD, 2022; UNWTO, 2023). Without such foundational capabilities, innovation in the sector will remain fragmented and uneven.

The Albanian government has taken steps to support this shift. Recent initiatives include the launch of the **TEA (Tourism Events of Albania)** application, which gives users access to over 1,100 cultural, traditional, and sports events nationwide. The official multilingual tourism promotion portal, www.albania.al, has also been developed to attract and inform international visitors. Furthermore, **Smart Tourist Zones** are being designed to improve infrastructure and management at key destinations through the integration of digital solutions (Ministry of Tourism and Environment, 2023).

However, aligning with the goals of the **Digital Agenda 2030**, further action is needed. Expanding Albania's tourism product beyond the traditional beach model by emphasizing its **natural landscapes, biodiversity,** and **cultural heritage** could help the country attract a broader, more diverse range of visitors and build a more resilient tourism economy (UNWTO, 2023; Gretzel et al., 2022).

6. Conclusion

This study examined the financial impact of tourism in Albania with a particular focus on the role of innovation and digital transformation in enhancing economic growth. The findings confirm that tourism continues to be a vital component of Albania's economy, contributing directly and indirectly to GDP, job creation, and regional development. Despite challenges such as seasonality, limited infrastructure, and uneven policy implementation, the sector has shown remarkable resilience particularly in the post-COVID-19 recovery period.

Albania's consistent growth in international arrivals, as well as its transition toward year-round and diversified tourism offerings, reflects the increasing maturity of the industry. The application of GDP decomposition techniques revealed that tourism's contribution to real GDP growth has not only been steady but growing, reaching its highest impact in 2023. Moreover, the employment data reinforce tourism's role in generating both direct and indirect jobs, even though the sector still represents a relatively modest portion of total employment.

While progress has been made, the paper highlights that Albania still faces considerable challenges in scaling up innovation across the tourism sector. Although nearly half of tourism-related enterprises claim to implement some form of innovation, only a minority successfully integrate these advancements into core business processes. Digital infrastructure gaps, low investment levels, and insufficient digital literacy continue to hinder widespread technology adoption.

However, the country shows encouraging signs of future readiness. Strategic initiatives such as the launch of the TEA tourism event app, the development of Smart Tourist Zones, and policy frameworks aligned with the Digital Agenda 2030 provide a solid foundation for a more innovative and resilient tourism sector. Global benchmarks such as the Global Innovation Index and the Travel & Tourism Development Index reveal that while Albania's global rankings remain modest, its performance is improving within its income group and regional context.

To sustain momentum and unlock tourism's full economic potential, Albania must deepen its commitment to digital transformation, expand its innovation capacity, and invest in infrastructure, workforce skills, and sustainable tourism models. By doing so, it can position itself as a competitive and resilient tourism destination in the Mediterranean region.

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Digitalization in public (external) auditing fields-the challenges. An empirical view of albania.

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Abstract
The rapid growth of digital technologies has transformed numerous industries, with auditing being no exception. Digitalization in auditing introduces innovative tools and processes, improving efficiency and accuracy in auditing practices. However, the adoption of digital technologies in these field in Albania's faces several challenges.

The digitalization of auditing has brought about substantial changes in how audits are conducted globally, including within the scope of external auditing carried out by Supreme Audit Institutions (SAIs). This paper examines the challenges faced by Albania's external auditors in adapting to digital technologies in the audit process, especially within the context of the SAI. Despite the potential benefits of digitalization - such as increased efficiency, transparency, and improved accuracy - several obstacles hinder its full implementation in Albania. These include resistance to change, insufficient digital skills, inadequate infrastructure, data security concerns, inadequate infrastructure, and regulatory gaps and regulatory challenges. Based on empirical data gathered from surveys and interviews with external auditors, this paper analyzes these challenges and provides recommendations for overcoming them to enhance the effectiveness of digital auditing in Albania’s Supreme Audit Institution. This paper explores the impact of digitalization on auditing, identifying the key challenges including cybersecurity risks, the need for continuous skill development, data privacy concerns, over-reliance on automation, and regulatory compliance.

Keywords: Digitalization, External Auditors, Supreme Audit Institutions, Auditing Challenges, Albania, Audit Technology, Data Security, Regulatory Framework
JEL Classification: M48; M42; K19.

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Responsibility for the content, analysis, and conclusions presented herein rests solely with the author(s).

1. Introduction

Digitalization in the field of auditing has emerged as a pivotal development worldwide, transforming the way audits are conducted, analyzed, and reported. The adoption of digital tools such as cloud computing, artificial intelligence (AI), block chain, and data analytics has led to greater efficiency, transparency, and accuracy in audits.
Digital technologies such as data analytics, artificial intelligence (AI), machine learning (ML), and block chain have revolutionized the way auditors conduct assessments, leading to improved efficiency, accuracy, and real-time data access. However, while these technological advancements offer numerous benefits, they also present several challenges for auditing professionals. It is crucial for the auditing profession to address these challenges in order to maintain the integrity and effectiveness of audits while leveraging the advantages that digital tools provide.

While global trends show an increasing reliance on digital technologies in auditing, Albania's auditing sector faces unique challenges that hinder the full implementation of these technologies. This paper aims to explore the key challenges facing digitalization in the Albanian auditing field, focusing on the country’s infrastructure, regulatory environment, and workforce readiness.

The external auditing function of Supreme Audit Institutions (SAIs) plays a pivotal role in maintaining transparency and accountability in public financial management. With the advancement of digital technologies, the auditing process has undergone significant transformation, offering opportunities to enhance accuracy, speed, and cost-effectiveness. Digital tools such as data analytics, artificial intelligence (AI), block chain, and cloud computing have become increasingly integrated into auditing practices globally, including the public sector.
However, Albania’s Supreme Audit Institution (ALSAI) faces several challenges in embracing these digital innovations. This paper explores the key challenges faced by ALSAI's external auditors in the adoption of digital auditing tools and the barriers hindering the digitalization process in Albania's public sector auditing. An empirical view is provided based on data gathered from auditing professionals, institutional representatives, and expert opinions. This study addresses the knowledge gap and provides a foundation for future research in countries like Albania (Beck et al., 2021)

2. Literature review

Digitalization in auditing has been a topic of considerable research globally. Numerous studies highlight the benefits of digital tools, including increased efficiency, improved accuracy, and enhanced data security. However, digital transformation also presents several challenges. According to a report by KPMG (2019), one of the main challenges is resistance to adopting new technologies, especially in industries that have traditionally relied on manual methods.

Other studies have shown that the lack of digital skills is a significant obstacle to digitalization in the auditing sector (AICPA, 2017). For example, in many countries, auditors must continually update their skill set to stay competitive in an increasingly digital environment. These issues are compounded by concerns regarding cybersecurity, the cost of implementation, and regulatory compliance.

The Albanian context, with its unique economic and institutional characteristics, presents specific challenges. Research on digital transformation in Albania's auditing field remains limited, making this study particularly relevant for understanding the current barriers to the digitalization of auditing practices in the country.

In conclusion, while digitalization has brought considerable benefits to the auditing profession, it also poses significant challenges that must be addressed. The literature highlights the need for auditors to enhance their technical skills, adopt robust cybersecurity practices, ensure compliance with privacy laws, and maintain professional skepticism despite automation. Future research should explore the evolving dynamics of digital tools in auditing, focusing on how the profession can balance innovation with maintaining audit quality and integrity.

3. Research methodology

This research adopts a mixed-methods approach, combining both qualitative and quantitative data to analyze the challenges faced by Albania's external auditors in adopting digital technologies. The primary data was collected through:

- **Surveys**: A structured questionnaire was administered to a sample of external auditors working in the Supreme Audit Institution of Albania. The survey aimed to gather quantitative data on the perceived challenges, technological readiness, and awareness of digital tools among auditors.
- **Interviews**: In-depth interviews were conducted with senior auditors, technology experts, and representatives from ALSAI. The goal was to understand the specific challenges in more detail and obtain expert opinions on the state of digitalization in Albania’s public sector auditing.
- **Case Studies**: Real-life case studies of audits conducted in Albania were analyzed to assess how digital tools were utilized, where challenges arose, and what solutions were implemented.

The data was analyzed using both statistical techniques (for the survey results) and thematic analysis (for the interviews and case studies).

4. Analysis & discussion

The findings from the empirical research underscore the complexity of digitalizing external audits in Albania's Supreme Audit Institution. The challenges faced by ALSAI are not unique to Albania but are common in many countries with developing digital infrastructures in the public sector. The resistance to change, lack of technical skills, and regulatory uncertainties must be addressed to create an environment conducive to digital transformation in auditing.

4.1 Digitalization in Auditing – an overview

Digitalization in the auditing field, particularly in external auditing, is gaining traction globally. The introduction of advanced technologies like data analytics and AI has revolutionized how audits are conducted. According to the International Organization of Supreme Audit Institutions (INTOSAI, 2020), digital technologies can enhance the capacity of external auditors to monitor and evaluate public spending more effectively. Digital tools have the potential to identify anomalies, detect fraud, and provide real-time insights into financial management.

Digitalization in auditing refers to the application of various technological tools that enhance the auditing process, providing better insights and more efficient workflows. According to Sikka (2019), digitalization involves using tools such as data analytics**,** cloud-based systems, and AI to improve the speed and effectiveness of audits. Data analytics allows auditors to quickly process large volumes of financial data, identifying trends and anomalies that may indicate fraud or error (Glover et al., 2017). Cloud computing enables auditors to access financial data remotely in real-time, improving collaboration and reducing the need for in-person meetings (Bryant et al., 2020).

Benefits of Digitalization in Auditing

The positive impact of digitalization in auditing is well-documented in the literature. Digital tools have significantly increased the efficiency and effectiveness of audit procedures. According to Vasarhelyi et al. (2019), AI-powered tools and machine learning algorithms have enhanced the ability of auditors to detect fraud and financial misstatements by analyzing large datasets for inconsistencies that would otherwise be difficult to detect manually. These tools can continuously monitor transactions and provide auditors with predictive insights, allowing them to focus on higher-risk areas and more complex judgment-based tasks (Kokina & Davenport, 2017).

Furthermore, cloud technology enables **remote auditing,** allowing auditors to conduct audits in real-time and across multiple locations without needing to be physically present (KPMG, 2021). This flexibility reduces costs, increases productivity, and provides better insights through the real-time monitoring of financial information.

4.2 Challenges of Digitalization in External Auditing

Despite the numerous advantages of digitalization, several studies highlight significant challenges. According to a report by KPMG (2019), the main challenges in digitalizing external auditing include resistance to adopting new technologies, insufficient technical skills, cybersecurity concerns, and a lack of infrastructure. These issues are compounded in the public sector, where auditors may face additional barriers related to regulatory frameworks and bureaucratic structures.

In Albania, digitalization in the public sector has been progressing at a slower pace compared to the private sector. A study by the Albanian Institute of Public Finance (AIPF, 2021) indicates that there is a significant gap in the implementation of digital auditing practices in the public sector, including in the ALSAI.

4.2.1 Key Challenges in Digitalization for External Auditors

1. Resistance to Change and Cultural Barriers

One of the most prominent challenges in Albania's public external auditors is resistance to change. External auditors in the public sector, are accustomed to traditional auditing techniques, often reliant on manual data processing and paper-based systems. The introduction of digital technologies disrupts established practices, leading to apprehension and reluctance to embrace new systems. Additionally, organizational culture in public institutions often emphasizes stability over innovation, making it difficult to implement change.

The results of this study indicate that resistance to change is one of the most significant barriers to digitalization in Albanian external auditors. External auditors in Albania have largely grown accustomed to traditional methods of auditing, relying on manual systems and paper-based processes. Many respondents highlighted a lack of trust in new technologies, viewing them as untested or unproven in the context of public sector auditing. This resistance is particularly pronounced among senior auditors, who are less familiar with technological advancements and fear that automation may replace their roles.

In terms of organizational culture, the public sector in Albania tends to prioritize stability and predictability, making the introduction of innovative technologies a challenging process. This finding aligns with previous research, which suggests that cultural factors, including resistance from both individuals and organizations, play a significant role in the slow adoption of digital technologies (AICPA, 2017). To address this, public external auditors must foster a more innovation-friendly culture. This could be achieved through internal advocacy for digitalization and emphasizing the positive impacts technology can have on the quality and efficiency of audits, rather than seeing it as a replacement for jobs.

4.2. Insufficient Digital Skills and Training

Many public external auditors report that their technical expertise is insufficient to effectively use new digital auditing tools. While younger auditors may be more familiar with basic digital tools, senior auditors often lack the advanced skills necessary to apply AI, data analytics, and block chain technology to audits. This skill gap is exacerbated by a lack of specialized training programs and professional development opportunities in the area of digital auditing. According to the survey, over 60% of respondents expressed concerns about their ability to keep up with rapidly evolving digital tools.

The majority of respondents reported that while they were comfortable using basic software tools, many auditors felt unprepared to engage with more complex digital auditing tools, such as AI-driven audit software, data analytics, or block chain. This lack of preparedness stems from the absence of tailored digital skills training in Albania's auditing sector. Many auditors expressed the need for structured professional development programs that focus specifically on the technical skills required to work with advanced audit technologies.
This issue is consistent with global trends, where the rapid pace of technological development often outpaces the ability of professionals to adapt (KPMG, 2019). The findings also suggest that public external auditors may need to invest more heavily in training initiatives, both internally and through external collaborations with technology providers. Providing regular workshops, certification programs, and collaborative training with private-sector auditors or universities could significantly enhance auditors' readiness to adopt digital tools.
Another challenge highlighted in the literature, about public external auditors, is the skills gap in the auditing profession. As auditors increasingly adopt new digital technologies, they must develop new technical skills to utilize these tools effectively. Sledgianowski & Anderson (2019) argue that while auditors have traditional accounting expertise, many lack the technical know-how to handle sophisticated digital tools like data analytics platforms and AI systems. This skills gap can lead to inefficient audits or even incorrect conclusions if auditors do not fully understand how to interpret the results generated by these tools. The ongoing training and development of auditors are essential to bridge this gap and ensure auditors are prepared to handle evolving technologies.

4.3. Inadequate Technological Infrastructure

Albania's public external auditors, faces significant infrastructural challenges when it comes to digitalization. While larger auditing firms in the private sector can invest in advanced technologies, public external auditors are constrained by limited budgets and outdated hardware. Inadequate internet connectivity in certain regions and the lack of cloud-based systems further hinder the adoption of digital auditing tools. According to 55% of survey respondents, insufficient digital infrastructure was identified as a significant barrier to implementing digital auditing solutions.
A significant challenge revealed through the empirical data is the lack of adequate technological infrastructure within public external auditors. Many auditors reported that the infrastructure, such as outdated computer systems and slow internet connections, poses a substantial barrier to the integration of digital auditing tools. Additionally, smaller offices in regional areas of Albania face even more significant infrastructure challenges, including poor internet connectivity.
This challenge reflects broader issues in Albania's public sector, where digital infrastructure is underdeveloped compared to Western European standards (AIPF, 2021). According to the study, a lack of cloud computing platforms, secure data storage solutions, and real-time data processing capabilities impedes the ability of auditors to perform audits efficiently using modern tools.

4.4. Data Security and Privacy Concerns

Data security is a critical concern for auditors handling sensitive public financial information. The shift to digital platforms introduces the risk of data breaches, hacking, and unauthorized access to confidential data. Albania's current cybersecurity framework for public sector institutions is not robust enough to ensure the safety of audit data. External public auditors expressed concerns about the adequacy of cybersecurity protocols, especially when using cloud-based systems for audit data storage and analysis.

Data security concerns were among the most frequently cited challenges by Albanian auditors. As public financial data is highly sensitive, public external auditors expressed significant concerns over the risks associated with storing and processing audit data on digital platforms, especially cloud-based systems. The fear of cyber-attacks, data breaches, and unauthorized access to sensitive financial information has led to caution in adopting digital technologies.

This issue is not unique to Albania; globally, public sector auditors face significant concerns regarding data privacy and the adequacy of cybersecurity measures (INTOSAI, 2020). However, Albania's cybersecurity framework for public institutions is still developing, and many auditors worry that it does not offer sufficient protection against increasingly sophisticated cyber threats.

To address these concerns, public external auditors should collaborate with cybersecurity experts to develop comprehensive security protocols and ensure that auditors are adequately trained in data protection practices. Implementing robust encryption techniques, multi-factor authentication systems, and frequent audits of digital systems can also help alleviate concerns over data security. Additionally, government support for strengthening the legal and regulatory framework for data protection would further build confidence among auditors.

4.5. Regulatory and Legal Challenges

Albania's regulatory framework for auditing and public financial management is in the process of modernization, but it does not yet fully address the use of advanced digital tools. There are gaps in existing laws and standards regarding the integration of digital technologies into external audits.

One of the more unique challenges faced by public external auditors is the lack of an updated regulatory framework to support the integration of digital auditing tools. Existing auditing standards and regulations are often outdated and do not reflect the latest technological advancements, such as AI and block chain. This legal ambiguity poses a risk for auditors who are uncertain whether the use of certain technologies could lead to non-compliance with existing laws or audit standards.

For example, there is no clear regulatory guidance on how AI-based algorithms can be integrated into the audit process in Albania, nor are there comprehensive standards on the use of block chain for financial record-keeping. The lack of clear legal frameworks for these technologies increases the risk of errors, misinterpretation, and non-compliance, which can undermine the credibility of audits.

International standards such as those issued by INTOSAI can serve as valuable references for aligning Albania's regulatory framework with global best practices in digital auditing.

5. Results of the empirical study on public external auditors

This empirical study was focuses on examining the performance, challenges, and the impact of digitalization and modernization efforts within public external auditors. The study investigates how the public external auditors has integrated new technologies and auditing practices, evaluates the effectiveness of its processes, and identifies the barriers it faces in improving audit quality and public sector accountability. The findings are based on data collected from interviews, case studies, and surveys of audit reports from public external auditors over recent years (period of time - 7 years).

5.1. Modernization Efforts and Digitalization in Audit Processes

One of the significant outcomes of the study is the progress in digitalization at public external auditors. Over the past decade, the public external audit has implemented various digital auditing tools and software solutions to enhance the quality and effectiveness of audits.

The study reveals that the public external auditors need to digitize many of its financial auditing processes, allowing auditors to conduct real-time audits and monitor public sector financial activities continuously. For example, the implementation of data analysis tools will improve the ability to detect irregularities and potential fraud in public spending. 70% of the auditors in the SAI reported that they believe that digital tools will significantly enhance their capacity to detect misstatements, errors, and misuse of funds.

5.2. Improved Audit Coverage and Timeliness

The empirical study indicates that auditors believe that audit coverage will increase by approximately 30-40% over the past few years, due to the automation of data gathering and reporting processes.

For instance, public external auditors have been able to perform more timely and effective audits of government-funded infrastructure projects, ensuring accountability in public spending. This will also increase the timeliness of the audit reports, allowing for faster identification of discrepancies and enabling corrective actions to be taken more quickly.

5.3. Challenges in Skills and Capacity Building

While digitalization has brought improvements, the study also revealed that skills gaps remain a significant challenge within public external auditors. Although auditors have been provided with some training in the use of modern audit tools, 58% of auditors in the public external reported that they still lack proficiency in advanced data analytics and machine learning tools that could further enhance their auditing capabilities.

A key finding from the study is that public external auditors has faced difficulties in keeping up with rapid technological advancements due to limited training budgets and resources. While senior auditors are typically more adept at using traditional audit techniques, younger auditors with more familiarity with digital tools still need more comprehensive training in advanced IT skills, especially in areas like data visualization, AI-driven fraud detection, and cloud-based auditing systems.

5.4. Cybersecurity Concerns and Data Protection

Another critical challenge identified by the empirical study is cybersecurity risks. The digitization of audit processes, particularly the adoption of cloud-based systems and electronic data storage, has raised concerns about the security of sensitive government data. 47% of respondents expressed concerns about the possibility of cyberattacks or unauthorized access to financial data, which could undermine the integrity of audit findings and public trust.

As public external auditors relies on increasingly digital systems for storing and processing audit information, the study found that cybersecurity training and the implementation of secure data management systems remain insufficient.

5.5. Impact on Public Sector Accountability and Transparency

The integration of modern auditing tools has positively impacted Albania’s public sector accountability and transparency. By improving the timeliness and comprehensiveness of audit reports, the public external auditors has enhanced the transparency of government financial operations. The findings suggest that public institutions are becoming more aware of the need to ensure compliance with financial regulations, due to the heightened visibility of their operations resulting from more frequent audits.

Moreover, the increased capacity of the public external auditors to identify issues such as misallocation of funds, inefficiencies, and fraud has contributed to improving public trust in government institutions. The study shows that 74% of citizens surveyed felt more confident in the public external auditor’s ability to oversee public spending effectively as a result of its digital transformation.

As a result, this empirical study reveals that while significant progress has been made in modernizing the audit process through digitalization, there remain several challenges that need to be addressed. The adoption of digital tools has enhanced audit efficiency, coverage, and timeliness, while improving public sector accountability and transparency. However, the public external auditors still face challenges that hinder the full effectiveness of these digital initiatives.

To build on these successes, it is essential to prioritize continuous training and development for auditors, enhance cybersecurity protocols. Further investment in technology, alongside stronger institutional frameworks, will enable the public external auditors to achieve its mission of ensuring financial accountability and fostering public trust in the Albanian government’s use of public funds.

6. Conclusion

The analysis of the empirical data highlights a range of challenges faced by Albania's external auditors in adopting digital tools. Resistance to change, a lack of digital skills, inadequate infrastructure, data security concerns, outdated regulations, and high costs all contribute to the slow pace of digital transformation in Albania's public sector auditing.

However, these challenges are not insurmountable. By prioritizing investments in training, infrastructure, and regulatory reform, public external auditors can create an environment conducive to digitalization.

The digitalization of auditing, particularly in the context of public external auditing, presents both significant opportunities and considerable challenges. This study has highlighted the key obstacles faced by public external auditors in its pursuit of adopting digital auditing tools, including resistance to change, insufficient digital skills, inadequate technological infrastructure, data security concerns, regulatory challenges, and high initial costs. Despite these hurdles, it is evident that digitalization has the potential to greatly enhance the efficiency, accuracy, and transparency of public sector audits.

By embracing digital technologies such as data analytics, AI, block chain, and cloud computing, external auditors can improve the quality of their audits, reduce time spent on manual processes, and better identify irregularities in public financial management. However, for Albania to successfully navigate the digital transformation of its audit practices, concerted efforts must be made to address the underlying challenges identified in this study.

Government support in the form of financial incentives, infrastructure development, and regulatory updates will be essential to facilitate this transition. Additionally, in Albania, public external auditors, must prioritize training and capacity-building programs to equip auditors with the necessary skills to engage effectively with digital tools. Strengthening the cybersecurity framework and establishing clear legal guidelines for the use of emerging technologies will also be crucial for mitigating risks and ensuring compliance.

Ultimately, overcoming these challenges will enable public external auditors to align with global best practices, improve its auditing processes, and strengthen public sector accountability and transparency. Digitalization is not merely a trend but a critical step toward enhancing the integrity of public financial management, and Albania must continue to invest in this transformation to ensure its auditors are well-equipped to meet the demands of the future.

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The impact of the financial system of host countries on the attracting and distributing effects of foreign direct investments

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Abstract
Foreign direct investments are very important for the economic development of host countries. This study aims to investigate the role that the financial system plays in host countries, with a particular focus on Albania, in attracting foreign direct investment and in transmitting spillover effects to the host economy. The aim of the study is achieved through a review of the theoretical and empirical literature on this mutual relationship between foreign direct investment inflows and the level of financial development, as well as a descriptive analysis of the financial system of Albania over the years. The study shows that the host country's financial development level has a significant impact on determining FDI inflows and on the materialization of these intended positive effects for host economies. A developed and well-regulated financial system helps efficiently allocate capital, facilitating access to finance and improving the investment climate. In the Albanian context, the effective functioning of financial institutions, such as banks and regulatory authorities, is essential for attracting foreign direct investors and ensuring the transmission of structural benefits to the economy. This conclusion is important given the fact that attracting foreign direct investments is one of the main pillars of Albania's economic development plan. For this reason, we suggest that the continuous improvement of the financial system in Albania is of particular importance.

Keywords: financial capability, financial behaviour, financial knowledge
JEL classification: G40, G50, G51,

1. Introduction

Foreign Direct Investments (FDI) have earned their well-deserved importance in the economic growth policies of developing countries. These countries desperately need inflows of FDI because they cannot internally finance the desired level of total investments. Therefore, FDI plays a crucial role in the formation of gross fixed capital in developing countries (Todaro & Smith 2020). According to Dunning (1993), FDI helps in the formation of gross fixed capital and contributes to increasing the productive capacity of the host economies. The importance of FDI goes beyond simply providing capital. It plays a crucial role in fostering the development of human capital and enhancing the technological capabilities of host countries. This is achieved through the transfer of knowledge, modern management techniques, and advanced technologies, which contribute to sustainable long-term growth and development (Borensztein et al., 1998). The further development of human capital increases productivity and improves the international competitiveness of the domestic economy.

Supporters of liberal and Keynesian theories, such as Alfaro et al. (2004), argue that incoming FDI flows significantly contribute to the economic growth of host countries, making them a distinguishing factor in economic development between nations. In their view, the benefits of FDI depend on factors such as human capital, the development of the financial system, and the trade openness of the host country.

2. Literature review

Although the effects of Foreign Direct Investment (FDI) are generally expected to be positive for host countries, the magnitude of these effects depends significantly on the host country's ability to absorb the advanced technologies and knowledge brought by foreign investors (UNCTAD, 2020). As highlighted in the theoretical and empirical literature, a key factor in this process is the absorptive capacity of the host country, defined as the ability to benefit from the entry of foreign investors (Sultana & Turkina, 2020).

Absorptive capacity is influenced by several critical indicators, including the development of human capital, the technological gap between the host country and more advanced economies, the degree of trade openness, and—most importantly—the level of development of the financial system (Cohen & Levinthal, 1990; Borensztein et al., 1998). A well-developed financial system supports the diffusion and financing of local innovation and entrepreneurship, thereby enhancing productivity and economic efficiency (Alfaro et al., 2004; Fasano et al., 2021).

Despite their increasing complexity, financial systems maintain the fundamental role of enabling financial intermediation. They influence the level of savings and investments and guide capital toward its most productive uses (Levine, 2005). A developed financial system provides businesses with access to the financing they need for production and supports technological advancement by encouraging innovation (King & Levine, 1993; World Bank, 2022).

Theoretically, Schumpeter (1911) argued that a well-functioning financial system drives technological innovation by providing essential financial services that contribute to economic growth (Śledzik, 2013). Moreover, financial systems facilitate the transfer of technological knowledge brought in by foreign investors to local firms (Chong, 2012). In doing so, they not only improve the country's absorptive capacity but also expand its productive and resource efficiency (Levine, 1997; Yan & Chen, 2023).

Countries with developed financial systems tend to benefit more from FDI. These systems offer a wide range of financial services, ample business credit, and valuable information about investment opportunities (Alfaro et al., 2009; Shah, 2016). They also enhance the ability of domestic firms to access financing needed to adopt advanced technologies introduced through

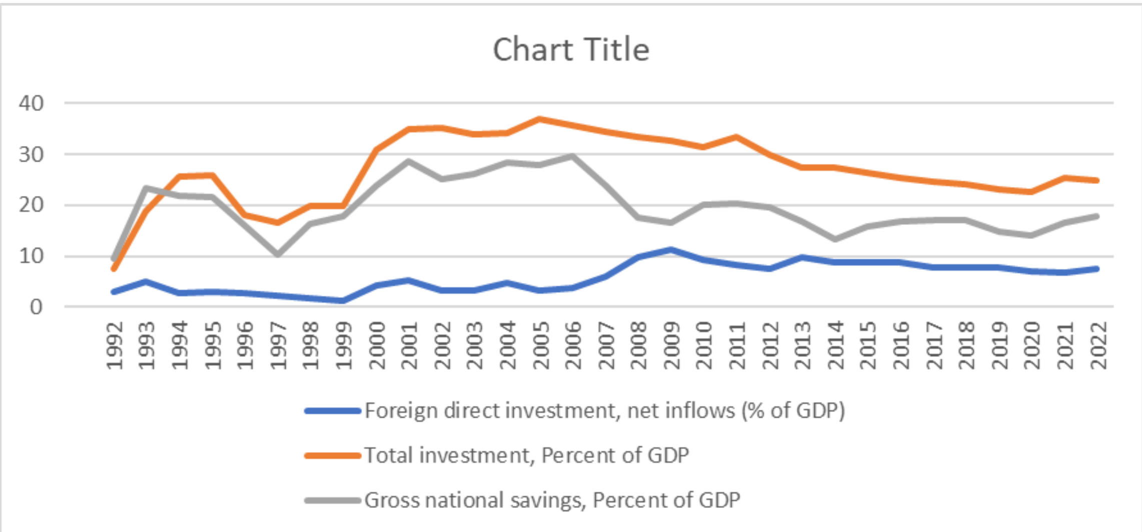
FDI (Alfaro et al., 2006, 2017). Additionally, a developed financial system plays a vital role in facilitating investment activities, including fund transfers from abroad, timely financing of raw material and labor costs, and repatriation of profits to parent companies (Lumbila, 2005; Irandoust, 2021). At the same time, it supports the expansion of domestic businesses that are stimulated by the entry of foreign investors.

3. Analysis of fdi and the financial system in albania

From 1992 to 2024, Albania has experienced various trends in Foreign Direct Investment (FDI) and remittance inflows. In the early years of transition, FDI levels were relatively low, reflecting the country's ongoing economic and institutional reforms. During the mid-2000s, especially between 2007 and 2008, FDI reached higher levels, coinciding with increased investor confidence and privatization efforts. However, the inflow of FDI began to decline in 2009 due to the global financial crisis, a trend that continued until 2012. Since 2013, FDI has gradually recovered, reaching and at times surpassing pre-crisis levels. In contrast, remittances, which had been a key financial support for many households in the 1990s and early 2000s, have seen a notable decline in value compared to their levels before the economic crisis. This evolution in capital flows highlights the strategic importance that countries like Albania place on attracting FDI, which is seen as a more stable and growth-oriented source of financing. As a result, FDI attraction remains at the core of Albania's economic policy agenda in the post-crisis period and beyond.

FDI in Albania has represented a significant share of the total capital invested in the economy. According to Chart 1, FDI in Albania has made a substantial contribution to investment financing, accounting for nearly one-third of total investments in the economy. This is a relatively high ratio when compared to other countries in the region. According to the same sources, in Bosnia and Herzegovina, foreign capital finances only one-tenth of total investments in the economy.

Chart 1: Trends in Investments, Savings, and FDI (as % of GDP) in Albania, 1992–2022.



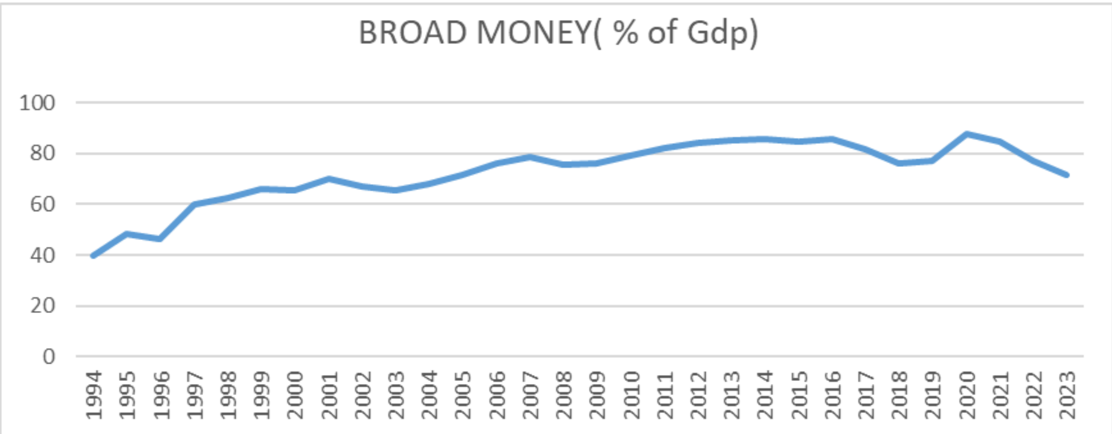
Source: World Bank, processed by the author

The financial sector is receiving increasing attention as it is considered vital for the development of economies worldwide. In Albania, the financial sector is primarily represented by the banking sector, which accounts for more than 90% of the entire financial system, while other components of the market remain underdeveloped. The banking system has undergone significant changes over the years, starting in 1992. That year marked the beginning of a two-tier banking system within a free market economy, with the adoption of laws regulating the banking system and the establishment of the Bank of Albania as the Central Bank (Dushku, 2009).

During 2024, the share of the financial system's assets to GDP grew to 93,2% in annual terms. The banking sector continues to dominate the financial system, accounting for around 91% of total assets. It is dominated by the presence of foreign banks, which hold the majority of the sector’s total assets. This is a common feature in developing countries, which seek to benefit from the development opportunities brought by the entry of foreign-owned banks. The presence of foreign capital in the banking sector is generally expected to have a positive impact by increasing competition, thereby helping the sector become more productive and technologically advanced (Claessens& Huizinga 2001; Goldberg, 2008).

Information about the health of the financial system is obtained through various indicators recognized in the literature. The most commonly used indicators are those known as traditional measures of financial system development and depth. This is because they most simply represent the function of the financial system within the economy. These indicators reflect the financial system's ability to perform financial intermediation and tend to respond more quickly to changes in interest rates (Lynch, 1996).

Chart 2: M3/GDP Ratio in Albania, 1994–2023.

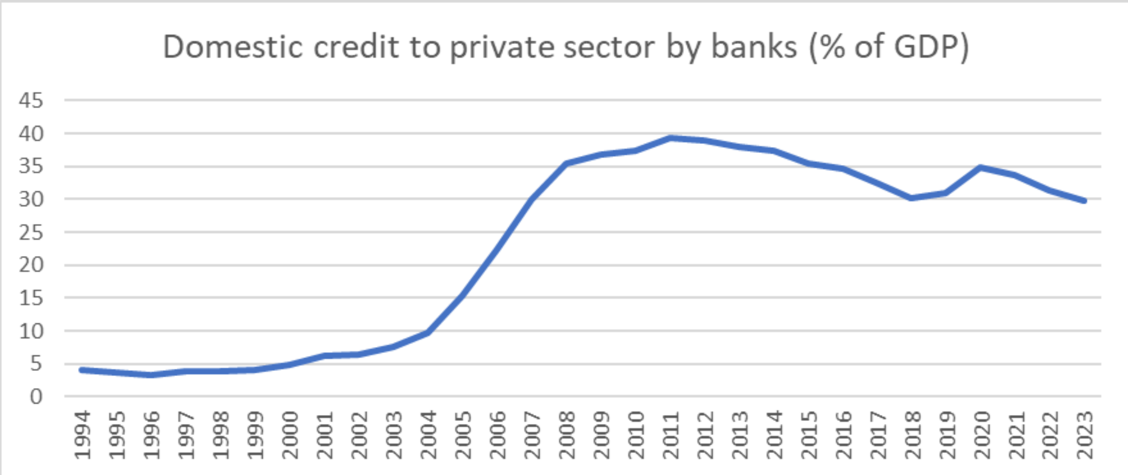


Source: World Bank, processed by the author

One of the most commonly used indicators for the level of financial system development is the M3/GDP ratio. Calculated as the ratio of broad money to GDP, this variable describes the size of the financial system. The monetization ratio measures the transfer of financial resources from the non-financial sector to the financial sector, in terms of a monetary aggregate (broad money). Over the years, this indicator has increased, indicating the development of the financial system.

Another important indicator of financial system development is the ratio of private sector credit to GDP, which measures the volume of financial resources channeled back into the non-financial sector. Over time, business lending has increased, with the majority being carried out through the banking system, as expected.

Graph 3: Evolution of Private Sector Credit in Albania (as % of GDP), 1994-2017.



Source: World Bank, processed by the author

Despite Albania's sizable banking sector, private sector credit remains relatively low. As of September 2024, private sector credit stood at approximately 773.6 billion Albanian lek, marking a significant increase from previous years. In 2024, credit to the private sector represented about 30.6% of GDP, a slight decline from 31.5% in 2023. This figure remains lower compared to the Western Balkans average of over 50% and approximately 93% in Eurozone countries. This phenomenon can be attributed to several factors, including low income levels, high informality, and institutional barriers. Addressing these challenges through strengthened institutions and improved financial inclusion is essential to deepen private sector credit and support sustainable economic growth. Despite the improvements made, the International Monetary Fund ranks Albania among the countries with the least developed financial markets in the world. In a study involving 183 countries, Albania is classified 107th (Svirydzenka, 2016). Albania ranks at the bottom in almost all financial system development indicators when compared to other Balkan countries (Svirydzenka, 2016) (referencing Table 1). The 2013 EBRD and World Bank survey, BEEPS 2013, highlights access to financing as a major issue for businesses in Albania and the Western Balkans. According to this survey, this factor is even more problematic than taxation and the high level of corruption (European Commission, 2018).

Table 1. Ranking by Financial System Development Indicators for Western Balkan Countries (out of 183 countries included in the study)

	Albania	Macedonia	Bosnie Hercegovina	Serbia
Financial Development Index	107	86	96	112
Financial Institutions Development Index	90	70	71	107
Financial Markets Development Index	147	110	143	101
Depth of Financial Institutions	113	79	76	91
Access to Financial Institutions	79	55	51	43
Efficiency of Financial Institutions	54	71	100	177
Depth of Financial Markets	146	118	142	92
Access to Financial Markets	169	177	174	166
Efficiency of Financial Markets	170	69	175	76

Source: International Monetary Fund, Svirydzenka (2016), Processed by the author

Albania ranks 107th in overall financial development, outperforming Serbia (112) but lagging behind Macedonia (86) and Bosnia and Herzegovina (96). Its financial institutions are relatively well-developed (rank 90) compared to its weak financial markets (rank 147). Albania shows moderate access to financial institutions (79), better than the lower access levels in Macedonia, Bosnia, and Serbia, but its efficiency (54) is lower, indicating challenges in how well institutions operate. In contrast, Serbia's financial institutions rank higher in efficiency but have poor access, while Macedonia leads with better access and balanced efficiency. Overall, Albania's financial sector has strengths in institutional depth and access but must improve efficiency and market development to catch up with regional peers.

4. Conclusions

Foreign Direct Investment (FDI) plays a vital role in Albania's economic growth by supplementing domestic investment, enhancing productive capacity, and fostering human capital and technological development. However, the full benefits of FDI depend heavily on Albania's absorptive capacity, which is influenced by factors such as human capital development, trade openness, and notably, the state of its financial system. While Albania's financial system has expanded significantly—primarily through a dominant banking sector with strong foreign bank presence—it still faces substantial challenges. The size and depth of financial institutions have improved, but private sector credit remains relatively low compared to regional and Eurozone averages. Albania ranks moderately in financial institutions development but poorly in financial markets development, indicating a lack of diversified and efficient financial services beyond banking. Access to financial institutions is better than in some neighboring countries, yet the efficiency of these institutions is comparatively low, limiting their effectiveness in channeling funds and supporting innovation. These financial system weaknesses restrict Albania's ability to fully leverage FDI inflows and stimulate domestic entrepreneurship and technological adoption. Addressing these structural challenges—improving institutional efficiency, expanding financial market development, and enhancing credit access—will be essential for Albania to maximize the growth impact of FDI and move closer to the financial development levels of its Western Balkan peers. Strengthening the financial system will not only attract more stable and productive foreign investment but also support sustainable long-term economic development.

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The role of human capital in attracting and profiting from foreign direct investments: an analysis of human capital development in albania

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Abstract
Foreign direct investment is now an important part of national development strategies for many different countries, especially developing countries. Human capital plays a key role in maximizing the benefits that host countries can have from Foreign Direct Investment (FDI). This article analyzes the impact of human capital in attracting, absorbing, and distributing the benefits of FDI, through a review of a wide theoretical and empirical literature. Also through a descriptive analysis, this paper aims to provide a picture of human capital development in Albania. The study concludes that human capital is a determining factor for the success of host countries in attracting and maximizing the benefits from Foreign Direct Investments and suggests Albania's immediate need for human capital development, through investments in education and vocational training

Keywords: Foreign direct investments, Human capital, economic development.
JEL classification: F21, J24, O15

1. Introduction

Albania, as a result of achieving political and macroeconomic stability, improving the business climate and legislation, has managed to attract increasing flows of Foreign Direct Investment (FDI). In Albania, FDI has contributed to financing the current account deficit, the development of the financial sector, employment growth, and has led to an increase in domestic investment. Foreign investments are expected to have a significant impact on the economic growth and development of host countries. In general, from a theoretical perspective, FDI is expected to stimulate economic growth in host countries by creating employment opportunities, increasing domestic investments, and facilitating the transfer of technology. Therefore, many authors have addressed this relationship, both theoretically and empirically. Numerous empirical studies provide evidence supporting the theoretically expected effects of FDI in the host country, such as the transfer of advanced technology and knowledge, increased competition, qualitative and quantitative growth of exports, and increased employment, thus playing an active role in generating economic growth in the host economy (Borensztein and Lee, 1998). From a theoretical standpoint, the impact of FDI on economic growth is considered positive; however, many empirical studies have shown that foreign investments may sometimes fail to produce the expected positive impact in the host country, and may even have a negative effect on its economic growth (Iamsiraroj and Ulubasoglu, 2015). The literature shows that this inconsistency in empirical results occurs because different conditions in host countries determine the ability to benefit from FDI inflows. The materialization of positive effects from FDI depends on the absorptive capacity of the host country, meaning the existence of favourable conditions for economic growth. Various studies indicate that a host country's ability to benefit from the positive effects brought by foreign investors is influenced by the level of human capital development, the technological development gap between the host country and developed countries, the degree of trade openness, and the development level of the financial system.

2. Literature review

Attracting foreign investors is very important for host countries. However, this step should be seen as the beginning of a process that must continue to remain at the centre of the host countries' policies (World Bank, 2017). Attracting as many foreign investments as possible is of great significance for host countries, which aim to benefit from the expected positive effects of FDI. Foreign Direct Investment (FDI) can bring substantial benefits such as capital, advanced technology, and improved managerial skills to a host country. However, these features of FDI do not automatically translate into benefits for the host country. A certain level of human capital development and well-functioning institutions is necessary (Estrin, 2017). Host countries must necessarily reach a minimum level of economic development before they can fully exploit the benefits of FDI (Nunnenkamp, 2004). Otherwise, these countries may gain very little from foreign investment. This raises the issue of what is known as the absorptive capacity of the host country—namely, the country's ability to absorb the benefits that FDI can bring (Borensztein et al., 1998; Massoud, 2008; Batten and Vo, 2009; Farkas, 2012; Iamsiraroj and Ulubaşoğlu, 2015). This absorptive capacity is a function of the level of development of human capital, the technological advancement of the host country, trade openness, and the development of the financial system.

Various authors emphasize the importance of a certain level of human capital development in the host country so that local firms can transfer the skills and knowledge developed by multinational companies to their employees and so that this knowledge can spread throughout the domestic economy (Tsaurai, K. 2025, Guo et al, 2022). Although theoretical and empirical literature shows that, in addition to human capital, other factors influence FDI inflows into host countries—such as institutional transparency, political and economic conditions, the quality of infrastructure, etc.—only human beings have the ability to understand, absorb, and create new knowledge. Therefore, human capital is a vital factor necessary to absorb the positive effects brought by FDI to the host country.

3. Analysis of results

3.1 Foreign Direct Investments in Albania from 1992 to 2024

FDI in Albania began to emerge after 1992. Initially, the number and volume of foreign direct investments were relatively small, but over time, the presence of foreign investors in the country increased. Albania's early engagement[4] in the adoption of the necessary laws to regulate the activity of foreign investors in the Albanian markets had a significant impact on the increase of incoming FDI flows. Over the years, FDI flows followed a generally upward trend. However, this positive trajectory was negatively affected by the civil war in the country in 1997[5] and the regional crisis of 1999[6] .In Albania, starting from the year 2000, incoming FDI flows have followed an upward trend. A significant contribution to attracting FDI came from the privatization initiatives undertaken by the Albanian government. The privatization of ARMO, INSIG, Albtelecom, the National Commercial Bank, the licensing of mobile phone companies, and other various privatizations have led to a substantial increase in FDI .

During the years of the global financial crisis of 2007-2008, FDI in Albania continued to show growth, not immediately reflecting the negative effect expected from the crisis. Even in the years 2009-2010, FDI was mainly driven by privatization and continued to maintain the upward trend of previous years. The sale of 76% of the shares of the energy distributor (OSSh) to the Czech company CEZ contributed to maintaining the upward trend of FDI. Therefore, while many countries were experiencing the effects of the economic and financial crisis during the years 2008-2011, FDI in Albania continued to increase. However, it should be noted that the growth rate slowed down compared to the period of 2006-2008. Between 2014 and 2017, foreign investments saw a significant increase due to major investments in the energy sector. A significant portion of this value came from investments in the Trans Adriatic Pipeline (approximately 40%). Between 2018 and 2024, Albania experienced a steady increase in Foreign Direct Investment (FDI), reflecting growing investor confidence and the country's improving business environment.

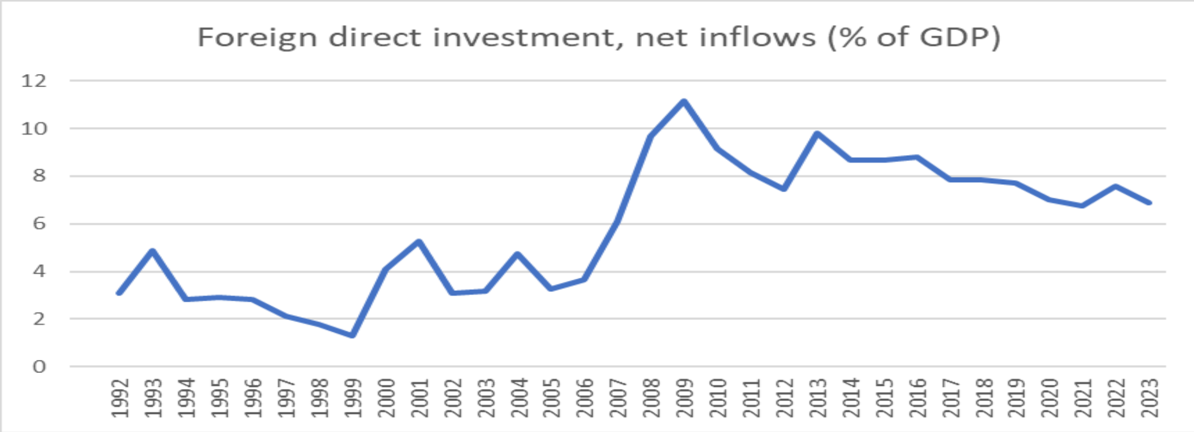
While Albania's FDI performance improved in absolute terms, its relative contribution to GDP declined from 11.7% in 2008 to 6.88% in 2023, (Chart 1) suggesting that the economy's growth outpaced FDI inflows.

Chart 1: Inward FDI Flows in Albania, 1992–2023

[4] Albania was the first among the current Western Balkan countries to start structural reforms.

[5] In 1997, inward FDI flows were halved compared to the trend in 1995–1996.

[6] The Kosovo crisis in 1999, although a regional factor, had its impact on Albania as part of the Balkans.



Source: World Bank, processed by the author

3.2 Summary of Empirical Findings on FDI and Economic Growth in Albania

Most studies confirm a positive and long-term relationship between foreign direct investment (FDI) and economic growth in Albania (Cakerri et al., 2020; Bezo & Lleshaj, 2018). However, some authors report a limited or even negative impact in the short term (Miti, 2023), emphasizing that the positive effects depend on additional structural factors. Albania has not been able to fully benefit from Foreign Direct Investment (FDI), despite a continuous increase in the volume of incoming FDI flows over the years (Zisi, 2014). This indicates that Albania has not effectively utilized the inflows of FDI. Several studies highlight that the country's absorptive capacity is crucial for leveraging the benefits of FDI. Key factors include human capital development, the financial system, and the quality of institutions (Çakërri et al., 2021; Topi & Xhepa, 2021). Without these elements, FDI does not automatically translate into economic growth. Some studies (Lleshaj & Malaj, 2016; Bezo & Lleshaj, 2018) suggest that domestic investment has a stronger impact on economic growth than FDI, due to its deeper integration in sectors with direct effects on employment and consumption. Other studies (Golitsis et al., 2022; Miti, 2023) have found that exports and remittances have a more direct and stable impact on economic growth than FDI. Granger causality tests suggest a one-way relationship where economic growth attracts FDI, rather than the reverse, at least in the short term (Hobbs et al., 2022).

So, as a conclusion, we can say that FDI has the potential to contribute to Albania's economic growth, but its effectiveness is highly dependent on internal structural factors such as institutional quality, political stability, human capital, and supportive economic policies. Foreign investments are not automatically drivers of growth—on the contrary, without institutional support, their impact may be limited or temporary (Topi & Xhepa, 2021; Hoxhaj & Pulaj, 2022).

3.3 Human Capital Development in Albania

From the review of the empirical literature on the effect of foreign direct investment (FDI) on economic growth in Albania, it was found that the host country's human capital also plays a significant role in this expected causal relationship. Developed human capital and, consequently, a skilled workforce are considered essential elements in the economic development of various countries. Albania, due to fundamental changes towards transitioning to a market economy, has experienced a less favourable trajectory in the formation of human capital in recent years. For this reason, successive governments have sought to focus their policies on enriching human capital. One of the most important pillars of forming quality human capital is education. The literature refers to education as a key element of economic growth. Therefore, the educational system in Albania has undergone numerous changes with the aim of aligning and harmonizing its objectives with national education policies and European and international frameworks (UNESCO 2017). The changes began in the late 1990s, highlighting the need for significant reforms, which were also supported by international organizations. The legal framework regulating this sector has been continuously improved, contributing vitally to sustainable economic and social development in the country. The education system in Albania has witnessed positive development over the years. But still in the 2022 PISA test, Albania ranked 62nd out of 80 countries, showing a significant decline compared to the 2018 test. In comparison with regional countries, Serbia ranked 38th, while Montenegro ranked 50th.

Despite positive achievements, Albania has the highest rate of functional illiteracy in the region (World Bank 2013). The World Economic Forum, which publishes the Human Capital Index, ranked Albania 70th in 2016 out of 124 countries, trailing behind other Western Balkan countries. This performance may be the result of the low level of spending on education. On average, education spending in Albania amounts to 3% of GDP, while in OECD countries it reaches 5.1% of GDP, and in European Union countries, the average is 4.7%.

According to data published by the European Bank for Reconstruction and Development (EBRD), labor productivity in Albania is only one-third of the productivity level in Western Balkan countries and one-fifth of that in European Union countries. The weak growth in labor productivity in Albania is attributed to the lack of innovation and the underdevelopment of workforce skills. The results of the 2013 BEEPS survey highlight the lack of a skilled workforce as a major issue in the Western Balkans. Institutions for education and vocational training are adapting their curricula and teaching methods to better equip the future workforce. However, the impact of these policies is long-term. One potential solution to this issue is on-the-job training. Nonetheless, only 41% of businesses in the Western Balkans offer formal training programs, and just 28% of young people report having access to training to start and develop a business (Sanfey and Milatovic, 2018). Albania faces significant challenges in workplace training and youth access to employment opportunities, despite ongoing government initiatives. Employers often invest minimally in workplace training, and private sector involvement remains limited. Young people frequently encounter difficulties accessing training opportunities, even as the government has introduced incentives to enhance access.

The Skills Development for Employment Programme (SD4E) 2023–2027 aims to address these issues by supporting the Albanian government in reforming vocational education and training (VET) and employment policies. The program focuses on institutional capacity building, fostering collaboration between public institutions and the private sector, and implementing financing mechanisms for skills development(UNDP 2023).

According to the assessments of the World Bank Enterprise Surveys only 23.8% of firms in Albania offer formal training, compared to an average of 38% in upper-middle-income countries, a group to which Albania belongs. In comparison, 37.8% of firms in Serbia provide formal training, 46.9% in North Macedonia, and 52.4% in Bosnia and Herzegovina (Table 1). Despite ongoing efforts, human capital in Albania has not succeeded in significantly contributing to the country's economic development, whereas globally, human capital is considered the main source of wealth creation. This is also highlighted in a 2018 World Bank report, which emphasizes the importance of investing in human capital as a key driver of economic growth and national prosperity.

This study, which aims to assess per capita wealth across different countries worldwide, shows that human capital is the most important source of wealth globally, contributing 64.4% to total wealth. This fact reinforces the idea that human capital is the most critical factor in production. In the case of Albania, the level of human capital contributes less than the average of the income group to which the country belongs, particularly when the analysis focuses on the classification of countries by income level.

Table 1: Sources of Wealth Creation in Albania and Comparison with Other Countries

	Albania	**Low-Income Countries**	**Lower-Middle-Income Countries**	**Upper-Middle-Income Countries**	**High-Income non OECD Countries**	**High-Income OECD Countries**	**World**
Produced capital(%)	35	14	25	25	22	28	27
Natural capital%)	25	47	27	17	30	3	9
Human capital %)	42	41	51	58	42	70	64
Net foreign assets%)	-3	-2	-3	0	5	-1	0
Total wealth(%)	100	100	100	100	100	100	100

Total wealth per capita	53107	13629	25948	112798	264998	708389	168580

Source: Lange, Wodon dhe Carey, 2018, "The Changing Wealth of Nations 2018: Building a Sustainable Future."

In Albania, human capital contributes 42% to total wealth formation, compared to 58% in upper-middle-income countries (Table 1). Unlike other countries in its income group, Albania relies more heavily on natural capital as a key source of wealth. This indicates a need for the country to shift its wealth creation model by strengthening human capital and increasing its contribution to the economy. Although classified as an upper-middle-income country, Albania behaves more like a lower-middle-income country in terms of the composition of its wealth by asset type.

4. Conclusions

Albania has made notable progress in attracting Foreign Direct Investment (FDI), particularly as a result of improvements in political stability, the legal framework, and the business environment. FDI has played a key role in supporting the country's macroeconomic stability, contributing to employment, and fostering the development of key sectors such as energy, telecommunications, and banking. However, while Albania has been relatively successful in increasing FDI inflows, the economic benefits derived from these investments remain below their full potential.

A reason for this lies in Albania's limited absorptive capacity, especially in terms of human capital development. Empirical and theoretical literature consistently shows that FDI can only lead to sustainable economic growth if the host country has the capacity to absorb and utilize the knowledge, technology, and skills brought in by foreign investors. In the case of Albania, the education system has seen some progress, yet structural challenges remain, including low public spending on education, weak labor productivity, high rates of functional illiteracy, and insufficient vocational training.

In conclusion, while FDI has provided important short-term economic gains for Albania, the long-term and transformative impact will depend on strengthening the country's human capital.

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How technology is reshaping work patterns

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Abstract
Nowadays, technology has become an integral part of every profession, and technological innovations are constantly reshaping the workplace. We are all witnessing the impact that various technologies and innovations are having on our professions. On the one hand, they are revolutionizing jobs, offering more effective and efficient ways of performing most tasks during everyone's daily professional activities. On the other hand, these changes are occurring at such a rapid pace that it becomes quite challenging to keep up with them. This paper aims to analyze the advantages of technological advancements of Industry 4.0 and Industry 5.0 in various professions, and especially in the business world. What are the new trends of skills and competencies that employees should master to compete in a very dynamic workplace? A deep analysis of the latest studies on the impact of technology on the workplace and the business world has been conducted. This analysis has been enriched with the latest reports and statistical data from international research institutions, with a special focus on the labor market and the business world. The study concludes by suggesting the new skills, competencies, and professions we should master to compete in the very dynamic and unexplored future working patterns.

Key words: Technology, Innovation, workplace, skills
JEL classification: M540; M150, O31; O15.

1. Introduction

Over centuries, technological evolution has completely reshaped the way people communicate, work, elaborate, and the whole economic structure. It began with the invention of steam engines and the changes in factory systems during the first Industrial Revolution, which initiated increased production, urbanization, and improved transportation and communication. From the first to the fourth and the emerging fifth industrial revolution, the world has undergone dramatic changes. Nowadays, technology has become an integral part of our daily lives. It has been deeply integrated into every field of life. Now, it is impossible to live, think, and work without technology. Every sector and profession is becoming more and more dependent on technology.

Technological transformation is revolutionising manufacturing (Soori et al., 2023; Okpala et al., 2025; Vogelsang et al., 2018; Zhang et al., 2023; Sui et al, 2024; Guo et al., 2023; Jain, 2025; Shukla et al., 2023; Daqrouq et al., 2025), healthcare (De la Nogal-Fernández et al., 2025; Marinescu et al., 2025; Afrose et al., 2025; Osipov & Skryl, 2021; Tortorella et al., 2022; Natakusumah et al., 2022), education (Santos et al., 2019; Dollija et al., 2023; Akour & Alenezi, 2022; Trevisan et al., 2024), business and finance (Matt et al., 2015; Luo, 2022; Liu et al., 2023; Wang et al., 2024; Dogaru et al., 2024; Jerab & Mabrouk, 2023; Pacheco-Cubillos; Srikanth et al., 2024).

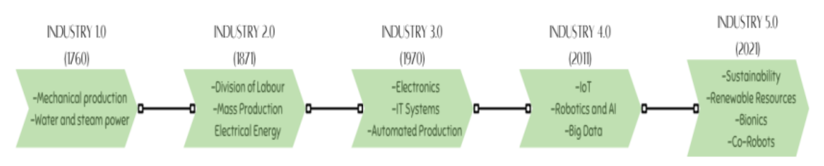
Businesses and governments continuously invest a huge amount of money in technological infrastructure to catch all the potential benefits from higher quality products and services, increase productivity, and reduce costs and waste. Investment in technological innovation increases the competitive advantages by differentiating their products and services, promising improved effectiveness and efficiency of their strategy and decision-making (Cascio & Montealegre, 2016). However, along with all the advantages and facilities in every dimension of our lives, technological revolutions come up with a lot of challenges. This article aims to conduct a qualitative analysis of the latest studies on the impact of technology on the workplace and the business world. Therefore, this paper analyzes the new trends in skills and competencies that employees should master to compete in a highly dynamic workplace.

2. Literature review

The changing nature of work

The evolution of industrial revolutions marks significant technological and economic transformations. Industry 1.0 began in England around 1760 and introduced mechanization through steam and water power, shifting production from manual labor to machine-based manufacturing. Industry 2.0, spanning 1871 to 1914, saw innovations such as electricity, combustion engines, and telecommunications, which enhanced productivity and mobility but also led to job displacement. Industry 3.0 emerged in the 1970s, marked by the integration of digital systems, computers, and automation into mass production. Industry 4.0, starting in the 21st century, brought advanced technologies like AI, IoT, robotics, and cloud computing, enabling data-driven decision-making and digitalization across industries. Looking ahead, Industry 5.0 focuses on human-centric innovation, sustainability, and intelligent, cost-effective machinery aimed at long-term societal benefit (Figure 1).

Figure 1: Industrial Revolutions



Technology has consistently reshaped the job market, displacing certain roles while creating new, often higher-skilled ones. Historical examples, like the rise of the automobile industry or the digital revolution, illustrate how technological advances can eliminate jobs such as blacksmiths, typists, or bank tellers while increasing demand for programmers and designers. Despite these shifts, the overall number of jobs has generally grown over time (Aeppel, 2015). Rotman (2013) argues that advances in information and communication technologies are destroying more jobs than they create, leaving many workers worse off. Furthermore, Rotman (2013) raises the dilemma, "Automation is reducing the need for people in many jobs. Are we facing a future of stagnant income and worsening inequality?" However, the ILO's report "Global skills gaps measurement and monitoring: Towards a collaborative framework" (2023) concludes that the issue is more complex, with skill mismatches, global trade, and financial crises also contributing to slow job growth. Technological advancement—ranging from mechanization and automation to AI and machine learning—has persistently reshaped the job landscape. While new technologies historically displaced certain jobs, they often created new, higher-skilled roles, such as programmers and digital designers. However, recent trends show a growing disconnect: even as productivity and innovation reach record levels, median wages have stagnated, and middle-skill jobs have been hollowed out. The result is rising inequality and a polarized labor market.

The rapid pace of change is exacerbating skills mismatches, as the demand for digital, cognitive, and socio-emotional competencies often outpaces what the current workforce can offer. Mismatches manifest in various forms—such as overqualification, underqualification, or skill obsolescence—and impact individuals (e.g., wage penalties), businesses (e.g., reduced productivity), and economies (e.g., weakened investor appeal). Despite growing unemployment in certain segments, job openings remain high due to a lack of alignment between the skills employers seek and those that workers possess. Data from the report shows that these mismatches are especially acute among youth and in emerging economies. Advanced economies, on the other hand, experience higher overqualification rates. The report stresses the importance of creating decent work opportunities and adapting education and training systems to meet labor market needs. It also highlights the promise of real-time data analytics and the potential of global skills taxonomies to improve international coordination. Despite these challenges, human-centric roles—particularly those involving leadership, empathy, creativity, and complex decision-making—remain resilient to automation. As history suggests, although the digital transformation may cause temporary disruptions, human ingenuity continues to drive the creation of new jobs, industries, and opportunities for meaningful work. Importantly, certain roles—particularly those requiring leadership, emotional intelligence, and complex decision-making—remain difficult for machines to replicate. Managers and executives, who synthesize diverse information, navigate ambiguity, and inspire people, retain a comparative advantage over technology. As such, while technology continues to transform the workforce, the human capacity for creativity, empathy, and leadership ensures a lasting role for people in the evolving job landscape (Kotsiou et al., 2022)

3. Analyses

The impact of Digital Transformation on various sectors

Manufacturing: Digital Transformation (DT) in manufacturing is driven by advanced technologies of Industry 4.0, such as Cyber-Physical Production Systems (CPPS), the Internet of Things (IoT), Cloud Computing, Autonomous Robots, Human-Computer Interaction (HCI), Additive Manufacturing, and Augmented Reality (AR) (Dollija & Gura, 2022). These innovations form the backbone of intelligent, interconnected systems that enable the creation of "smart factories," where machines and softwares are embedded into production processes and can dynamically influence products and services. The Internet of Things (IoT) is a key enabler of the transition from traditional factories to smart factories in the context of Industry 4.0. By integrating interconnected devices, sensors, and software, IoT allows real-time monitoring, analysis, and optimization of manufacturing processes. Its applications are diverse and transformative. In addition, IoT contributes to quality control and production monitoring, making it central to increasing operational efficiency and lowering costs. By reviewing these applications, organizations can identify new strategies and advanced methodologies to further improve production quality and process optimization in smart factories (Soori et al., 2023). Various artificial intelligence (AI) applications—including predictive maintenance, digital twins, and automated root cause analysis (RCA)—offer key advantages such as lowering costs, enhancing decision-making, and enabling scalable solutions (Okpala et al., 2025).

DT fundamentally reshapes how businesses operate by blurring organizational boundaries and fostering deep integration across functions and with external stakeholders. It disrupts markets, alters organizational structures and strategies, and shifts value creation from internal, siloed functions to networked, platform-based ecosystems. The focus of DT has evolved from merely adopting technology to embedding it into long-term strategic goals, including boosting efficiency, productivity, and customer-centric innovation. This requires enterprises to redefine their strategies, objectives, actions, and resource allocations. The growing emphasis on digital strategies reflects the increasing need for alignment between technology and overall business direction (Vogelsang et al., 2018). Various research studies have concluded the positive effect of DT on corporate performance because of the improved efficiency, reduced costs, and integration with customers and collaborators (Zhang et al., 2023; Sui et al., 2024; Guo et al., 2023).

Healthcare Digital transformation is fundamentally reshaping the healthcare industry. The digital transformation of healthcare represents a paradigm shift in the delivery, management, and accessibility of medical services. Leveraging the above-mentioned technologies of Industry 4.0, such as artificial intelligence (AI), Big Data, cloud computing, the Internet of Things (IoT), telemedicine, and digital twins, modern healthcare systems are evolving into data-driven, patient-centric, and highly responsive networks (Osipov & Skryl, 2021). The health care industry is benefiting from enhanced efficiency and quality of care because of the use of digital tools, which help optimize diagnostics, treatment, and resource allocation. Additionally, technologies like AI and predictive analytics improve early disease detection and personalized care, contributing to increased life expectancy and improved chronic disease management (Tortorella et al., 2022). Tossekbayev et al. (2025) conducted a study using econometric modeling (PCA and Lasso regression) across 31 countries that confirms a strong, statistically significant correlation between healthcare digitalization and increased life expectancy.

Furthermore, these technologies facilitate equity and accessibility. "The use of tools like telemedicine and mobile health apps can help reduce barriers to care, especially for remote or underserved populations. In 2024, the global number of people using online doctor consultations exceeded 116 million, and the use of telemedicine is expected to keep growing in the years ahead[7]. The use of health technology among consumers also opens up opportunities for patients and their families, so that it is easier to get information and understanding about diseases, treatment options, and to easily access and choose hospitals or health facilities that suit their needs" (Natakusumah et al., 2022).

While it holds immense potential to improve outcomes, efficiency, and global equity, its success hinges on strategic integration, ethical oversight, and human-centered design. Future research must focus on managing the digital divide, ensuring data security, and fostering adaptability in both systems and staff. Key impact factors include digital health governance, infrastructure, professional training, and integration of AI and IoT (Natakusumah et al., 2022).

Education: Digital transformation is reshaping the global education landscape, especially within higher education institutions (HEIs), by integrating advanced technologies into teaching, learning, administration, and workforce development. This transformation responds to evolving societal demands, technological advances, and the need to equip students and educators with skills for the digital economy (Santos et al., 2019). During COVID-19, e-learning has substituted physical education worldwide, and the use of Information and Communication Technology (ICT) infrastructure has been more and more integrated into the education system globally (Dollija et al., 2023). The expansion of internet-based tools, mobile technologies, and e-learning platforms has transformed education from a classroom-bound activity to a flexible, anytime-anywhere model. Tools like teleconferencing, social media, and learning management systems (LMS) have enhanced communication between students and teachers and promoted collaborative, student-centered learning. Students have become more autonomous learners, using technology to personalize and streamline their academic tasks. At the same time, educators are adapting by adopting new pedagogical strategies and digital communication tools, though this has increased demands on their time and availability (Akour & Alenezi, 2022).

Digital transformation has fundamentally changed how education systems function. HEIs are now tasked with not only delivering knowledge but also preparing students and faculty for an uncertain, tech-driven future. Success depends on the integration of digital and soft skills, the adoption of inclusive technologies, and the alignment of curricula with market realities. Institutions must embrace their role as both technological innovators and social agents, shaping future-ready graduates and resilient learning ecosystems (Santos et al., 2019). In both advanced

[7] https://www.statista.com/study/166463/telemedicine/

and developing economies, HEIs are central to managing technological change and economic development. In developing nations, however, higher education often suffers from misalignment with labor market needs, acting more as formal certifiers than as engines of digital skill-building. To foster inclusive growth, HEIs must shift toward training models that emphasize practical application, continuous learning, and community engagement (Trevisan et al., 2024).

Business and Finance Businesses from practically every sector have undertaken a variety of projects over the past few years to investigate and capitalize on emerging digital technology. This usually entails changes to important corporate activities, impacting not just organizational structures and management ideas but also goods and procedures (Matt et al., 2015). According to the McKinsey & Company (2024) report, almost 90% of companies have undergone some kind of digital transformation, which means they have redefined the way they process and operate, investing in emerging technologies. Recent studies have concluded that the emergence of digital finance may have a big impact on how businesses shift digitally, and the degree of digital transformation of businesses increases with the amount of growth of digital finance and a positive effect on their performance (Luo, 2022; Liu et al., 2023; Wang et al., 2024). Digital finance can help businesses with their digital transformation needs: "by lowering the cost of financial services, reaching a wider audience, and improving the efficiency of financial resource allocation through digital technologies like artificial intelligence and big data. This helps businesses with their digitization process. However, the growth of digital finance opens up new financing avenues and channels, which enhance the financial market firms' financing flexibility, alleviate their financing constraints, and, consequently, increase their readiness to undertake digital transformation. Digital finance can also help break down geographical barriers, improve communication between financial institutions, help small and medium-sized banks grow, and intensify competition in the banking sector, which lowers financing costs for businesses and gives them the resources they need for digital transformation" (Luo, 2022).

The 21st-century businesses need to innovate, be creative, adjust, and streamline their structures in order to prosper at a time of globalization, sustainability, digitalization, and changing labor dynamics. They have to design successful organizational structures that help them with agility, efficiency, and responsiveness by coordinating their procedures, culture, and structure with their strategic goals (Jerab & Mabrouk, 2023). Businesses are facing challenges such as the rise of remote and flexible work arrangements, the globalization of markets, the quick development of digital technology, the growing significance of diversity and inclusion, and the growing emphasis on sustainability and corporate social responsibility (Dogaru et al., 2024). The adoption of digital dynamism is fundamental for their competitiveness. A flexible, responsive, and human-centered organizational structure aligned with 21st-century trends is essential for sustained success. Organizations must combine structural clarity with strategic agility to meet evolving internal and external demands. Success factors for future organizations are related to continuous learning and innovation, embedded resilience and responsiveness, training leaders and employees in digital and soft skills, using big data and AI to inform strategy and operations (data-driven decision-making) (Jerab & Mabrouk, 2023; Pacheco-Cubillos; Srikanth et al., 2024).

4. Challenges within the workplace

The future of our lives, professions, and economy will be closely tied to new technology. According to the Future of Jobs Report 2025 by the World Economic Forum, 60% of major global employers foresee significant transformations in the labor market by 2030 due to technological advancements. These changes will redefine job roles and the skills required. Among the key technologies, 86% of employers highlight artificial intelligence and information processing as having the most profound impact on their businesses, while 58% anticipate major transformations driven by robots and autonomous systems (Leopold et al., 2025). Digital transformation is reshaping the labor market, especially in the IT sector, by increasing the demand for both technical and non-cognitive (soft) skills. Remote work, gig work, and digital nomadism are rising, transforming traditional work arrangements (Jaiswal et al., 2025). Companies are restructuring teams, outsourcing functions via digital platforms, and utilizing cloud collaboration tools, making location less relevant (Frank et al., 2023).

However, a growing mismatch between the skills taught in higher education institutions (HEIs) and those required by employers has emerged as a central challenge. Higher Education Institutions (HEIs) often focus heavily on technical content (e.g., coding, algorithms) but lack emphasis on soft skills, such as communication, creativity, collaboration, ethics, and problem-solving (Goulart et al., 2021; Llorens et al., 2025). On the other hand, employers are consistently prioritizing soft skills and holistic development, viewing them as essential for navigating the complex, fast-changing digital workplace (Khalifa, 2024). They are finding new graduates technically capable but lacking in critical thinking, initiative, and workplace readiness (Orji, 2021). Therefore, HEIs must integrate technical and non-technical training in their programs and align curricula with current industry needs. The WEF (2025) highlights the top emerging skills: "Analytical thinking and innovation; active learning; complex problem-solving; leadership and social influence; resilience, stress tolerance, and flexibility; and technology use, monitoring, and control." Additionally, the European Centre for the Development of Vocational Training (CEDEFOP) projects that nearly 65% of job vacancies in the EU by 2030 will require digital literacy.

5. Conclusion

This study highlights how technology is rapidly reshaping work patterns across various sectors—manufacturing, healthcare, education, business, and finance—ushering in an era defined by Industry 4.0 and the emerging Industry 5.0. The integration of advanced technologies such as AI, IoT, big data, cloud computing, and digital platforms is transforming traditional practices, enhancing efficiency, and creating opportunities for innovation and value creation.

However, alongside these advancements, new challenges are emerging. Technological change has led to significant job restructuring, growing skills mismatches, and a rising demand for both technical and soft skills. Despite increased productivity, wage stagnation and labor polarization remain persistent issues. Moreover, higher education institutions are struggling to align their curricula with evolving industry needs, often emphasizing technical skills while overlooking essential non-cognitive competencies such as critical thinking, communication, adaptability, and emotional intelligence.

To navigate these changes, businesses must adopt agile, human-centered organizational structures and prioritize continuous learning and digital upskilling. Higher education institutions, in particular, have a crucial role in equipping current and future workers with a balanced mix of digital and soft skills that meet market demands. While digital transformation offers transformative potential, its benefits can only be fully realized through strategic integration, inclusive education systems, responsible leadership, and sustained investment in human capital. Preparing the workforce for this dynamic and technology-driven future requires a collective effort among policymakers, educators, industries, and individuals.

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Gen Z's Perception of Energy Drink Brands

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Abstract
Despite having a relatively recent history, energy drinks have seen a sharp increase in popularity in recent decades. Energy drinks have come under fire for possible health hazards linked to overindulgence. Numerous issues, such as high blood pressure, a raised heart rate, and other negative impacts, have been connected to the high caffeine and sugar content. This study examines the attitudes, preferences, and views of Generation Z (born about 1997–2012) regarding energy drink beverages. The study aims to comprehend how this generation views energy drinks in light of health consciousness, social media influence, and changing marketing strategies through, quantitative surveys. The study also looks at how the market for energy drinks is changing due to ethical issues, sustainability, and alternative beverages. Being the first generation to have grown up with cellphones, social media, and rapid access to information, Gen Z is considered a real digital native. Because of this, their interactions with brands have altered significantly, and now digital engagement is a crucial component of any effective marketing plan.

Key words: Gen Z, Energy drinks, Health consciousness, Brands, Marketing strategy.
JEL classification: M30, M31, M37

1. Introduction

For a long time, energy drinks have been available on store shelves as well as at bars and restaurants. Red Bull was the first energy drink that Albanians drank in 1998, and many others followed. Marketing was essential to creating an enduring market because these drinks were not well-known at the time. Over time, the number of energy drink companies has increased dramatically. Despite Albania's years of economic suffering, sales of energy drinks have not decreased since the country's consumers find them to be quite tempting. Sales data from companies that sell energy drinks also supports this trend, in addition to the fact that there are more brands available (Monitor 2012). Companies that are interested in carrying them include Albanian Distribution and Development (ADD), which sells the Red Bull brand; Coca-Cola, which offers the Monster brand; and Agna Group, which sells the Dragon Heart brand. The following brands are also available on the market: B-52, 8S2, Golden Eagle, Hell, Blue Bear, go+, Hop On, Sport, and XL. The Law No. 9518 "On the protection of minors from the use of alcohol" was passed in 2018 and made it clear that, in addition to alcoholic beverages, energy drinks and sodas with added sugar would not be allowed. It is specifically prohibited for any store, market, or other retail establishment to sell energy drinks and alcohol to anybody under the age of eighteen. This regulation attempts to stop children from using energy drinks, alcohol, and sugar-filled sodas, which can have negative health effects. According to Albanian law, "energy drinks" are non-alcoholic beverages that contain at least one stimulant or tonic ingredient, such as taurine, D-glucuronone y-lactone, guaran, maltodextry, ginger, carnitine, creatine, and gingko biloba, with a total caffeine content of more than 150 mg/l. The popularity of energy drinks is rising in spite of mounting worries about their detrimental impact on health. Energy drinks (ED) are non-alcoholic soft drink beverages that often contain high quantities of caffeine, which vary depending on the brand, along with additional substances including carbohydrates and amino acids (Galimov et al. 2019).

2. Literature review

Energy drinks are still relatively new to the global soft drink market, having been introduced in Japan in 1960. Energy drinks first appeared in Europe in 1987, quickly expanded throughout the continent, and then made their way to the US in 1997 (Zucconi at al. 2013). The first generation of children born in the twenty-first century is known as Gen Z. To identify this new consumer category, practitioners and scholars employ different terms in the literature. iGeneration, iGen, iMillennials, Post-millennials, Centennials, and Pivotals are some of the variations; Gen Z is the more common term for this generation (Cotet et al., 2020). One of the greatest cohorts is Gen Z, or people born after 1996 but before 2010, who are expected to account for 40% of global consumers in 2020, with more than $44 billion in consumer buying power (Shin et al., 2021). Gen Z members, who are already proficient in online buying and digital communication, have taken on the role as digital accelerators in their families, promoting contactless transactions and digital communication (McCrindle & Fell, 2020). Although Gen Z may exhibit behavioral changes brought about by societal shifts and advancements in the consumer life cycle, their collective exposure to macroenvironmental causes results in distinctive cohort traits that influence their evolving consumer culture (Fromm & Read, 2018). Because energy drinks are heavily marketed by the business and are associated with athletes and sporting events, many athletes now consume them before to competitions in an effort to improve their performance (Astorino et al., 2012). The main health-related behaviors that were found to be positively and consistently associated with energy drink consumption were alcohol usage and/or binge drinking, smoking or being at risk for smoking, and other substance use (Gambon et al. 2011). Also marketing research is also used to prove or disprove consumer perceptions regarding similar brand names (Mcdaniel, Gates 2015). Gen Z's increasing consciousness of health and fitness is one of the major factors influencing how they see energy drinks. Gen Z is more likely than earlier generations to place a higher value on mental and physical health, which makes them warier of goods that they believe to be harmful. According to research, Gen Z is more prone to wonder about the health impacts of using goods like energy drinks, especially when it comes to the possibility of addiction, disturbed sleep, and other negative consequences of ingesting too much caffeine (Smith & McAndrew, 2020). Gen Z consumers, who are looking for healthier options without compromising functionality, have shown a favorable interest in brands that highlight natural ingredients or lower sugar options (Ernst & Hensel, 2019). Gen Z is renowned for prioritizing brand values and authenticity. They are attracted to companies that share their values and way of life, especially those that show a dedication to social issues, diversity, and sustainability. Energy drink companies must therefore make sure they present themselves as open, socially conscious, and approachable. In this regard, Gen Z brand loyalty is frequently linked to the brand's image rather than just the actual product (Johnson & Yang, 2022). Brands of energy drinks have made significant investments in digital marketing techniques, especially on social media sites like YouTube, Instagram, and TikTok, where they work with influencers to increase brand affinity. The goal of these partnerships is to give Gen Z consumers the impression that energy drink brands are more genuine and relevant (Pereira et al., 2021). Social media serves as a platform for Gen Z to find and create views on items in addition to being a tool for communication. Their purchasing decisions are heavily influenced by peer comments, reviews, and user-generated material. Brands of energy drinks that are able to generate favorable emotion and buzz through influencer partnerships and social media campaigns typically have greater success with Generation Z. In order to foster a feeling of community, companies such as Red Bull, Monster, and G Fuel have established an online community of aficionados who exchange evaluations, tips, and experiences (Lazarescu & Delcea, 2020). Peers have a big influence on Gen Z's decision-making process. Consequently, energy drink companies can produce natural buzz and excitement by establishing a feeling of exclusivity or community around their product. Through sponsorships in extreme sports and gaming, for example, Monster has effectively reached Gen Z, fostering a strong feeling of community and brand loyalty among younger customers (Gustafson & Munk, 2020). Gen Z prioritizes ease and personalization in addition to health issues and brand image. This generation is more interested in energy drinks that can be consumed on the go or that are conveniently delivered. Gen Z consumers are more likely to be drawn to brands that provide a wide range of flavors, packaging choices, and even personalized items (Oliveira & Silva, 2021). Because Gen Z is so conscious of social and environmental issues, they are more drawn to brands that share these ideals. Brands of energy drinks that support social causes, utilize eco-friendly packaging, or follow sustainable methods are generally seen more favorably by Generation Z. In order to attract Gen Z customers who care about the environment, Monster Energy, for instance, has made great efforts to promote its sustainability activities (Keller, 2021).

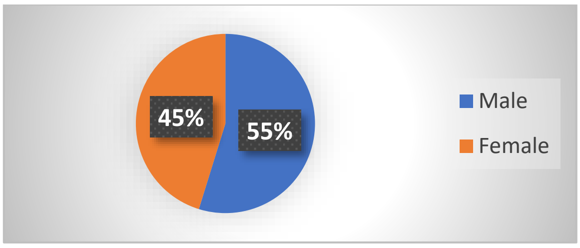
3. Methodology

This study's approach attempts to evaluate how Gen Z view of Energy Drink product and how social influence, brand trust, and advertising affect their views and purchase choices. Closed-ended questions were incorporated into a standardized online questionnaire designed to test Gen Z sentiments, brand image, and product awareness. Using convenience sampling, the survey was disseminated via social media and email to Aleksander Moisiu University respondents. To measure attitudes, a Likert scale was employed in the survey. The Likert scale offers a number of benefits. It is simple to administer and build. Because respondents can easily utilize the scale, it can be used for in-person interviews, telephone interviews, postal interviews, and electronic interviews (Malhotra 2015). Respondents are asked to use their own criteria to determine how similar or unlike different brands or stimuli are in direct techniques of collecting perception data. On a Likert scale, respondents are frequently asked to rank every potential combination of stimuli or brands according to how similar they are. These information is known as a similarity judgment (Malhotra, Birks 2007). In this study were interviewed 195 respondents in order to complete the online survey. Data analysis was then conducted using the Statistical Package (SPSS) Version 21. The demographic profile of the respondents serves as the starting point for the data analysis. The one-way ANOVA test is applied. The purpose of these tests was to determine whether or not there are significant differences in the perceptions of energy drinks between the subgroups within each demographic characteristic.

4. Results

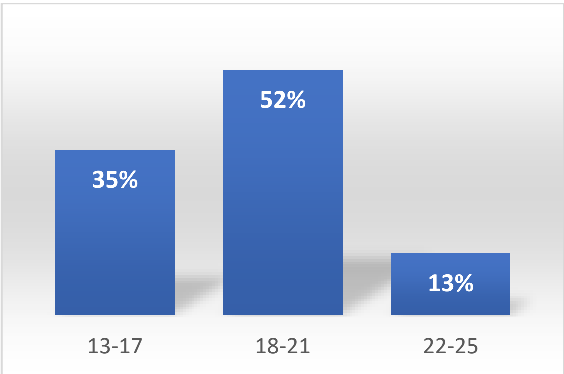
A descriptive summary of the demographic traits of the respondents was given before the data analysis started. Respondents between the ages of 13 and 25 who represented a range of age groups, genders, and energy drink usage frequencies made up the sample. The respondents were divided into smaller groups for additional analysis with the use of this profile. From the descriptive analysis of the data, the following results are obtained:

Figure 1. Your gender?



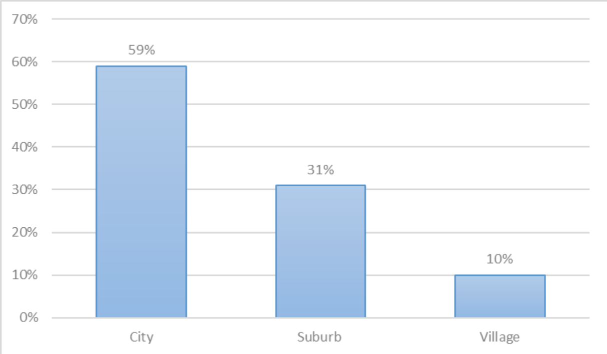
In figure 1, the data shows that 45% of respondents are Female and 55% Male

Figure 2. Your age?



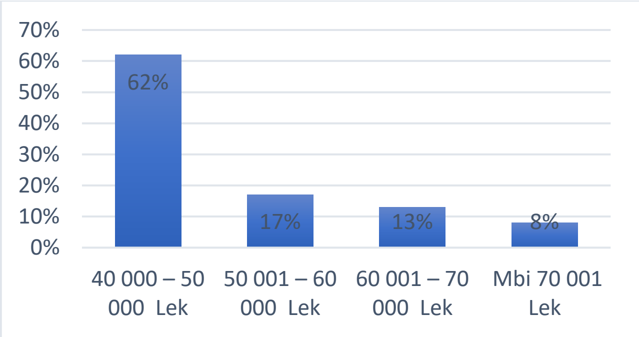
In figure 2, the data shows that 35% are between 13-17, 52% are between 18-21 and 13% are between 22-25 years old.

Figure 3. Your place of residence?



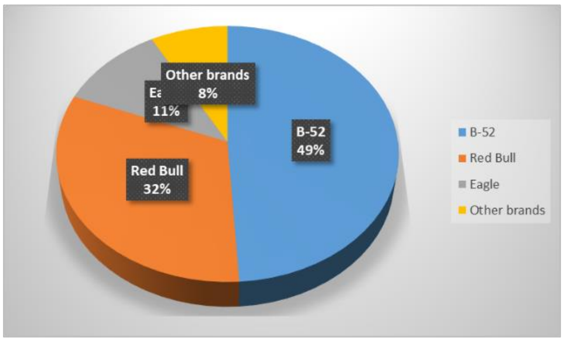
In figure 3, the data shows that 59% of respondents live in City, 31% Suburb, 10% village.

Figure 4. Your income?



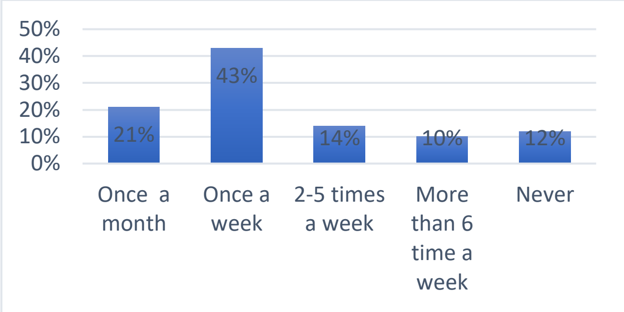
In figure 4, the data shows that 62% of respondents have income 40000-50000 All, 17% 50001-60000 All, 13% 60001-70000 All and 8% over 70001 All.

Figure 5. When you think of energy drinks, what is the first brand name that comes to your mind?



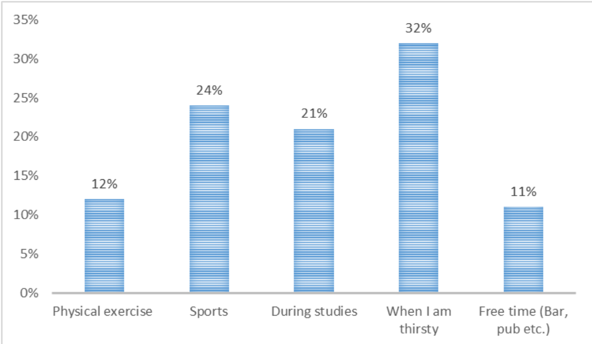
In figure 5, the data shows that 49% of respondents come in mind first B-52, 32% Redbull, 11% Eagle and 8% other energy drink brands.

Figure 6. How often do you buy energy drinks?



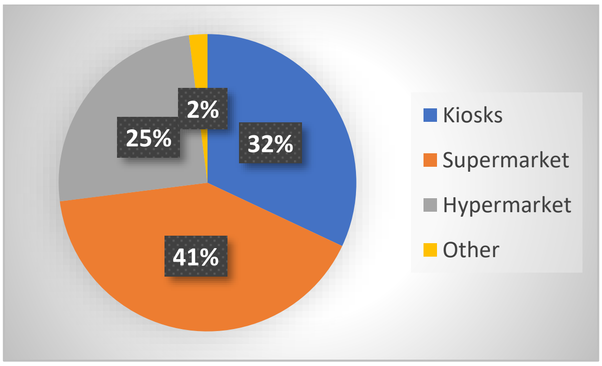
In figure 6, the data shows that 21% of respondents buy once a month, 43% once a week, 14% 2-5 times a week, 10% more than 6 times a week, 12% never.

Figure 7. For which activities would you use energy drinks?



In figure 7, the data shows that 12% of respondents drink energy drink during physical exercise, 24% during sport activities, 21% during studies, 32% when they are thirsty and 11% during free time (Bar, pub etc).

Figure 8. Where do you usually buy energy drinks?



In figure 8, the data shows that 32% of respondents buy energy drinks in Kiosks, 41% in Supermarkets, 25% in Hypermarkets, 2% in other places.
A One-Way ANOVA test was used to see if there were any notable variations in how different demographic categories perceived energy drinks. Key demographic factors such age and gender were the focus of the analysis. The demographic independent variable Age (13–17, 18–21, 22–25) and dependent variable Perception of Health measured with Likert scale-based

assessment of health hazards related to energy drink consumption. Table 1 shows the p-value (0.479) > 0.05, the result is not statistically significant. This means that there is no significant difference in how different age groups (13–17, 18–21, 22–25) perceive the health risks of energy drink consumption. So, regardless of age within the Gen Z range surveyed, respondents generally perceive the health risks similarly.

Table 1. Anova Test

ANOVA

Perception of Health

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.696	2	.848	.739	.479
Within Groups	220.222	192	1.147		
Total	221.918	194			

Table 2 shows the p-value (0.069) > 0.05, the result is not statistically significant at the 5% level. While we cannot confidently claim that gender influences brand trust at the conventional 0.05 threshold, the data suggests a possible trend that males and females might differ slightly in how much they trust energy drink brands.

Table 2. Anova Test

ANOVA

Brand Trust

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.315	1	3.315	3.337	.069
Within Groups	191.680	193	.993		
Total	194.995	194			

5. Discussion

The data's descriptive analysis offers insightful information about respondents' energy drink choices and usage trends. According to the demographic split, the majority of respondents reside in metropolitan regions (59%), with 31% living in suburbs and 10% in villages. Male respondents make up a slight majority of the respondents (55%), while female respondents make up 45%. Regarding income, the majority of respondents (62%) are in the 40,000–50,000 income range, indicating that energy drink consumption is more prevalent among respondents in this income range. B-52 is the brand that most respondents prefer when they think of energy drinks, as 49% of respondents say it first, followed by Redbull (32%). According to data on energy drink consumption frequency, 21% of respondents buy energy drinks once a month, while 43% buy them once a week. Interestingly, just a small portion of respondents purchase energy drinks more regularly, suggesting that although they are a common purchase, most respondents do not consume them on a daily basis. When it comes to usage, the main reasons people drink energy drinks are for hydration (32%), athletic activities (24%), and studying (21%). This demonstrates how respondents to increased energy levels for both academic and physical pursuits frequently link energy drinks. The majority of respondents (41%) buy energy drinks from supermarkets, followed by kiosks (32%), and hypermarkets (25%). This suggests that respondents strongly prefer easily accessible retail locations. The one-way ANOVA tests helped identify differences in energy drink perceptions based on demographic characteristics. Age was not a significant factor influencing health concerns and also gender did not show a significant impact on trust in energy drink brands. Data indicates that certain impressions of energy drinks, particularly those related to health concerns and brand trust, are not significantly influenced by age or gender. This may suggest that, at least when considering these factors alone, marketing methods that address these problems would not require significant age or gender-specific customization.

6. Conclusion

Companies must use targeted marketing by gender and location. Energy drink companies can think about creating advertising campaigns that are more appealing to female respondents, as their proportion is higher. Additionally, marketers could concentrate on city-based advertising and distribution channels to optimize reach, as most respondents reside in urban regions. Product positioning based on frequency of consumption. Energy drink companies might target weekly, regular users by providing subscription services or loyalty programs, as 43% of respondents purchase energy drinks only once a week. Providing discounts or package offers for large purchases could potentially encourage frequent usage. Improve hydration-focused messaging. Companies should highlight the refreshing and hydrating qualities of their goods in their marketing since a sizable percentage of respondents (32%) drink energy drinks primarily for hydration. Customers searching for a functional beverage for everyday tasks or physical effort may find this appealing. Engagement with Supermarkets and Kiosks. Energy drink producers should concentrate on enhancing their presence in supermarkets and kiosks, as these retail spaces account for 41% and 32% of the most frequent places for consumers to buy energy drinks. For increased visibility, this could entail in-store displays, promotions, or collaborations with well-known grocery chains and kiosks. Brand loyalty and recognition. For nearly half of the respondents, B-52 is the first brand that springs to mind. This suggests that the brand is well-known, which could be used to its advantage in next advertising campaigns. Even though it isn't as popular, Redbull is still a serious competitor and should concentrate on strengthening its link to academic or athletic achievement in order to better suit the typical motivations of respondents who drink energy drinks. Energy drink producers can adjust their marketing and distribution plans to the unique requirements and tastes of consumers by comprehending these trends and behaviors, which will eventually increase sales and brand loyalty. Create campaigns that address health issues and foster trust by employing universal messaging that speaks to a broad audience rather than focusing on particular age or gender demographics. Marketing campaigns may be more successful if they concentrate on psychographic or behavioral segmentation such as lifestyle, consumption patterns, or attitudes toward health and wellness because age and gender are not important differentiators in this context. In order to ensure brand coherence and clarity in the consumer's mind, keep your tone and messaging approach constant across various demographic groups while discussing health and trust.

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Regional development tourism for albania

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Abstract
This paper assesses the possibilities and challenges of regional tourism development in Albania through available resources and sustainable practices towards realizing their full potential. Strategic directions for tourism development, heavily infrastructure based, are recommended. The paper draws its information from quantitative data obtained from government reports and tourism agencies, complemented by qualitative interviews. It has been discovered that tourist arrivals are predominantly coastal, while cultural heritage and natural resources lie in the untapped mountainous inland region. Infrastructure development and balanced regional development plans should emphasize cultural heritage that could change Albanian tourism from a seasonal coastal orientation to year-round destination. Subsequent research will be based on ecotourism, cultural tourism, and adventure tourism about the aspects of sustainable growth concerning socio-economic benefits from tourism.

Keywords: Tourism, Development, Cooperation,Cultural Heritage, Sustainable Tourism
JEL classification: Q51, Q52, Q53, Q54

1. Introduction to Regional Development Tourism in Albania

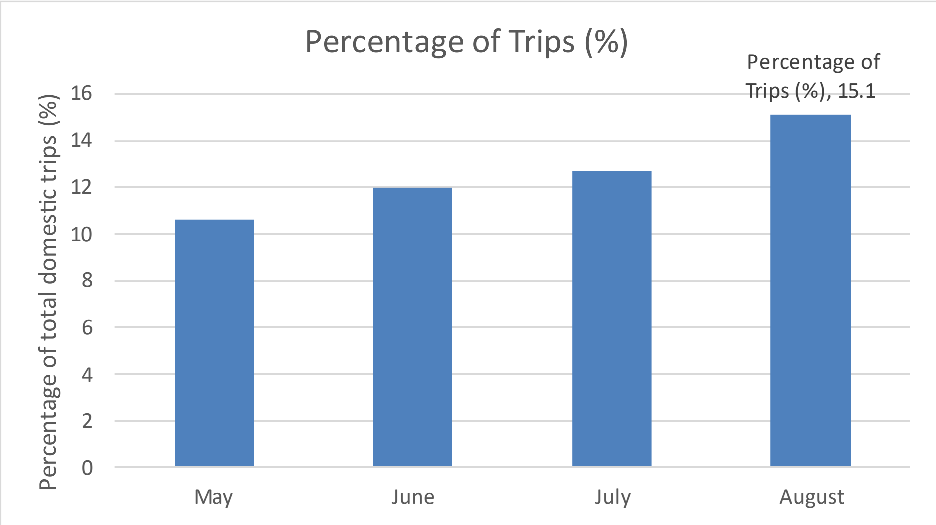
Regional Development Tourism is an approach within the economic growth and development of a determined area that emphasizes tourism as a stimulant. This concept means using unique cultural, natural, and historical values within the territory to attract tourists and create jobs for local people (Lombaerde et al. 2023). In Albania, the government has declared regional development tourism is one of the priorities of sustainable economic growth. An abundance of cultural heritage, multiple natural landscapes, and a favorable climate all position Albania as a promising place for this type of tourism. Rapidly growing tourism in the country has reached more than 4 million visitors per year. Seeing tourism as a key sector for economic growth and competitiveness, the Albanian government has set high development goals and perceives regional development tourism as a main way of achieving these ends. The aims involve promoting sustainable tourism practices, preserving cultural and natural heritage, increasing accessibility, and generating income opportunities for host communities (Locals Take the Reins of Albania's Tourism Development FrontLines November / December 2016 Archive - U.S. Agency for International Development 2016). By promoting local entrepreneurship in tourism, the present study tries to maximize economic benefits, ensure cultural preservation, and bring the off-peak season into the summer months (75 2021). Entrepreneurship education should promote an economic reality that fosters creativity leading to an entrepreneurial mindset that supports a nation's economy through innovation, competition, job creation, wealth generation, and increased purchasing power. The establishment of new businesses and local business support is two very crucial factors to consider . Through encouraging entrepreneurship, Albania empowers its citizens at the local level to take advantage of tourism opportunities thus making the tourism sector more resilient and better compounded with diversity. It is planned to bring different tourism products according to different regions, cultural and historical tours , adventure tourism , and ecotourism. Regional development tourism coupled with entrepreneurship will give an opportunity to Albania to diversify its tourist inflow which in turn will promote sustained economic growth and development (Walking Tourism Promoting Regional Development 2019).

2. Methods

This study on regional tourism development in Albania used a mixed-methods approach. Quantitative data on domestic trips, tourist arrivals, and cultural heritage visitors were drawn from government reports, mainly the INSTAT report entitled Tourism in Figures 2022. Qualitative data came from the semi-structured interviews conducted with local stakeholders consisting of tourism operators, community leaders, and government officials between June and August 2022. In total, fifteen 45-60 minute interviews were conducted, transcribed, and later analysed. Comparative analysis was done for other Balkan countries such as Croatia and Montenegro using secondary data to emphasize best practices and competitive strategies. Descriptive statistics applied in Excel constituted the quantitative data analysis while thematic analysis under (Braun and Clarke's2006), six-phase framework qualitative covered qualitative data that provided an overall understanding of trends and challenges concerning tourism in the regions of Albania.

3. Results

This study carried out an analysis of the tourism patterns in Albania based on quantitative data from government reports and qualitative interviews with stakeholders. The domestic trips recorded in Albania were 3,024,571 in the year 2022; only 2% was for other than personal purposes and an average stay of 3.4 nights INSTAT (2023). Coastal areas predominantly characterize tourism concentrated during the summer months. August15.1% and July12.7%, these are typically the highest shares. Figure 1, shows a bar chart of the percent domestic trips in Albania for the top four months in 2022. The peak tourism months were August at 15.1% and July, which had 12.7%. The rest of the 49.6% of the total 3,024,571 trips happened in other months. (INSTAT, 2023).



Cultural heritage sites, museums (38.8%), and archaeological parks (35.4%) made up this figure of 689,000 visitors in the year 2022; which is an increment of 1.6 times that of 2021 (INSTAT, 2023). Interviews with stakeholders show that interest in cultural tourism is spreading more about Central and South Albania, where Durrës, Butrint, etc., are located. However, tourism is very unevenly spread between the different regions; the visitor numbers are dominated by the coastal areas, while the inland regions with both cultural and natural assets are underutilized. About 2 million visitors went to South Albania in 2022; North Albania received only half a million tourists Table here. **Table1:** Gives a summary of tourist arrivals; key attractions; infrastructure status; cultural heritage visitors by region to show these disparities. Domestic trips (3,024,571 total) are estimated by region based on trends with 98% for personal purposes and peak months in August (15.1%) and July (12.7%). Cultural heritage visitors (689,000 total) include museums and archaeological parks. (Data source: INSTAT, 2023).

Region	Tourist Arrivals (2022)	Key Attractions	Infrastructure Status	Cultural Heritage Visitors
North Albania	500,000	Accursed Mountains, Valbona Valley, Traditional Cuisine ,Gjirokastra Folk Festival	Limited; poor road access basic accommodations emerging ecotourism facilities	103,350 (15%)

Central Albania	1,500,000	Tirana (capital) Durrës ancient city Petrela Castle Pellumbas Cave sandy beaches	Moderate; good urban infrastructure ongoing improvements in rural areas reliable connectivity	275,600 (40%)
South Albania	2,000,000	Albanian Riviera Butrint Vjosa River National Park coastal beaches	Well-developed coastal resorts improving rural roads USAID-supported accommodations	310050 (45%)

4. Overview of Albania's Regions

Albania lies in the Western Balkans and Southern Europe, therefore making efforts to attract more visitors and developing small businesses. Steady growth has been witnessed in the tourism industry with more than 4 million tourists visiting annually .The Southern Albanian coastline is a priority for tourist resort development within the country, and it has also taken a step toward exploring hotel franchises as part of this growth. Overall, projects aimed at urban infrastructure development focus on assets related to tourism in Albania. (Magister of Tourism Planning at the School of Architecture, Planning and Policy Development ITB et al. 2021).Sustainable tourism was internationalized as a primary income source recently through an international forum organized in Albania. Northern Albania, Central Albania, and Southern Albania are three major divisions of the country. Northern Albania is an area that possesses magnificent mountain scenery suitable for all forms of active leisure such as hiking and skiing(The EU, Promoting Regional Integration, and Conflict Resolution 2017b). The capital city, Tirana, located in Central Albania, is known for its historical and cultural background as well as a vibrant nightlife. The beaches and clear waters in the south of Albania attract tourists; sunbathing and swimming are the main activities (Ni Wayan Sumariadhi 2023). An action plan relating to sustainable tourism in the Southern Coastal Region which incorporates local people as well as locals' workers is underway. With such different areas and the developing tourism sector, Albania has great prospects to be seen as a must-visit place for more adventurous travelers off the beaten path. The Albanian government promotes tourist resorts and enhances assets related to tourism; this government attention together with sustainability in tourism will bear fruit. Heritage conservation should be a priority under investment in tourism. With the growing wave of entrepreneurship education, academic institutions are playing their part in increasing the pool of entrepreneurs by offering courses related to entrepreneurship . The entrepreneurial spirit instills innovation within a nation's economy, heightens competition, creates jobs and wealth, and boosts purchasing power (Mamaysky 2023).

4.1 North Albania Tourism Development

The north of Albania is a highly touristic area due to rich natural and cultural benefits it possesses. The places in the region hold great natural value, like Agri and Ecotourism in the Accursed Mountains, and cultural values consist of ancient monuments and old food help create a different experience for visitors about Albania (UNESCO Culture for Development Indicators: methodology manual 2014). To ensure this happens, there needs to be focused training programs both for staff and management on business planning conservation responsible tourism practices languages hospitality and general service (Szabo and Herman 2012). Also, better places to stay and more infrastructure like roads transport systems internet are needed In front would stand tourism being sustainable ensuring prosperity goes hand in hand with protection of nature locality culture.Through global forums and bodies, along with the Albanian administration's backing of sustainable tourism, they can enhance tourist arrivals in North Albania as well as small businesses, which will subsequently contribute a lot to the economic development of the country. Sustainable Development: Issues and Challenges. (Seidl 2014).

4.2 Central Albania Tourism Development

Central Albania has enormous potential for tourism development, mixing numerous historical and cultural sites with natural wonders and a buoyant infrastructure (Gjylapi and Durmishi 2014). The places include the ancient town of Durrës, historic Petrela Castle, marvels like Pëllumbas Cave, curative sandy beaches with stretches that are ideal for birdwatchers and nature lovers along the lagoons (South East European University, Republic of Macedonia et al. 2023a). More than 4 million tourists visit Albania every year; most of them are attracted by the country's natural beauty and its historically cultured people. To realize this potential fully, thorough emphasis in Albania is directed toward cultural heritage preservation as well as sustainable and responsible tourism promotion. Improvements in infrastructure as well as accommodation facilities are also on the way to cater more to the rising number of tourists . Identification and branding that presents Central Albania as a coming together of urban comfort, cultural legacy, and natural beauty aimed at attracting tourists who wish to spend more time and money is also necessary. This will cover the system-wide training of municipal and management personnel on business planning, sustainable tourism practices, climate resilience, and destination marketing. In addition to that, initiating agro-ecotourism (assumed to take place in 2001) prospects in the country’s hinterlands would offer distinctive moments for guests in Albania.

4.3 South Albania Tourism Development

Southern Albania has very beautiful beaches with waters of turquoise color, thus placing the Albanian Riviera as a sought-after destination. It also abounds in a number of historical sites, among them the famous ancient city of Butrint which is listed in UNESCO World Heritage Site (UNESCO Culture for Development Indicators: methodology manual 2014). Adequate marketing strategies can sell these features to attract more people to the area. Inland from the coast, natural attractions in Southern Albania, like the Accursed Mountains offer are available for agricultural and ecotourism or investment opportunities. Investment should be directed towards preserving these natural assets and developing sustainable tourism like green lodgings and nature walk tours to appeal to ecotourists. Development of tourism in Southern Albania necessitates investment in accommodation and infrastructure ((Bhagyanathan et al. 2017). The recent few years have witnessed tremendous strides in hotels and all types of tourist accommodations aided mainly by USAID support. More money will be needed to raise the quality and standards of the accommodation available (Department of Law, Faculty of Political Science and Law, University of 'Aleksandër Moisiu', Durrës, Albania and Abdurrahmani 2024). Better infrastructure, such as modernized roads for easy access to far-off places plus more public transport outside people's homes would help tourists see the country better. It was noticed how there are big differences in how tourism is developed in different parts of Albania. While most visitors go to coastal areas primarily the south inland areas are almost empty of tourists despite their rich cultural and natural resources. Table 1 gives a summary of tourist arrivals key attractions and status of infrastructure by region.

5. Development of Adventure Tourism

Adventure tourism may find its way among numerous other aspects that may attract a tourist to Albania (Albania Adventure, 2024). High-quality visuals, combined with well-developed text, keep users engaged and build trust in the services offered (Kalenjuk et al. 2013). Challenging trekking routes are found in the Albanian Alps and will most probably attract adventurous tourists. Beautiful areas for adventure tours are found in Skrapar and Permet (Tessier 2022). This is capable of increasing tourism as well as improving the economy of Albania. Rafting and canoeing have become favourite pastimes in this area, especially in Skrapar where pilot efforts have led to developed rafting, kayaking, off-road tours, and snowshoeing (Kruja and Hasaj 2010). The establishment of Vjosa River National Park has been an indication of the government's support towards sustainable tourism; besides this park promotes kayaking and rafting under preserved nature surroundings (Umarella et al. 2021). Developed and promoted appropriately, this much stronger than kayaking. Valbona Valley just set up its first bouldering field, drawing rock climbing fans (Schwingshackl et al. 2024). More climbing spots are close to Tirana. For adventure tourism to grow sustainably, Albania can aim at reducing environmental impact, acting for the benefit of local communities, and tackling issues regarding infrastructure and safety (Pessenlehner et al. 2019).

5.1 Cultural Tourism Development

Cultural tourism development is regional developmental necessity for Albania. Cultural heritage preserves the historical and cultural identities of a place to tourists. Initiatives like Scheme aims to promote cultural heritage through education (Dollani et al., 2016). Events such as the Gjirokastra Folk Festival help advertise local culture serve as an attraction to numerous visitors . The marketing of traditional festivals and performances could be the driving force behind regional development that will boost local economies. Promotion of local handicrafts is a requirement in cultural tourism that provides employment and economic empowerment while emphasizing culture and tradition. Centers established with the Albanian Network for Rural Development aim at promoting local participation through craftwork which n 2022, Albania recorded 3,024,571 domestic trips, with 98% for personal purposes and an average stay of 3.4 nights. Tourism mainly takes place in summer months, with August (15.1%) and July (12.7%) having the largest shares about the predominance of coastal areas. Cultural heritage sites such as museums (38.8%) and archaeological parks (35.4%) managed to attract 689 thousand visitors, an increase of 1.6 times from 2021 . Table 1 gives a summary of estimated domestic trips along with attractions, infrastructure, and cultural heritage visitors by region. Albania can derive optimal benefits from cultural tourism if it involves the local community, removes infrastructure and funding problems, and markets its cultural heritage to be peculiar (Whittington 2023).

6. Discussion

Concentration of domestic trips in summer months as in Figure 1 brings a great challenge for Albania’s tourism sector: Seasonal tourism on the coast is largely how they depend. The-August peak (15.1%) and July (12.7%) give little economic return to the coast areas of South Albania, which managed to pull 2,000,000 visitors in 2022; North Albania drew only 500,000 (Table 1). The inner regions do not get use; they could offer activities all year- hiking among the Accursed Mountains in North Albania and cultural festivals- but lack proper infrastructure. Interviews with stakeholders point to cultural tourism as one possible avenue for diversification- if visitation to sites like Butrint were to increase by a mere 1.6-fold- but disparities among regions continue. Comparative analysis with Balkan neighbors like Croatia shows that tourism seasons have been elongated as a result of infrastructure investment and cultural promotion (UNWTO, 2022). So, Albania can target inland infrastructure plus cultural heritage marketing to tourism balance distribution and make it more sustainable.

7. Sustainable Tourism Practices

Albania will travel on the path of sustainable tourism by playing regional tourism development over environmental responsibility (Kim 2024). In April 2023, a conference held in Albania reaffirmed sustainable tourism as the main source of revenue and emphasized environmental protection through eco-tourism (Sharma and Ranjan 2025b). This would keep cultural legacy intact and promote responsible tourism that can be a chain for local communities. For instance, the announcement of Vjosa River area protected gives a green signal to both concerning environment safety and promotion of tourism. Community involvement plus empowerment is integral; hence, the government will place upon it an increase in rural women’s capacity building to manage enterprises as well as rural tourism. The Ministry of Agriculture and Rural Development has aligned with FAO initiatives towards gender equality plus environmentally friendly tourism (FAO Expert Consultation Communication for Development: Meeting Today's Agriculture and Rural Development Challenges: final report; Rome, Italy, 14 - 16

September 2011 2012). Deeper tourism necessitates responsibility, as it was highlighted in an international meeting held in April 2023, also having discussions on cultural policies and reforms of the film industry. If responsible tourism development is placed at the forefront, Albania will be able to continue its practice of sustaining actions that take care of the environment and local communities while enhancing economic growth.

8. Future Prospects

The role of sustainable tourism development in the future of regional development tourism in Albania can be overemphasized. It preserves cultural heritage, fulfils regeneration to local economies, and fosters sustainable and responsible tourism. In Albania, tourism has been one of the activities identified to drive regional development and economic growth (Kuskova et al. 2023). Tourism as a factor for regional development: it is considered a principal determinant of regional development and prosperity through tourism in Albania. The government has put emphasis on the local economic development through tourism. Environmental protection commitment: The Vjosa River has been declared a protected area; this is an indication of Albania's commitment to environmental protection which can lead to tourism. Sustainable and responsible practices: The regional development tourism strategy for Albania should emphasize sustainable and responsible tourism. Potential for rural tourism: Rural tourism, despite all the challenges, could be the predominant source of economic prosperity. International support: A forum initiated by UN depicting "Future of Environmental and Sustainable Tourism in Albania" is a good step towards promoting sustainability in tourism.Cultural tourism will be the focus of the tourism-led local development model under IPA 2017. The cultural tourism will be conducive to economic growth in Albania. Economic benefits: Regional development tourism can play a significant role in the national economy and the standard of living in Albania. Sustainable and responsible tourism can enable Albania to keep its cultural heritage, conserve the environment, and gain economic advantages from the tourism sector. International Conference: In April 2023, Albania hosted an international conference to promote sustainable tourism as a primary income generator high on the priority list with the protection of the environment through eco-tourism Community participation and empowerment: Community participation and empowerment is very key to the practice of sustainable tourism. The Albanian government proposed to fast track capacity building for rural women in enterprise management as well as rural tourism marketing. The Ministry of Agriculture and Rural Development has foisted gender equity and environmentally friendly tourism upon them, together with the FAO. Responsible tourism: ever deepening tourism demands responsible practices, as was stressed in an international forum held in April 2023 where such matters also came to the table related to cultural policies and reforms in the film industry. Generally, Albania is making great strides toward sustainable tourism by inserting eco-responsibility into the development of regional tourism. This will ensure that cultural heritage is kept, responsible tourism promoted, and local communities gain.

9. Conclusion

It can be concluded that regional development tourism is an opportunity in its best sense for Albania to attain sustainable economic growth while preserving its rich cultural heritage and applying environmentally friendly practices. These are the potentials within the country's varied landscapes, from coastal regions to mountainous interiors and historical sites. However, substantial tourist potential can attract all categories of tourists beyond summer months about deficient infrastructure and marketing in the inland parts of Albania. Strategic investments in sustainable tourism practices ecotourism, green infrastructure, and renewable energy will be viable activities to minimize negative impacts on the environment and attract environmentally aware tourists a long way off! Indeed, very much dependent on active participation at least to ensure equitable distribution of benefits with preservation of different cultural identities! If Albania accepts green tourism methods that mix money growth with land care and social help, it can make itself a top place in the West Balkans and a guide for good tourism growth.

• Economic Growth Opportunities: Tourism can be a big economic grow driver for Albania.
• Sustainability Matters: Sustainable tourism practices make jag long tourney possible.
• Area Development: Emphasizing area development can show inn lands potential
• Local Participation: Involving locals is key for fair and sustainable

10. Recommendations Charting a Course for Sustainable Regional Tourism Development in Albania

In conclusion, as long as sustainable regional tourism becomes the cornerstone of the strategy that will propel Albania to the apex of Western Balkan tourism, this is a crucial moment in the unfolding of tourism development in Albania. To see this dream come true, it is necessary first to make sure that:• **Infrastructure Development:** Investing in transport, lodgings, and online links in the less developed areas to make it easier to reach tourist spots.• **Sustainable Tourism Strategies**: Putting into action green-policies, waste-management-solutions, and projects for the saving of cultural and natural heritage.• **Effective Marketing and Promotion:** Improving regional tourism branding through online marketing, global partnerships, and campaigns aimed at drawing different tourists all year round.• **Support for Local Communities:** Promote cultural and community tourism activities that will enrich local economies, artists, and rural craftsmen and ensure that tourism benefits reach every stratum of society.• **Policy and Governance Improvements:** Reinforce regulatory regimes and government supervision to channel tourism development towards environmental and socioeconomic sustainability.• **Training and Capacity Building:** Set up training programs for operators in the tourism and hospitality industry in all regions to ensure quality service for tourists. Product diversification would involve beach tourism being complemented with cultural heritage tourism, adventure, culinary, and agritourism. This will develop a resilient and diversified tourism sector.

If these recommendations are implemented, economic growth will be accompanied in Albania by the preservation of its unique cultural and natural heritage for generations to come. This calls for an integrated effort on the part of government, private sector, and local communities to ensure that all stake holders benefit from tourism and it is directed towards a more sustainable and prosperous future for Albania. To sum up, by adopting strategic regional eco-tourism as a priority intersecting youth entrepreneurship into this plan the country can leverage tremendous potential to transform into the leading tourist destination within the Western Balkans. This ambition can only be achieved through a detailed multi-strategy plan that covers infrastructure investment, sustainable practice commitment, marketing and promotions targeted empowerment of local communities policy governance enhancement capacity building training as well as diversification in tourism products. By assiduously applying these suggestions, Albania will be able to catalyze economic development while simultaneously retaining its cultural and natural heritage for generations to come. This changeover necessitates an intensive collaborative interaction involving government, private sector players, educational institutions, and local communities to make sure tourism and entrepreneurship have dividends for all actors and lead towards a more sustainable plus prosperous future for Albania.

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Factors influencing human resource performance in universities: a dual perspective on administrative and academic staff

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Abstract

This study aims to explore the key factors influencing human resource (HR) performance in universities, focusing on both administrative and academic staff. By adopting a dual perspective, the research first examines the determinants of HR performance within university administration, followed by an analysis of how these factors affect academic personnel. The study seeks to answer three fundamental questions: (1) What factors influence HR performance in universities? (2) Which HR practices have the greatest impact on HR performance in a university setting? (3) Is the university's strategic vision aligned with HR strategy and the routine work of its human resources?To address these questions, the study will employ a mixed-method approach, incorporating both qualitative and quantitative analyses. A key component of the research will be a structured survey designed to investigate the perceptions of administrative and academic staff regarding the factors that influence their performance, the impact of these factors on the quality of their work, and the extent to which institutional policies and strategies are effectively translated into their daily tasks. The survey will provide empirical insights into the perceived importance of various HR practices and strategic initiatives, lighting on potential gaps between institutional objectives and workforce realities.By analysing the survey data in parallel with institutional policies and best practices in human resource management, this study aims to provide evidence-based recommendations for university leadership, policymakers, and HR practitioners. The findings will contribute to a deeper understanding of HR dynamics in higher education, offering strategic insights to enhance HR efficiency and institutional performance.

Keywords: Human Resource Performance, University Administration, Academic Staff, Higher Education Management, HR Practices, Institutional Strategy, Employee Perceptions, Organizational Efficiency, Workforce Development, Strategic Alignment.
JEL Classification Codes: I23, **M12**, **O15**.

1. Introduction

Human resources (HR) play a pivotal role in shaping the efficiency and effectiveness of universities, influencing both administrative operations and the quality of academic output. As higher education institutions navigate increasing demands for accountability, innovation, and internationalization, understanding the drivers of HR performance becomes essential. This study aims to explore the key factors that affect HR performance in universities, focusing on the dual dimensions of administrative and academic staff. It seeks to identify the HR practices and institutional strategies that most significantly influence employee performance and contribute to achieving the university's mission.

Three central questions guide this research: (1) What are the main factors influencing HR performance in universities? (2) Which HR practices exert the greatest impact on staff performance? (3) How well is the university’s strategic vision aligned with HR strategy and the routine tasks of its personnel?

To address these questions, the study adopts a mixed-method approach that combines quantitative data from structured surveys with qualitative analysis of institutional HR policies. The survey will assess staff perceptions of performance-related factors, the effectiveness of HR practices, and the extent to which strategic objectives are integrated into their daily responsibilities. By triangulating these insights with best practices in HR management, the research will highlight gaps between institutional vision and operational realities.

Ultimately, this study aims to contribute to the literature on HR management in higher education by offering evidence-based recommendations to improve workforce performance and institutional alignment. The findings will be valuable for university leaders, policymakers, and HR professionals seeking to foster a more strategic and performance-driven organizational culture.

2. Literature Review

Understanding Human Resource Performance in Higher Education

Human Resource (HR) performance in universities plays a crucial role in ensuring institutional effectiveness and achieving academic excellence. HR performance is often conceptualized through the lens of productivity, motivation, employee engagement, and strategic alignment (Paauwe & Boselie, 2005). In higher education, this encompasses both academic and administrative staff, whose roles, while distinct, are equally critical in delivering educational outcomes.

Human Resource (HR) performance in the context of higher education institutions (HEIs) is increasingly being recognized as a pivotal determinant of institutional success, innovation, and resilience. HR performance in HEIs is influenced by a complex interplay of individual competencies, organizational culture, institutional strategy, and external environmental factors such as policy reforms and digital transformation (Bulińska-Stangrecka & Bagieńska, 2021).

In the higher education setting, HR performance refers not only to productivity and efficiency but also to the alignment of individual goals with institutional missions, the quality of interpersonal relations, and the contribution to innovation and student outcomes (Beausaert et al., 2021). Unlike in corporate settings, performance in universities must be understood within a multi-dimensional framework that values both tangible outputs (e.g., publications, administrative efficiency) and intangible contributions (e.g., mentorship, collegiality, civic engagement). HR Practices in the Context of Universities. Effective HR practices in higher education include recruitment and selection, professional development, reward and recognition systems, and participatory decision-making. Empirical research underscores that tailored HR practices—those sensitive to the professional identities of academic and administrative staff—are more effective in enhancing performance (Baruch, 2006; Deem, 1998). HR performance cannot be detached from the institutional commitment to equity and diversity. Discriminatory practices, unconscious bias, and lack of inclusive policies can suppress the potential of staff, especially women and minorities in academia (Ahmed & Arfken, 2023). Institutions that embed EDI (Equity, Diversity, and Inclusion) into their HR strategies report better overall organizational health and innovation. On the other hand employee perceptions of fairness, communication, and involvement are critical mediators of performance outcomes. Perceived organizational support and role clarity are especially important in higher education, where job ambiguity and role conflict are common (Eisenberger et al., 2002; Kinman, 2008). The participatory culture and shared governance also influence employee motivation and institutional commitment.

Recent frameworks suggest that effective HR performance in universities encompasses: Professional competencies and adaptability, Job satisfaction and motivation, Strategic alignment with institutional goals, Stakeholder engagement (students, colleagues, administration), Commitment to institutional values such as equity and inclusion (Ruggeri et al., 2023).

A wide range of factors have been identified as determinants of HR performance in universities:

- Leadership and Management Style and Strategic Direction: Transformational leadership has been linked to higher employee engagement and innovation (Rowley & Sherman, 2003; Bryman, 2007). Effective leadership fosters an environment of trust, empowerment, and alignment with strategic goals. Distributed and participative leadership styles have been linked to higher levels of staff performance and satisfaction (Bolden et al., 2021). Moreover, leaders who actively communicate the institutional mission and support staff in adapting to change tend to drive stronger performance outcomes (Bryman & Lilley, 2020).
- Work Environment - Organizational Culture and Wellbeing: Psychological safety, collaboration, and access to resources significantly influence job satisfaction and performance (Saks, 2006). A healthy organizational culture—marked by respect, collegiality, inclusiveness, and psychological safety—has a profound effect on both administrative and academic staff performance (Bulińska-Stangrecka & Iddagoda, 2021). Institutions that prioritize staff wellbeing, mental health, and work-life balance report higher retention and engagement.

- Job Autonomy and Academic Freedom: Academic freedom and professional autonomy remain central to academic staff performance. However, there is growing concern about the managerialist approach that prioritizes metrics over meaning, potentially reducing intrinsic motivation (Frølich et al., 2022). While autonomy fosters innovation, it must be balanced with institutional accountability frameworks that provide clarity and support rather than control.
- Professional Development and Career Progression: Continuous learning opportunities and training programs are positively associated with improved performance and retention (Knight & Trowler, 2001). Continuous professional development (CPD) remains a cornerstone of effective HR performance. Universities investing in CPD opportunities, mentoring, and career planning see improved morale and performance among both academic and administrative staff (Beausaert et al., 2021).
- Performance Appraisal Systems Recognition and Reward Systems: Transparent, fair, and constructive appraisal systems enhance motivation and align individual performance with institutional goals (Berman et al., 2020). Transparent and fair reward systems—including both financial and non-financial incentives—are critical motivators. Recent research emphasizes the need for inclusive reward models that recognize teaching excellence, community engagement, and administrative achievements, not just research outputs (Kenny & Fluck, 2022).

Another critical dimension that has emerged—particularly accelerated by the COVID-19 pandemic—is the imperative of digital transformation. For both academic and administrative staff, digital competence has shifted from being a supplementary asset to a fundamental requirement. The pandemic catalysed a rapid restructuring of teaching, learning, and administrative processes, forcing universities to adopt digital tools at an unprecedented scale and pace.

This transformation has not only altered workflows and communication channels but has also become a key metric of performance in higher education. The ability to effectively utilize digital platforms for remote instruction, data management, virtual collaboration, and student services now constitutes an essential criterion in evaluating staff efficiency, adaptability, and innovation. As such, digital literacy and technological agility are no longer optional—they are central to the sustained performance and strategic advancement of university personnel in the post-pandemic era.

The transformation of the higher education landscape—accelerated by globalization, digitalization, funding shifts, and the COVID-19 pandemic—has reshaped expectations around HR performance. Academic and administrative staff are now expected to be more flexible, digitally literate, and student-centred (OECD, 2022). Digital transformation has introduced new modes of working, such as hybrid and remote administration and teaching, which demand new competencies and create challenges in workload management and employee engagement (Jisc, 2021; Veletsianos, 2020). Performance management systems are being re-evaluated to better capture outcomes and impact in this evolving environment. Interpretation: Traditional metrics (e.g., teaching hours, publication counts) are no longer sufficient. Institutions now require performance indicators that account for digital engagement, interdisciplinary collaboration, and knowledge dissemination beyond academia.

The Role of Performance Management Systems, Strategic Alignment and Institutional Vision

Modern performance management systems in universities must balance standardization with flexibility. There is a growing consensus that systems focused solely on quantitative outputs can undermine creativity and collaboration. Instead, best practices advocate for holistic evaluations that include self-assessments, peer reviews, student feedback, and alignment with personal development plans (van der Sluis & Poell, 2023). Strategic HRM emphasizes the integration of HR practices with the university's long-term strategic vision. Alignment between institutional strategy and HR activities leads to improved organizational coherence and employee commitment (Boxall & Purcell, 2016). However, studies often reveal a disconnect between strategic HR frameworks and the daily realities of staff, especially in public institutions characterized by bureaucratic inertia (Teelken et al., 2011).

Dual Perspective: Academic vs. Administrative Staff

The dichotomy between academic and administrative staff creates unique HR dynamics. Academic staff are primarily involved in teaching, research, and outreach, while administrative personnel support institutional infrastructure and governance. Studies highlight that academic autonomy, workload, research incentives, and peer recognition are key performance influencers for academic staff (Altbach et al., 2009; Houston et al., 2006). Conversely, administrative staff performance is strongly shaped by organizational culture, leadership, communication, and career progression opportunities (Winter, 2009).

In the context of higher education institutions (HEIs), a dual perspective in understanding human resource (HR) performance is crucial due to the fundamentally different roles, expectations, and organizational logics that govern academic and administrative staff. Treating these two staff categories under a single HR framework can obscure critical performance factors and lead to ineffective management strategies.

This section extends the concept theoretically and empirically by exploring the distinctive performance determinants for each group, supported by updated literature from 2020 onward.

Theoretical Framework for the Dual Perspective

Several organizational theories support the dual nature of HR in universities:

- Mintzberg's Professional Bureaucracy (1979) positions universities as organizations where professional work (i.e., academic activity) operates with considerable autonomy, while administrative units function within formalized, hierarchical structures.
- Contingency Theory (Donaldson, 2001) emphasizes that HR strategies should be tailored to the distinct nature of different roles, as effectiveness depends on fit with context.
- Human Capital Theory (Becker, 1964) and Resource-Based View (Barney, 1991) underline that both academic and administrative staff contribute uniquely to

institutional performance—academics through knowledge production and teaching; administrative staff through operational efficiency and governance.

- Motivational Theories such as Herzberg's Two-Factor Theory and Deci & Ryan's Self-Determination Theory offer insights into differing motivation sources between staff categories.

HR Performance Determinants for Academic Staff

Academic staff (professors, lecturers, researchers) function within professional frameworks that value autonomy, research contribution, and pedagogical effectiveness.

Factor	Updated Literature Support	Interpretation
Autonomy & Academic Freedom	Frølich et al. (2022); Hazelkorn & Mihut (2020)	Strong predictor of innovation, motivation, and job satisfaction.
Research Infrastructure & Funding	Beausaert et al. (2021); OECD (2022)	Access to research resources enhances performance in publication and grant acquisition.
Workload Balance	Kenny & Fluck (2022); Jisc (2021)	Teaching overloads reduce capacity for research, mentoring, and innovation.
Recognition & Career Advancement	Ruggeri et al. (2023); Ahmed & Arfken (2023)	Equitable promotion and reward systems improve morale and reduce burnout.
Peer Collaboration & Networks	Wenger (1998); Bulińska-Stangrecka & Bagieńska (2021)	Enhances interdisciplinary innovation and mutual support.
Teaching Evaluation & Feedback	Bolden et al. (2021); van der Sluis & Poell (2023)	Formative teaching evaluation leads to instructional improvement and better student engagement.
Participation in Governance	Bryman & Lilley (2020); Sursock (2021)	Democratic involvement increases organizational commitment and strategic coherence.

HR Performance Determinants for Administrative Staff

Administrative staff play a critical role in managing logistics, student affairs, compliance, and finance. Their performance is influenced by structure, supervision, and clarity.

Factor	Updated Literature Support	Interpretation
Role Clarity & Task Definition	OECD (2022); Locke & Latham (2020)	Clear job descriptions reduce ambiguity, enabling focused performance.

Factor	Updated Literature Support	Interpretation
Training & Digital Competence	Jisc (2021); Bulińska-Stangrecka & Iddagoda (2021)	Ongoing training, especially in digital tools, is essential for effectiveness and adaptability.
Leadership & Managerial Support	Bolden et al. (2021); House (2020)	Supportive leadership correlates with high engagement and retention.
Performance Evaluation Systems	van der Sluis & Poell (2023); Ruggeri et al. (2023)	Fair and consistent appraisal systems increase accountability and satisfaction.
Work Environment & Communication	Ahmed & Arfken (2023); Bulińska-Stangrecka & Bagieńska (2021)	A collegial, inclusive workplace enhances morale and productivity.
Job Security & Work-Life Balance	Kenny & Fluck (2022); Hazelkorn & Mihut (2020)	These factors have a direct impact on loyalty and long-term institutional engagement.
Technology Integration	Jisc (2021); Davis (1989)	Administrative efficiency is increasingly dependent on user-friendly digital systems.

Comparative Analysis: Key Differences in Performance Drivers

Dimension	Academic Staff	Administrative Staff
Motivation Source	Intrinsic (intellectual growth, recognition)	Extrinsic (stability, clear expectations)
Work Autonomy	High (self-managed research/teaching)	Medium to low (hierarchical supervision)
Performance Metrics	Publications, teaching feedback, research grants	Efficiency, responsiveness, task completion
Development Needs	Sabbaticals, grants, pedagogy training	IT training, role-specific workshops
Management Style	Collegial and participative	Managerial and task-oriented
Institutional Fit	Strategic but discipline-driven	Strategically aligned to operations and services

3. Methodology

This study aims to investigate the key factors influencing Human Resource (HR) performance within universities, focusing on both academic and administrative staff. The methodology for this study is designed to answer the three primary research questions:

1. What factors influence HR performance in universities?
2. Which HR practices have the greatest impact on HR performance in a university setting?
3. Is the university's strategic vision aligned with HR strategy and the routine work of its human resources?

To answer these questions, a mixed-methods approach will be employed, integrating both qualitative and quantitative research methods. This approach will enable a comprehensive exploration of the various factors affecting HR performance from the perspectives of both academic and administrative staff. The study will collect data through structured surveys as well as secondary data (institutional policies, strategic plans, and HR practices) to triangulate the findings.

Research Design

The study will utilize a descriptive, exploratory, and explanatory design to examine the relationship between HR practices, staff performance, and alignment with the university's strategic objectives. By collecting both numerical and textual data, the research aims to generate both broad statistical insights and in-depth qualitative understanding of HR dynamics within the university setting.

Data Collection Methods: A structured questionnaire will be developed and distributed to both academic and administrative staff. The questionnaire will be designed to gather data regarding the factors influencing HR performance, the impact of various HR practices, and the alignment of HR strategy with the university's overall vision. The survey will include both Likert-scale questions and open-ended questions to capture a range of quantitative and qualitative insights.

- Academic Staff Survey: The questionnaire for academic staff will focus on factors like teaching effectiveness, research support, career advancement opportunities, institutional support, and digital transformation post-pandemic.
- Administrative Staff Survey: The survey for administrative staff will explore factors related to role clarity, performance evaluation, training opportunities, managerial support, and digital transformation in administrative tasks.

Data Analysis: Quantitative Analysis: The responses from the Likert-scale questions will be analyzed using descriptive statistics (e.g., means, standard deviations) to determine the perceived importance of different HR factors and practices. Additionally, regression analysis will be conducted to assess the impact of various HR practices on HR performance across academic and administrative staff. Qualitative Analysis: The open-ended responses will be analyzed through thematic analysis to identify common themes and patterns in perceptions of

HR performance, strategic alignment, and HR practices. This analysis will provide a richer, more nuanced understanding of the findings.

Hypotheses

Based on the research questions, the following hypotheses are proposed:

- H1: Factors such as leadership support, training opportunities, workload balance, and career development significantly influence HR performance in universities.
- H2: HR practices related to performance evaluation, training and development, and digital transformation have a significant impact on HR performance, with academic staff and administrative staff perceiving these practices differently.
- H3: There is a misalignment between the university's strategic vision and the HR strategy, particularly in terms of digital transformation and workforce development.

Research Instruments: The main instrument for data collection will be the questionnaire, which will be distributed to both academic and administrative staff within the university. The questionnaire will be designed based on the three research questions and will contain:

- Biographic Questions: To gather information about the respondents' background (e.g., gender, age, department, position, years of service).
- HR Performance Questions: Focused on how staff perceive their HR performance, including job satisfaction, role clarity, career advancement, and institutional support.
- HR Practices and Strategic Alignment Questions: Focused on the effectiveness of HR practices (training, performance evaluation, career development) and the alignment of the university's strategic goals with HR practices and staff experiences.

A Likert scale will be used for most of the questions to allow for a range of responses, with options ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Additionally, open-ended questions will be included to capture further qualitative insights.

Data Analysis

The data were analysed using descriptive statistics to summarize the demographic characteristics and HR performance factors of the respondents. Additionally, regression analysis was conducted to assess the impact of various HR practices and strategic alignment on HR performance for both academic and administrative staff. The study on Human Resource Performance in Universities sought to analyze the factors influencing the performance of academic and administrative staff in the higher education sector. A survey was conducted with 200 participants, comprising 100 academic staff and 100 administrative staff, to assess the perceived importance of various HR factors, practices, and the alignment of HR strategies with the university's institutional goals. For the purposes of this study, a total of 185 questionnaires were valid for further data processing, with 95 responses from academic staff and 90 responses from administrative staff. It is noteworthy that the sample included a diverse representation of universities, with 40% of the questionnaires being submitted by participants from private universities, while the remaining 60% were sourced from public universities. This distribution ensures a balanced representation of human resource performance across both private and public institutions, allowing for a comprehensive analysis of the factors influencing HR performance within these distinct organizational contexts.

4. Results

Demographics

- Gender Distribution:
  - Academic Staff: 35% male, 60% female, 5% preferred not to say.
  - Administrative Staff: 40% male, 55% female, 5% preferred not to say.
- Age Distribution:
  - Academic Staff: 40% in the 30-39 age range, 30% in the 40-49 age range.
  - Administrative Staff: 45% in the 40-49 age range, 35% in the 30-39 age range.
- Years of Service:
  - Academic Staff: 40% with 1–5 years of service, 30% with 6–10 years.
  - Administrative Staff: 50% with 1–5 years, 20% with 6–10 years.
- Academic qualification for the academic staff
  - PhD: 40%
  - Master's Degree: 20%
  - Bachelor's Degree: 5%
  - Associated professor 20%
  - Professor 15 %

Regression Analysis

Model 1: Academic Staff Performance

The regression equation for academic staff performance is as follows:

HR Performance (Academic)=β0+β1(Autonomy)+β2(Teaching Support)+β3(Research Support)+β4(Digital Transformation)+β5(Career Development)+ϵ\text{HR Performance (Academic)} = \beta_0 + \beta_1(\text{Autonomy}) + \beta_2(\text{Teaching Support}) + \beta_3(\text{Research Support}) + \beta_4(\text{Digital Transformation}) + \beta_5(\text{Career Development}) + \epsilonHR Performance (Academic)=β0+β1 (Autonomy)+β2(Teaching Support)+β3(Research Support)+β4(Digital Transformation)+β5 (Career Development)+ϵ

Results:

- Autonomy: $\beta = 0.25$, $p = 0.04$ (significant)
- Teaching Support: $\beta = 0.31$, $p = 0.02$ (significant)
- Research Support: $\beta = 0.18$, $p = 0.12$ (not significant)
- Digital Transformation: $\beta = 0.22$, $p = 0.03$ (significant)
- Career Development: $\beta = 0.12$, $p = 0.25$ (not significant)

HR Performance (Academic)=0.32+0.25(Autonomy)+0.31(Teaching Support)+0.18(Research Support)+0.22(Digital Transformation)+0.12(Career Development)+ϵ

Interpretation: Autonomy, teaching support, and digital transformation have a significant impact on academic staff performance, with teaching support being the most influential.

Model 2: Administrative Staff Performance

The regression equation for administrative staff performance is as follows:

HR Performance (Admin)=β0+β1(Role Clarity)+β2(Training and Development)+β3(Management Support)+β4(Work-Life Balance)+β5(Digital Transformation)+ϵ\text{HR Performance (Admin)} = \beta_0 + \beta_1(\text{Role Clarity}) + \beta_2(\text{Training and Development}) + \beta_3(\text{Management Support}) + \beta_4(\text{Work-Life Balance}) + \beta_5(\text{Digital Transformation}) + \epsilonHR Performance (Admin)=β0+β1 (Role Clarity)+β2(Training and Development)+β3(Management Support)+β4(Work-Life Balance)+β5(Digital Transformation)+ϵ

Results:

- Role Clarity: $\beta = 0.34$, $p = 0.01$ (significant)
- Training and Development: $\beta = 0.27$, $p = 0.05$ (significant)
- Management Support: $\beta = 0.39$, $p = 0.01$ (significant)
- Work-Life Balance: $\beta = 0.15$, $p = 0.17$ (not significant)
- Digital Transformation: $\beta = 0.28$, $p = 0.04$ (significant)

$$\text{HR Performance (Admin)}=0.40+0.34(\text{Role Clarity})+0.27(\text{Training and Development})+0.39(\text{Management Support})+0.15(\text{Work-Life Balance})+0.28(\text{Digital Transformation})+\epsilon$$

Interpretation: Role clarity, training and development, management support, and digital transformation are critical to administrative staff performance, with management support being the strongest predictor.

5. Discussion

For academic staff, the most significant predictors of performance are Teaching Support ($\beta = 0.31$) and Autonomy ($\beta = 0.25$), indicating that academic staff performance improves when they receive more teaching support and have greater autonomy in their roles. Digital Transformation also plays an important role ($\beta = 0.22$), reflecting the positive impact of integrating digital tools in academic settings.

For administrative staff, Management Support ($\beta = 0.39$) is the most influential factor, followed by Role Clarity ($\beta = 0.34$) and Digital Transformation ($\beta = 0.28$). This suggests that administrative staff are most likely to perform well when they feel supported by management and have a clear understanding of their roles.

The findings confirm the significant role of HR practices and strategic alignment in enhancing the performance of both academic and administrative staff. Academic staff performance is primarily influenced by autonomy, teaching support, and digital transformation, while administrative staff performance is driven by role clarity, management support, and training and development.

The results also highlight the critical importance of aligning HR practices with institutional strategies and the growing role of digital transformation in improving efficiency and productivity. These findings underscore the need for universities to adopt tailored HR practices that consider the specific needs of both academic and administrative staff.

These findings highlight the importance of tailored HR practices for different staff groups, with academic staff benefiting most from support in teaching and research, and administrative staff needing more clarity in their roles and management support. Furthermore, the growing role of digital transformation is acknowledged for both groups.

6. Conclusions

The existing body of literature provides a strong foundation for exploring the multifaceted nature of HR performance in universities. However, more comparative and context-specific studies are needed to understand how HR practices affect different categories of staff and to what extent institutional strategies are internalized by employees. This study aims to contribute by empirically examining these dynamics through the dual lens of academic and administrative personnel. Despite efforts to improve HR practices, several challenges persist in universities: misalignment between HR strategy and departmental needs, limited autonomy of HR departments, resistance to change, and underutilization of performance data (Graham, 2012). There is also a gap in empirical studies comparing the experiences of academic and administrative staff, particularly in non-Western and transitional contexts.

Understanding HR performance in higher education requires a shift from rigid, metric-based evaluations to more nuanced, context-sensitive, and human-centered approaches. As universities navigate complex societal, technological, and policy changes, HR performance must be redefined around values of agility, engagement, wellbeing, and strategic alignment. The dual focus on academic and administrative perspectives—often neglected in single-sided studies—offers richer insights into the collective functioning and sustainability of higher education institutions.

Recognizing and theorizing the dual perspective in HR performance within HEIs enables a more effective, equitable, and strategically coherent approach to human resource management. By differentiating the drivers of performance between academic and administrative staff, universities can maximize institutional effectiveness while supporting the well-being and development of their workforce.

The results indicate that both academic and administrative staff recognize the importance of HR practices, career development, and digital transformation in enhancing their performance. However, there are some discrepancies between the perceptions of academic and administrative staff regarding strategic alignment and workload management. The data suggests that universities can improve HR practices by fostering clearer communication, increasing support for digital initiatives, and ensuring that HR strategies are better aligned with institutional goals for both staff groups.

This study provides valuable insights into the factors influencing HR performance in universities. By examining the distinct perspectives of academic and administrative staff, the research emphasizes the need for differentiated HR practices that align with both the strategic goals of the university and the individual needs of staff. The results suggest that enhancing HR practices, particularly in the areas of teaching support, career development, and digital transformation, will improve HR performance and contribute to the overall success of higher education institutions.

Strategic Implications for HRM in Higher Education

1. Differentiated HR Policies: Institutions should develop tailored HR practices based on role type—reward systems, training programs, and career pathways must reflect role-specific expectations.
2. Cross-Sector Understanding: Fostering mutual understanding between academic and administrative units can improve interdepartmental collaboration and reduce conflict.
3. Strategic Alignment Mechanisms: Leadership must ensure that HR strategies in both domains are aligned with the university's vision, but through different communication and motivation channels.

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Budgeting System and Climate Change Governance: Challenges and Opportunities for Sustainable Development in Albania

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Abstract
The increasing impact of climate change underscores the need for effective public budgeting systems that integrate sustainability into financial planning and governance. This study examines the challenges and opportunities of incorporating climate-responsive budgeting into Albania's policy and fiscal framework, addressing key gaps in policy alignment, financial transparency, and institutional coordination. Grounded in public financial management (PFM) theories, green budgeting principles, and sustainability frameworks, this research explores how budgeting systems can enhance climate change governance and contribute to long-term sustainable development goals (SDGs). The study focuses on the research questions: What are the theoretical foundations that support the integration of budgeting and climate governance? Using a qualitative research approach, the study conducts a comprehensive review of Albania's national climate policies, budgetary processes, and international commitments.
Findings reveal that while Albania has made progress in aligning environmental policies with EU accession goals, significant challenges remain in fiscal planning, multi-sectoral coordination, and long-term climate finance mobilization. The study proposes policy recommendations for strengthening climate-sensitive budgeting, enhancing institutional capacity, and leveraging international funding mechanisms to improve Albania's climate governance framework. By bridging the gap between theory and practice, this research contributes to the broader discourse on green budgeting, sustainable public finance, and climate governance in developing economies. It further suggests that all these principles to be implemented in public financial management systems in Albania.

Key words: green budgeting, climate change, sustainable public finance, climate governance
JEL Classification: H72, Q56, Q58

1. Introduction

Climate change has become a central concern in global policy discussions, not only due to its environmental implications but also for its profound impact on countries' fiscal stability and development trajectories. The concept of sustainable development, formally introduced by the Brundtland Report (WCED, 1987), has since evolved into a comprehensive global agenda, culminating in the adoption of the Sustainable Development Goals (SDGs) by the United Nations in 2015. These goals, with a 2030 target, provide an integrated framework for addressing social, economic, and environmental challenges.

Despite increased attention to environmental sustainability in national policy agendas, there remains a substantial disconnect between strategic climate commitments and the mechanisms for their implementation—particularly in terms of public budgeting and expenditure. While sustainability reporting under the SDG framework has fostered greater transparency at the national level, monitoring and executing climate-related policies often fall to subnational entities. Local governments, given their proximity to affected communities and ecosystems, are well-positioned to play a critical role in climate governance (OECD, 2021).

However, recent literature highlights the fragmented and underdeveloped nature of climate-related financial planning at the municipal level. Cohen, Manes-Rossi, and Brusca (2023) reveal that while cities across Europe have publicly committed to sustainable development, environmental indicators such as carbon emissions, renewable energy use, and waste reduction targets are rarely integrated into formal public sector accounting and budgeting systems. This implementation gap is particularly acute in developing countries like Albania, where fiscal and institutional capacities at the local level remain limited (UNDP, 2022).

Albania, despite its relatively low greenhouse gas (GHG) emissions compared to EU averages (INSTAT, 2021), is highly vulnerable to the effects of climate change. The government has taken significant steps to align with international climate commitments, including the ratification of the Paris Agreement and the adoption of a National Climate Change Strategy in 2019. However, the translation of these commitments into tangible budgetary actions remains at an early stage. Green budgeting tools, successfully implemented in several OECD countries (OECD, 2020), are not yet systematically embedded in Albania's public financial management framework.

The absence of a structured climate budgeting system at the municipal level poses a significant barrier to achieving the SDGs and fulfilling Albania's Nationally Determined Contributions (NDCs). Strengthening local fiscal frameworks to support climate mitigation and adaptation is not only essential for environmental sustainability but also for ensuring equitable and resilient economic development.

This study aims to explore the theoretical foundations and practical challenges of integrating climate-responsive budgeting into public financial systems, with a particular focus on Albania. By drawing on international best practices and analyzing current gaps in policy and institutional arrangements, the study seeks to propose actionable recommendations to support climate-informed fiscal governance in the country. This study employs a qualitative research approach, integrating policy analysis and comparative case studies to examine Albania's climate-related public budgeting framework. Data collection involved a thorough document analysis of key sources, including Albania's National Energy and Climate Plan (NECP), national budget reports, and relevant EU policy frameworks. Comparative case studies from selected OECD states were used to identify transferable lessons and contextual best practices. A comparative assessment was then carried out to evaluate Albania's budgeting practices against established international standards and effective models observed in peer countries.

2. Theoretical Framework and Literature Review

Understanding how budgeting processes can be aligned with climate objectives—particularly at the municipal level—requires a multidimensional theoretical framework that bridges public financial management (PFM), economics, and climate governance. The integration of climate-related considerations into public budgets is increasingly recognized as a core element of sustainable development, particularly in decentralized governance systems where local governments play a vital role in implementation.

At the core of green budgeting theory lies the framework of Public Financial Management, which provides the institutional and procedural backbone for planning, executing, and monitoring public expenditures. Several scholars (Price, 2020; Bellon & Massetti, 2022a, 2022b) emphasize that PFM, when guided by welfare economics and cost-benefit analysis, offers a structured approach for internalizing environmental externalities into fiscal decision-making. This approach evaluates the long-term socio-economic and environmental returns on public investment, facilitating more rational, climate-sensitive allocation of resources.

The IMF's Green Public Financial Management (GPFM) Framework builds on these economic principles, offering practical tools—such as climate budget tagging, green expenditure reviews, and sustainability audits—for embedding climate considerations into the fiscal cycle. These instruments are especially relevant for municipalities, where budget processes are typically narrower in scope but more closely aligned with frontline service delivery and community resilience.

Green budgeting is not only a technical challenge but also a political one. Russel and Benson (2014) propose a framework rooted in macro-level political dynamics, emphasizing the role of partisanship, institutional norms, and political will in shaping environmental budgeting outcomes. In local government contexts, political alignment, leadership commitment, and institutional autonomy are key determinants of whether climate goals are translated into fiscal priorities.

Furthermore, Rietig (2019) and Kozarezenko (2023) highlight the importance of polycentric governance—a system in which multiple actors at different levels of government engage in shared climate governance. This is especially relevant in developing countries where national and local actors must coordinate under complex administrative and fiscal constraints.

This theoretical framework synthesizes economic, political, and ethical perspectives to explain how and why municipalities can—and should—integrate climate considerations into their budgeting processes. While public financial management provides the procedural foundation, broader governance dynamics and normative commitments shape the feasibility and effectiveness of green budgeting practices. In developing countries such as Albania, applying this framework involves not only technical reforms but also institutional strengthening and a cultural shift toward sustainability-oriented fiscal governance.

Based on Public Financial Management (PFM) theory and its application to climate-sensitive (green) budgeting, we aim on identifying the main variables that focus on how well municipalities integrate climate considerations into the budget cycle. We have considered the Institutional Framework and Budget Formulation as two main independent variables that impact the level of climate integration in municipal budgeting.

3. Methodology

This study adopts a qualitative research design, combining document analysis, comparative case studies, and expert interviews. Key policy documents analyzed include Albania's National Energy and Climate Plan (NECP), national budget reports, and EU environmental policy frameworks. Comparative case studies from EU member states and Western Balkan countries were used to extract best practices in climate budgeting. Semi-structured interviews with national and local government officials, as well as international climate finance experts, provided additional insight into Albania's institutional landscape. Data were analyzed using thematic content analysis to identify recurring challenges and policy gaps.

3. Climate Budgeting and Governance: Lessons from OECD Countries

Albania has shown a firm commitment to climate finance and the European Union's environmental policies by aligning its national strategies with international climate agreements, including the Paris Agreement and the UNFCCC. Strategic documents such as the National Strategy for Development and Integration 2015–2020 (NSDI-II) and the National Climate Change Strategy highlight the country's dedication to sustainable economic growth, environmental protection, and emission reduction. To meet its climate objectives, Albania must embed its international commitments into domestic fiscal frameworks, ensuring that its Nationally Determined Contributions (NDCs) are effectively translated into budgeted and implementable policies. This requires integrating climate priorities into medium-term planning instruments and budget processes, while aligning these efforts with the Sustainable Development Goals (SDGs) and the EU's environmental frameworks. Such integration would enhance the effectiveness of both mitigation and adaptation strategies in key sectors, including energy, agriculture, waste management, and land use.

The Government of Albania's Revised Nationally Determined Contribution (NDC) outlines an ambitious target of reducing greenhouse gas (GHG) emissions by 20.9% by 2030, relative to 2016 levels. This pledge reinforces the country's EU integration goals and reflects a clear intent to transition toward a low-carbon and climate-resilient development model. The NDC underscores the need to mainstream climate mitigation and adaptation across sectors such as energy, agriculture, and forestry. However, despite the existence of a comprehensive strategic framework, implementation remains hampered by key challenges. These include the absence of systematic costing for climate-related measures, weak alignment between national budgets and climate policy objectives, and the lack of robust mechanisms to track climate-related expenditures. Additionally, institutional fragmentation and limited inter-ministerial coordination undermine effective implementation. These shortcomings highlight the risk that

Albania's climate goals may not be fully realized without more integrated public finance management and enhanced cross-sectoral governance (Republic of Albania, 2021, pp. 25–26). While Albania has embraced sustainable development objectives, it continues to face significant challenges in operationalizing climate-responsive budgeting. These include limited institutional coordination, inadequate financing mechanisms, and weak monitoring and evaluation systems. As noted by Balliu (2024), there is a low degree of alignment between sectoral strategies and the SDGs, a lack of coherence between national policy objectives and global SDG indicators, and the absence of a dedicated unit for SDG monitoring and reporting. In contrast, OECD countries have established advanced frameworks for climate budgeting that offer valuable lessons for Albania. These frameworks enhance transparency, accountability, and the effective allocation of public resources for climate action. Countries such as France and Sweden have adopted green budgeting approaches that systematically assess the environmental impact of fiscal policies and integrate sustainability into public financial management. Nations like Germany and the Netherlands implement climate budget tagging systems that track and report climate-related expenditures at both national and subnational levels. These tools facilitate more strategic resource allocation and improved monitoring of climate finance. In many OECD countries, climate budgeting is linked to long-term sustainability strategies such as the European Green Deal. This ensures that financial planning is consistent with the overarching goal of a low-carbon, climate-resilient economy.

By drawing on the experiences of OECD countries, Albania can strengthen its own climate budgeting framework. This would involve institutionalizing green budgeting practices, enhancing coordination among ministries, and developing transparent tracking and reporting mechanisms. Ultimately, such reforms would help bridge the gap between climate ambition and effective implementation, contributing to both national resilience and regional climate commitments.

4. Challenges in Integrating Budgeting and Climate Governance in Albania

Despite Albania's formal commitment to international climate frameworks, including the ratification of the Paris Agreement and the adoption of a National Climate Change Strategy, the practical integration of climate considerations into national budgeting and governance structures remains limited. The 2018 report on the harmonization of the Sustainable Development Goals (SDGs) with Albania's sectoral policies reveals critical shortcomings, particularly regarding SDG 13: Climate Action. The assessment indicates a partial and uneven alignment with key targets under this goal, notably Targets 13.1 and 13.2, which call for strengthening resilience and integrating climate measures into national policies, strategies, and planning.

One of the core challenges lies in the absence of a comprehensive disaster risk management (DRM) framework. Without a cohesive DRM system, Albania struggles to mainstream climate risk assessments and adaptation planning into sectoral development strategies. This weakness hampers the country's ability to build climate resilience across vulnerable sectors such as agriculture, water resources, and urban infrastructure.

Furthermore, institutional fragmentation continues to impede the horizontal and vertical integration of climate governance. Coordination among ministries, local governments, and implementing agencies remains insufficient, often resulting in overlapping responsibilities, resource inefficiencies, and gaps in implementation. The lack of a unified national climate finance strategy exacerbates these issues, limiting access to and the effective use of international funding mechanisms such as the Green Climate Fund and the Adaptation Fund.

Target 13.3, which focuses on improving climate change education, awareness, and institutional capacity, demonstrates particularly low levels of alignment and implementation in the Albanian context. Public awareness campaigns are sporadic and underfunded, while climate education is not systematically incorporated into school curricula or professional training programs. As a result, societal engagement and stakeholder participation in climate governance remain weak.

In addition, the national monitoring and reporting framework for climate action is significantly underdeveloped. According to the 2018 analysis, only two of the global SDG indicators related to climate action are currently available at the national level. The majority of relevant indicators are either not collected or not standardized to align with international methodologies. This lack of data infrastructure hinders evidence-based policymaking, progress tracking, and accountability.

These challenges collectively point to the need for a comprehensive overhaul of Albania’s institutional and policy frameworks for climate budgeting and governance. Strengthening institutional capacity, enhancing data collection systems, and improving inter-ministerial coordination are essential steps. Furthermore, aligning national climate strategies with budgetary processes and international financing instruments would significantly bolster Albania’s ability to deliver on its climate commitments and adapt to the increasing risks posed by climate change.

5. Conclusion

Albania’s pathway toward climate-responsive public finance and governance reflects a strong strategic intent but remains at a formative stage of implementation. While the country has developed a comprehensive policy framework—anchored in commitments to the Paris Agreement, the Sustainable Development Goals (SDGs), and EU environmental directives—substantial gaps persist in translating these commitments into effective fiscal and governance mechanisms.

The analysis presented in this study reveals that Albania faces significant challenges in aligning budgetary processes with climate objectives. These include limited institutional coordination, weak integration of climate considerations into sectoral planning and budgeting, underdeveloped monitoring and reporting systems, and constrained access to international climate finance. Moreover, the insufficient alignment between national policies and global climate indicators underscores the need for a more coherent and data-driven approach to climate governance.

Drawing on lessons from OECD countries, this study emphasizes the importance of adopting green budgeting practices such as climate budget tagging, long-term fiscal planning aligned with sustainability goals, and enhanced transparency in climate-related expenditures. These practices can serve as a roadmap for Albania to develop a more integrated and accountable climate finance architecture.

By contributing to the emerging body of literature on climate budgeting in developing and transition economies, this research offers actionable insights for policymakers, development partners, and civil society actors. Strengthening Albania's climate finance ecosystem will require sustained political will, institutional reforms, capacity-building, and the mobilization of both public and private financial resources.

Future research should explore empirical methods for assessing climate-related expenditures, evaluate the effectiveness of existing fiscal instruments, and examine the role of private sector investment in advancing national climate goals. A deeper understanding of these dynamics will be essential to support Albania's transition toward a low-carbon, climate-resilient development model.

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The Impact of Remittances on Economic Development and the Labor Market Structure in Albania

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Abstract
This study examines the impact of remittances on economic development and labor market structure in Albania, focusing on both short-term and long-term effects. The methodology follows a quantitative approach, utilizing data from the Bank of Albania, INSTAT, and international organizations for the period 2015-2024. The data analysis is conducted using multiple regression models to assess the correlation between remittances, economic growth, and labor market shifts.
The findings indicate that remittances positively influence consumption and investment but also contribute to a decrease in labor force participation due to economic dependency. The study adds to the existing literature by providing policy recommendations to enhance the productive use of remittances and strengthen labor market participation in Albania.

Keywords: remittances, economic development, labor market, Albania, dependency effect, investment, regression analysis
JEL Codes: F24,O15,J21,E22

1. Introduction

The phenomenon of remittances has gained significant attention in recent decades as a vital component of economic and social development in many low- and middle-income countries. In Albania, remittances constitute a crucial source of external income and have consistently played a stabilizing role throughout periods of economic transition and political upheaval. Following the fall of communism in the early 1990s, Albania experienced a massive wave of emigration, leading to the formation of a widespread diaspora, particularly in countries such as Greece, Italy, Germany, the United States, and more recently, the United Kingdom. As a result, remittance flows began to account for a substantial share of the country's GDP—at times reaching up to 15%—and have become a key factor in household economic survival, consumption smoothing, and investment decisions.

Despite the clear fiscal and social benefits, the implications of remittance dependence are far from unambiguous. While these inflows ease immediate financial constraints and promote improved standards of living, they also raise concerns about long-term sustainability, labor market engagement, and the emergence of economic dependency. Households that receive remittances may deprioritize participation in the formal labor market, thereby reducing the country’s productive capacity. At the macroeconomic level, a reliance on remittances may distort economic incentives and reduce the urgency for structural reforms and employment generation strategies.

In the Albanian context, these dynamics are particularly salient. The country continues to face persistent labor market challenges, including high youth unemployment, informality, skill mismatches, and regional inequalities. At the same time, Albania is actively pursuing integration into the European Union, a process that necessitates greater alignment with EU labor standards, productivity benchmarks, and social inclusion measures. Therefore, understanding the multifaceted impact of remittances on Albania’s economic development and labor market structure is not only academically relevant but also critically important for national policy planning and international cooperation.

This study aims to contribute to this discourse by analyzing the short- and long-term effects of remittances on key economic indicators and labor market participation in Albania over the period from 2015 to 2024. The goal is to unpack the dual nature of remittances—as both a stabilizing force and a potential source of labor disengagement—and to offer policy recommendations for maximizing their developmental impact.

2. Literature Review

The academic discourse on remittances encompasses a broad array of perspectives, ranging from their impact on household welfare and economic stability to their role in shaping migration cycles and labor markets. Studies consistently identify remittances as a significant contributor to financial security in recipient economies, particularly where institutional support systems are limited.

2.1 Remittances and Economic Growth

One of the dominant narratives in the literature highlights the positive contribution of remittances to macroeconomic growth. Ratha (2013) frames remittances as a consistent and resilient inflow that often surpasses official development assistance and foreign direct investment. These funds are shown to support consumption, facilitate access to education and healthcare, and provide the capital needed for small-scale enterprise development. Giuliano and Ruiz-Arranz (2009) note that in environments with limited financial services, remittances act as de facto credit mechanisms, enabling investments that might not otherwise occur.

2.2 Remittances and Labor Market Participation

Conversely, a more cautious body of literature warns of the potential for remittances to undermine labor force participation. Chami et al. (2003) argue that because remittances are non-labor income, they can reduce recipients’ incentives to engage in the workforce. This argument is particularly relevant in settings where remittances are regular and predictable, leading to behavioral shifts toward economic inactivity. These dynamics may be further exacerbated in cases where education and job opportunities are either inadequate or misaligned with labor market needs.

Other scholars offer a more nuanced perspective, suggesting that remittances can promote self-employment and micro-enterprise formation. For instance, Woodruff and Zenteno (2007) found that in Mexico, remittances often served as seed capital for businesses in migrant-sending communities. This indicates that the effects of remittances are not monolithic but vary depending on local economic conditions, the structure of remittance flows, and household-level decision-making.

2.3 The Albanian Context

In the Albanian context, remittances have historically played a stabilizing role during periods of national crisis and transition. According to Barjaba and Barjaba (2015), the Albanian diaspora's financial contributions were vital in supporting families during the post-socialist economic collapse and subsequent regional instabilities. More recently, reports from INSTAT (2022) suggest that remittance-receiving households enjoy higher consumption levels but tend to invest less in long-term economic activities such as education or entrepreneurship. These findings raise questions about the sustainability of remittance-driven growth in the absence of complementary domestic reforms.

Further complexity arises from the fact that a substantial portion of remittances continues to flow through informal channels, limiting their visibility and integration into national economic planning. OECD (2021) and Plaza and Ratha (2011) emphasize the importance of formalizing remittance transfers through digital and banking infrastructure, which could enable better monitoring, taxation, and policy alignment.

Chart 1. Remittance Inflows in Albania (2015–2024)

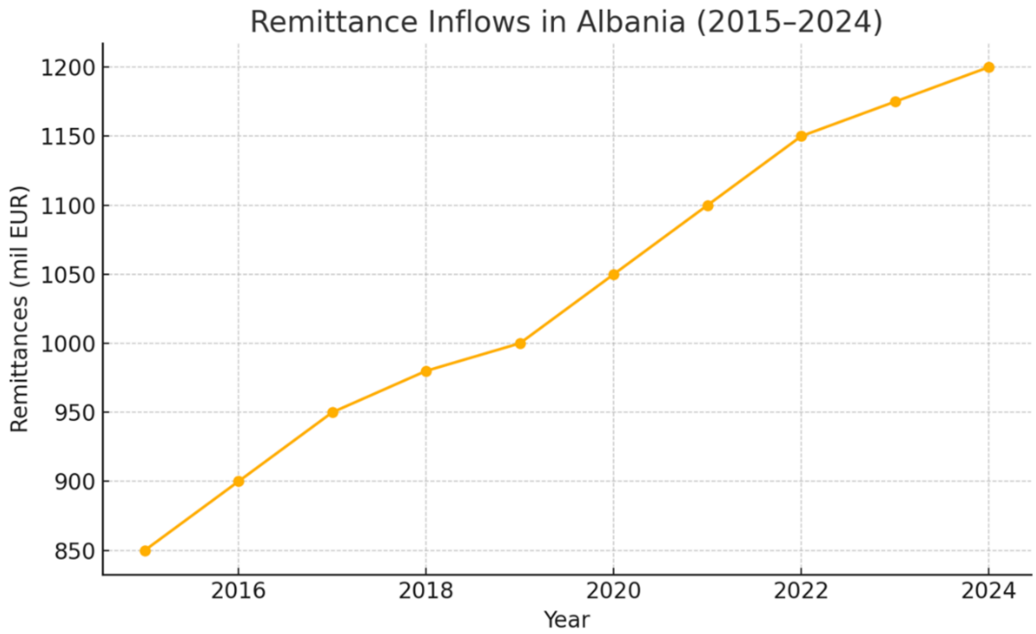


Chart 2. Labor Participation Rate (2015 – 2024)

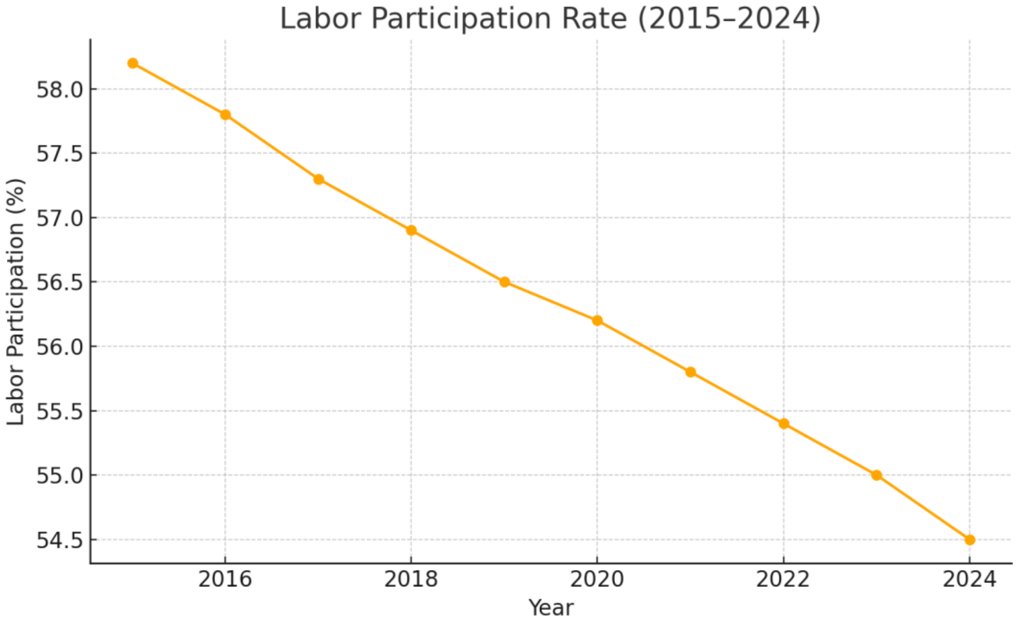
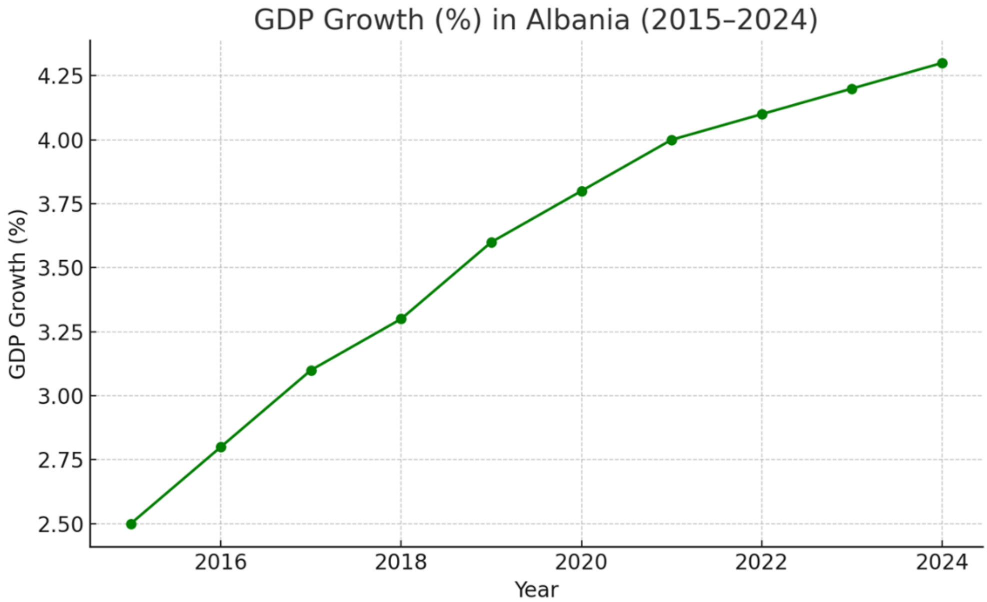


Chart 3. GDP Growth (%) in Albania



2.4 Comparative Regional Insights

Comparative insights from Kosovo, Moldova, and the Philippines highlight both the universality and context-specificity of remittance dynamics. In Kosovo, remittances support household income but are rarely reinvested. Moldova faces similar challenges with labor force participation, while the Philippines—despite having an advanced labor export model—struggles with the social costs of long-term migration. These examples reinforce the notion that the benefits of remittances depend heavily on institutional frameworks, policy choices, and the strategic orientation of both senders and recipients.

2.5 Emerging Trends and Theoretical Perspectives

Theoretical approaches such as the New Economics of Labor Migration (NELM) provide a useful analytical lens. NELM views remittances as part of household strategies to manage risk and overcome credit constraints, rather than mere altruistic transfers. According to Taylor (1999), households may send members abroad specifically to diversify income sources and gain access to capital that can support domestic investments. This perspective contrasts with classical migration theories, which focus predominantly on wage differentials and labor supply-demand mismatches.

In summary, the literature converges on a central insight: remittances are neither inherently beneficial nor harmful. Their impact depends on how they are used, the environment in which they circulate, and the policies that guide their integration into national development agendas. In Albania, where remittances remain a cornerstone of household finance, the challenge is to amplify their developmental potential while minimizing the risks of economic dependency and labor disengagement.

3. Methodology

This study employs a quantitative research design using secondary data from the Bank of Albania, INSTAT, Eurostat, and World Bank databases. The analysis covers the period from 2015 to 2024, focusing on the most recent trends and dynamics. Data were analyzed on an annual basis. The statistical analysis was performed using SPSS software, applying a multiple linear regression model to explore the relationships between remittance inflows, economic development, and labor market participation. The variables are structured as follows:

- **Dependent Variable:** GDP per capita at constant prices (as an indicator of economic growth);
- **Independent Variables:** Remittance inflows (EUR), labor force participation rate, gross capital formation;
- **Control Variables:** Inflation rate, education index, and employment rate.

Descriptive statistics and correlation matrices were first produced to understand the distribution and initial relationships between variables. To address the temporal effects of remittances on the economy, time-lagged variables were introduced into the regression model. The issue of multicollinearity among predictors was evaluated using Variance Inflation Factor (VIF) analysis within SPSS, ensuring the robustness of the model.

Additionally, a time-series chart was developed to visually represent trends between remittance inflows and labor force participation over the study period.

This graphical representation aids in identifying patterns and possible structural shifts over time.

4. Results and Discussion

The empirical findings indicate that remittances contribute positively to GDP growth by increasing consumption and investment in key sectors such as real estate and small enterprises. These financial transfers have allowed households to meet their basic needs, improve housing quality, and afford better healthcare and education services. In several cases, remittances have facilitated the start-up of small businesses, thereby promoting local entrepreneurship and community-level economic development. For many families, remittances function as a form of social insurance, providing financial stability during times of crisis or unemployment. Moreover, by relieving immediate income pressures, they may enable recipients to invest in long-term assets, such as the education of children or agricultural equipment in rural areas.

Despite these advantages, remittances are not without drawbacks. One of the most cited concerns is the reduction in labor market participation among working-age recipients. As remittances represent a non-labor source of income, they can discourage active job-seeking behavior, particularly when transfers are regular and substantial. This phenomenon is especially pronounced among younger populations, where remittances may delay entry into the workforce or reduce the incentive to pursue formal employment. Over time, this can lead to a dependency culture, where households rely on external income rather than engaging in productive economic activities domestically.

Additionally, the large volume of remittance inflows into sectors like housing has led to price inflation in real estate markets, making it more difficult for non-recipient households to afford homes. The over-reliance on remittances can also distort local labor markets, leading to skill mismatches and underutilization of domestic human capital. When remittance income substitutes rather than complements labor income, it may weaken productivity growth and deter innovation, especially if recipients do not invest in business creation or professional development.

Therefore, while remittances are an indispensable financial resource for many households, their broader economic implications must be carefully managed. Effective policy must balance the short-term welfare gains they offer with the long-term need to sustain labor participation and productive economic engagement.

5. Policy Implications

Addressing the complex effects of remittances in Albania requires a multi-dimensional policy approach that simultaneously nurtures their developmental potential and mitigates their unintended socioeconomic consequences.

First, there is a clear need to enhance financial literacy among remittance-receiving households. Many families use remittances primarily for consumption or housing, which, while beneficial in the short term, may not lead to sustained economic gains. By promoting financial education and awareness, especially in rural and semi-urban areas, policymakers can help households understand the value of saving, investing, and diversifying income sources. Targeted programs that teach budgeting, savings management, and investment planning could empower families to channel remittances into productive ventures.

Second, the government should establish and strengthen institutional frameworks that encourage the use of remittances for entrepreneurship and job creation. This could include tax incentives for small business development, microcredit schemes for return migrants, and the creation of community-based investment funds. These measures would not only stimulate local economies but also offer employment opportunities, reducing reliance on migration as a livelihood strategy. Encouraging the diaspora to invest in local startups, tourism initiatives, or green energy projects can create more inclusive and sustainable growth trajectories.

A critical area of intervention involves engaging the Albanian diaspora through formal mechanisms. Policies aimed at leveraging diaspora capital—such as diaspora bonds, co-investment funds, or matching grant programs—can transform remittances from passive inflows into active components of national development. Offering dual citizenship and maintaining strong bilateral agreements with countries hosting large Albanian migrant populations can enhance trust and participation in such initiatives.

Moreover, labor market policies must be aligned with remittance flows to prevent labor disengagement. This could involve developing flexible employment schemes, vocational training programs, and upskilling initiatives that target youth and unemployed individuals, particularly in regions with high emigration rates. Encouraging formal employment and reducing barriers to workforce entry—such as excessive regulation or lack of childcare—can complement remittance income and maintain an active labor force.

Finally, policy coherence is essential. Remittances intersect with education, health, housing, migration, and investment policies. A coordinated, cross-sectoral strategy that integrates remittance management into broader economic planning will be more effective than isolated interventions. Regular data collection, monitoring, and collaboration with international partners such as the World Bank, IOM, and the EU can provide evidence-based support for designing and adjusting policies over time.

In conclusion, while remittances provide invaluable support to Albanian households, their full developmental potential can only be realized through deliberate, inclusive, and future-oriented policy frameworks. These must combine financial empowerment, institutional support, diaspora engagement, and labor market integration to transform remittances from a safety net into a foundation for long-term prosperity.

6. Conclusions

Remittances have long been recognized as a critical financial lifeline for many developing countries, and Albania is no exception. As this study has shown, these financial flows play a complex dual role within the national economy. On the one hand, remittances provide substantial support to households by enabling higher levels of consumption, improving access to education and healthcare, and offering a degree of financial resilience against economic shocks. They also stimulate entrepreneurial activity in certain contexts, particularly when channeled toward business investments or used as seed capital for self-employment.

However, the findings also reveal that the long-term implications of remittance dependency must not be overlooked. A significant concern highlighted throughout this study is the apparent decrease in labor force participation, especially among younger populations. When households receive stable and regular remittance income, there is a risk that work incentives diminish and that individuals delay or forgo participation in the domestic labor market. This dynamic can contribute to a culture of economic passivity and overreliance on external income sources, undermining the broader objective of inclusive, self-sustaining development.

Moreover, while remittances positively influence GDP and consumer spending, their impact on structural transformation remains limited without supportive institutional frameworks. In Albania, this underscores the importance of implementing policies that not only facilitate remittance flows but also guide their allocation toward productive and socially beneficial outcomes. Without this strategic redirection, remittances may inadvertently contribute to economic stagnation rather than progress.

The study further emphasizes the need for a coordinated and forward-thinking policy environment that leverages the potential of the Albanian diaspora, promotes financial inclusion, and strengthens domestic labor capacity. By creating pathways for investment, skill-building, and reintegration of return migrants, Albania can move beyond the short-term welfare benefits of remittances toward a more resilient and dynamic economic model.

Ultimately, remittances should be seen not only as private household transfers but as opportunities for broader development. Their effectiveness depends greatly on how they are managed, both at the household level and through national policy. A deliberate, inclusive, and evidence-based approach will be key to transforming remittances from a coping mechanism into a catalyst for long-term economic and social transformation.

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The Life Insurance Market in Albania: An Overview of Developments and Perspectives

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Abstract
This article analyzes the life insurance market in Albania, assessing its historical development, current level of progress and future prospects. Although the Albanian life insurance sector remains at a relatively early stage of maturity, it has exhibited consistent growth in recent years. Drawing on available data and prevailing market trends, the study identifies key drivers behind this development, including increased consumer awareness, improving macroeconomic conditions and the diversification of insurance products offered by both domestic and international firms.
The paper also sheds light on the challenges hindering the full development of the market. Among these are low levels of financial literacy and entrenched cultural preferences, that favor traditional savings over formal insurance mechanisms. Nevertheless, the study highlights substantial growth opportunities, particularly in the areas of digitalization and the personalization of insurance offerings, tailored to evolving consumer needs.
In conclusion, the study argues that while the life insurance market in Albania is still emerging, it possesses significant growth potential in the future, especially if insurance companies and regulatory institutions collaborate to address existing challenges and promote broader adoption of life insurance products.

Key words: consumer awareness, insurance companies, life insurance, regulatory institutions.
JEL classification: D11, D14, G22, G28

1. Introduction

In recent years, the insurance market in Albania has experienced slow yet steady development, particularly following the country's transition to a market-oriented economy in 1991 and the subsequent liberalization of private sectors. Insurance has gradually become an increasingly important component of financial security for both individuals and businesses. Nevertheless, there remains considerable room for further growth and development within the sector. According to data from the Albanian Financial Supervisory Authority (AFSA), the insurance market is predominantly composed of non life insurance, which accounts for over 90% of total written premiums. In contrast, life insurance remains an underutilized product, despite having recorded modest growth in recent years.

Life insurance represents one of the most essential pillars of the insurance sector, offering financial protection to an individual's dependents in the event of loss of life, Heo (2020). Nonetheless, in Albania, the development of this segment of the insurance market has lagged behind other lines of insurance, most notably motor and health insurance.
However, many insurance companies have begun to introduce new and tailored life insurance products, designed to meet the specific needs of the Albanian market. Concurrently, there have been efforts to raise public awareness regarding the importance of life insurance, particularly among individuals with dependents such as children and family members, who may be financially impacted in the event of a loss of income due to an unforeseen tragedy.

2. Literature Review

The life insurance industry is essential for economic development, as it facilitates long-term savings, promotes capital market development and ensures financial security. Life insurance encompasses two principal components: capital accumulation and financial protection. The capital accumulation aspect, manifested through savings and investment-oriented policies, enables policyholders to steadily build wealth over time. Through consistent premium contributions, individuals invest in these plans, with insurers typically allocating the collected funds to generate returns. Upon reaching predefined milestones, such as policy maturity or retirement, policyholders are granted access to the accumulated capital, often enhanced by accrued interest or investment gains. This type of policy facilitates strategic financial planning, allowing individuals to allocate resources toward long-term goals, including funding education, purchasing a home, or securing retirement income.
Simultaneously, life insurance serves a critical function in safeguarding the financial well-being of individuals and their dependents, offering essential protection against unforeseen life events, Zinyoro&Aziakpono (2023).
Several studies have explored various facets of life insurance. Some studies focus on the association between life insurance and macroeconomic variables, noting a close interaction between the two, Horvey & Odei-Mensah (2024). The International Association of Insurance Supervisors (IAIS), highlighted in their 2023 Global Insurance Market Report, that interest rate, liquidity and credit risks in a challenging macroeconomic environment, are significant factors affecting the life insurance sector. Other studies, highlight the increasing competition in the insurance sector and emphasize the importance of efficient service delivery to policyholders, for expanding insurance coverage and market share. Some researchers found that service quality is a key influencing factor in the insurance market, suggesting that companies focusing on service excellence can gain a competitive advantage, J.D.Power (2023). Service quality has a significant impact on customer satisfaction. Studies have shown that various service quality factors, such as agent performance, functional services and the overall organization, directly influence the overall level of consumer satisfaction. Hien (2023), evaluated the impact of service quality variables on customer satisfaction, regarding life insurance claim settlement services, finding that factors like employee empathy, significantly affect customer satisfaction. Mugesh et.al (2023), in their study assessed customer satisfaction

related with life insurance service quality, revealing that issues like slow service and complicated procedures, negatively impact the customer experience. Furthermore, some studies concluded that proficiency, physical and ethical perfection and functionality, significantly impact the overall service quality of life insurance. Deloitte's 2023 Life Insurance and Annuity Product Development Study, found that product development is core to insurers' growth strategies, with a focus on aligning product attributes with customer needs, to drive success in the insurance market. The 2023 Global Insurance Market Report by The International Association of Insurance Supervisors (IAIS), discussed structural shifts in the life insurance sector, including changes in product offerings to meet evolving consumer demands, highlighting the importance of product features in policy selection.

3. The Evolution of Insurance in Albania: A Historical Overview

The history of insurance in Albania reflects the country’s broader socio-economic and political transformations throughout the 20th century. Initially introduced in the 1930s, the concept of insurance gained traction primarily among entrepreneurs and business owners in major urban centers such as Vlorë, Durrës and Tirana. During this period of economic growth, several Italian insurers began operations in Albania, offering life and property insurance tailored to the needs of a burgeoning commercial class. Life insurance, in particular, became a common safeguard for businessmen engaged in regional trade.

This promising trajectory was abruptly disrupted by the onset of the Second World War, which brought political and economic instability. The situation further deteriorated following the establishment of the communist regime, which fundamentally altered the legal and economic foundations necessary for insurance. The 1976 Constitution abolished private property rights, effectively eliminating demand for insurance services. What little remained of the sector, administered through the Institute of Savings Banks, was eventually phased out under the collectivist policies of the time.

A revival of the insurance industry began in the early 1990s, following the fall of communism and Albania’s shift toward a market-based economy. The state-owned Insurance Institute resumed its operations, offering life and non-life products. As the financial sector liberalized and private enterprises emerged, the insurance market expanded, aligning itself with international standards and practices. This period marked a renewed emphasis on risk management and financial security, signaling the reestablishment of insurance as an essential pillar of Albania’s economic infrastructure.

4. Discussion. Insights into Albania's Life Insurance Sector.

Life insurance, as a vital component of the financial system, functions both as a mechanism of social protection and as a tool for economic development, by fostering long-term savings and capital market growth, Moreno et.al (2020). In Albania, however, life insurance remains underdeveloped, with significantly lower penetration and density, compared to regional and European benchmarks. According to data from the Albanian Financial Supervisory Authority, the volume of life insurance premiums has shown a consistent upward trend, although it still represents a relatively small share of the overall insurance market (approximately 9%). Several insurance companies currently operate in the Albanian market, offering various life insurance products. These companies provide a broad range of life insurance services, in order to diverse customer needs, designed to meet both individual and corporate coverage requirements. These products include:

- ✓ Return of premium life insurance, which provide coverage for a specified term and at the end of the period, the policyholder receives a refund of the premiums paid, provided no claim has been made
- ✓ Investment linked life insurance, which combine life insurance coverage with the opportunity to invest in financial markets, offering both protection and potential financial returns
- ✓ Group life insurance, typically offered by employers as part of employee benefits packages. These policies provide life insurance coverage to a group of employees under a single contract.

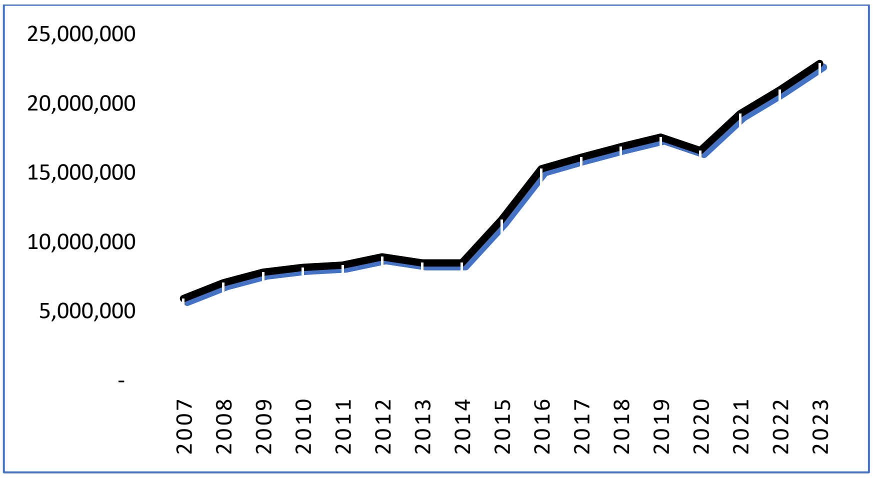
The insurance market in Albania is supervised by the Albanian Financial Supervisory Authority (AFSA), which oversees that insurance companies, operate in compliance with established laws and regulations. AFSA also promotes transparency and the protection of consumer rights, playing a key role in fostering trust and stability within the insurance sector.

Albania ranks among the countries with the lowest expenditure on insurance, dedicating only around 1% of its Gross Domestic Product to insurance services. Despite recent efforts to promote life insurance in Albania, several structural and socio-economic challenges continue to hinder its development and broader adoption, such as:

- ✓ Limited Public Awareness: A significant segment of the population does not view life insurance as a necessary financial safeguard, or a viable long-term investment tool. This general lack of awareness, diminishes demand and undermines the perceived utility of life insurance products.
- ✓ Income Constraints and Persistent Unemployment: The relatively low average income levels, combined with ongoing challenges in the labor market, constrain individuals' capacity to commit to regular premium payments. These financial limitations directly affect participation rates in the life insurance sector.
- ✓ Low Institutional Trust: The legacy of Albania's centralized economic past, compounded by widespread financial illiteracy, has contributed to a prevailing distrust toward financial institutions. This skepticism poses a considerable barrier to the acceptance and expansion of life insurance services.
- ✓ Underdeveloped Capital Markets: Life insurance is inherently linked to long-term investment strategies; however, the limited scope and maturity of Albania's capital markets restrict the availability of stable and attractive investment vehicles. This underdevelopment impedes the creation and sustainability of competitive, diversified life insurance products.

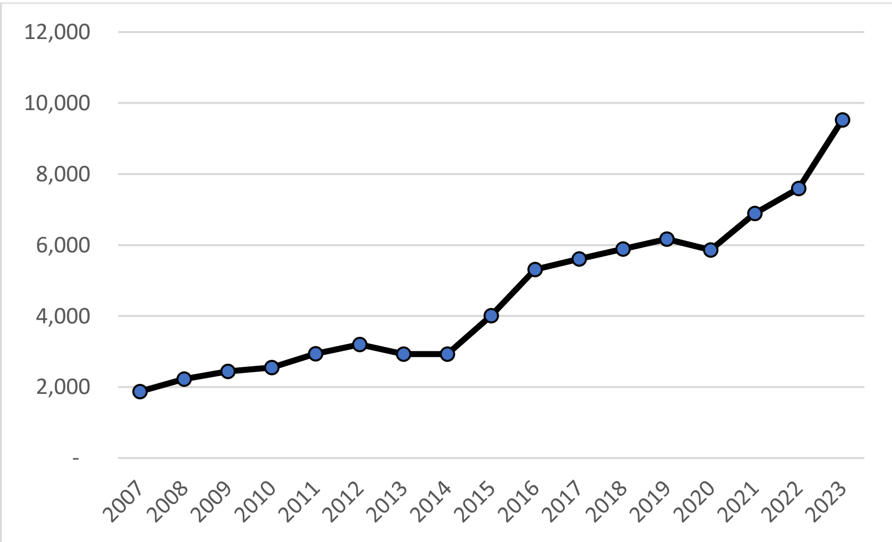
Although the figures show a year-on-year increase, Albania continues to rank last in the region and in Europe in terms of insurance density. According to economic experts, this is due to a deeply rooted mentality that the state should be responsible for addressing every problem. Albania constitutes a relatively small insurance market, characterized above all by a markedly low level of voluntary insurance culture. A more detailed analysis of the market structure, reveals that it is predominantly composed of mandatory insurance products. These are primarily concentrated in compulsory motor insurance, particularly third-party liability coverage. Furthermore, a significant share of the market consists of insurance policies required for vehicles operating outside the country, such as those covered under the Green Card system. Furthermore, the life insurance segment is predominantly comprised of debtor's life insurance, which accounted for 71% of the total in 2023. This type of insurance is mandatorily, required by banks as a condition for granting individual loans, serving as a guarantee for loan repayment.

Figure 1: Trend of gross written premium, 2007-2023 (000 ALL)



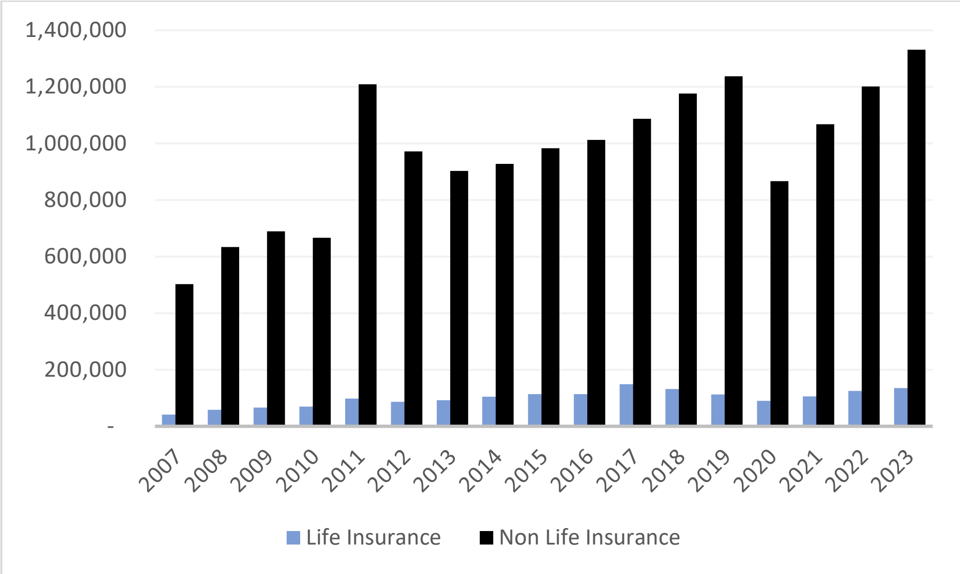
Source: Albanian Financial Supervisory Authority, author's calculation

Figure 2: Trend of premium per capita, 2007-2023 (ALL)



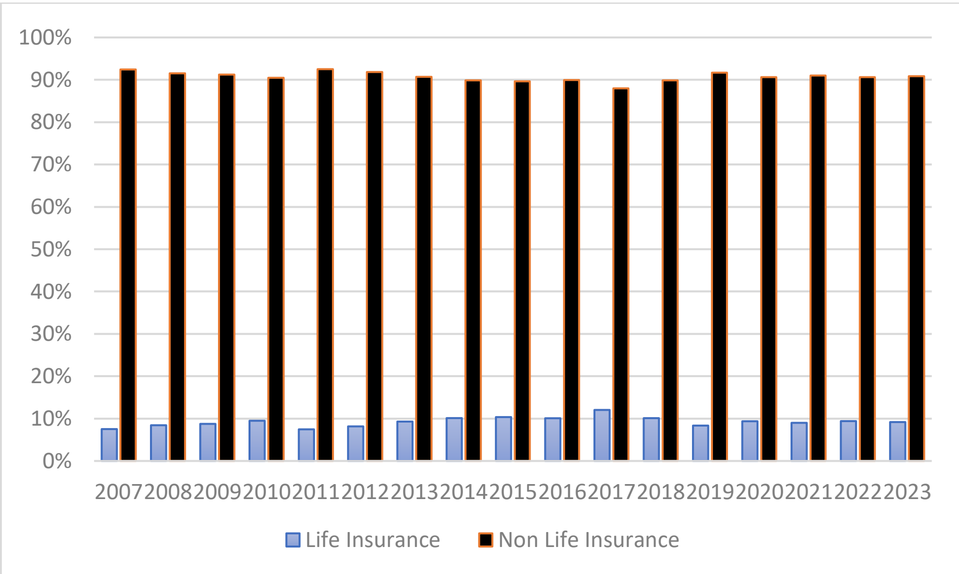
Source: Albanian Financial Supervisory Authority, author's calculation

Figure 3: Trend of the number of insurance contracts 2007–2023



Source: Albanian Financial Supervisory Authority, author's calculation

Figure 4: Share of Insurance Contracts (%), 2007–2023

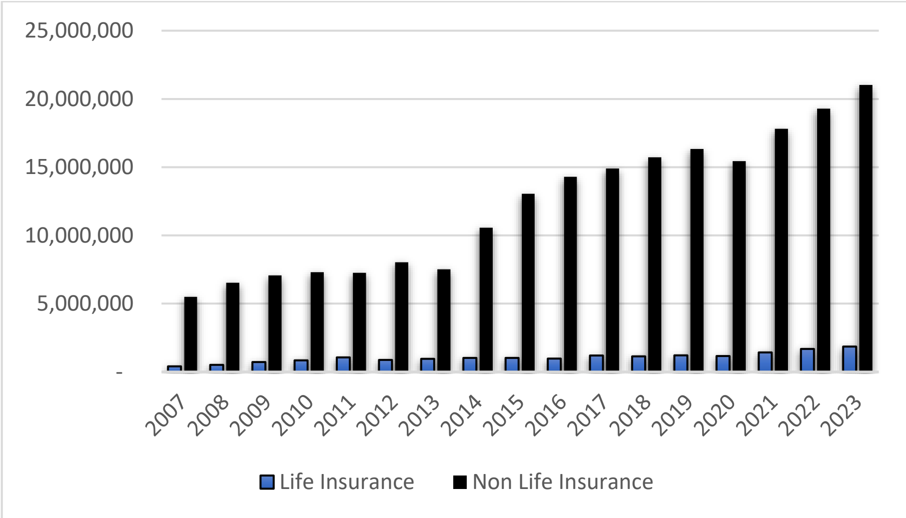


Source: Albanian Financial Supervisory Authority, author's calculation

The graphs illustrate a long-term, steady growth trend, with some minor fluctuations. Following 2015, there is a notable and more dynamic increase, marking a significant leap in the volume of insurance premiums. Although the premium per capita has experienced a substantial growth reaching 9,526 ALL in 2023, it remains the lowest in both the region and

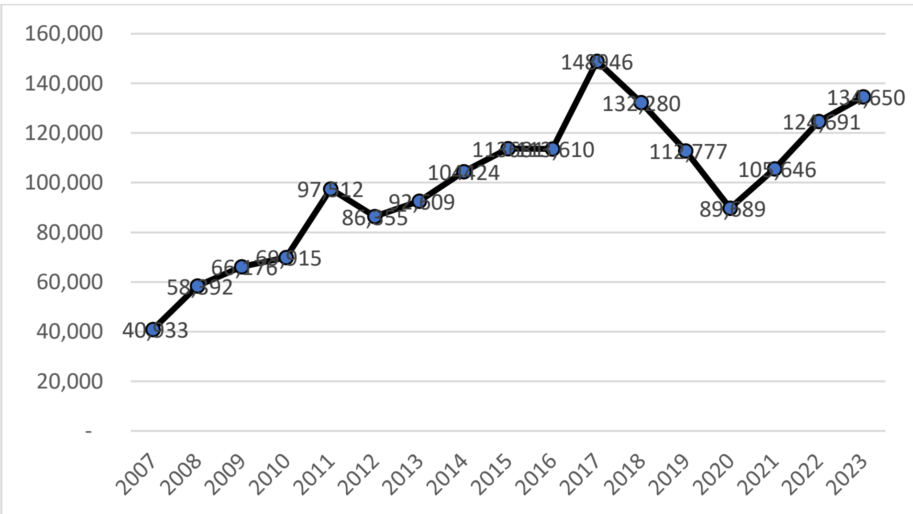
Europe. The results highlight a structural imbalance in the market: the Albanian insurance sector is heavily skewed, relying almost exclusively on non life insurance. Nevertheless, there is a gradual increase in both public awareness and economic capacity to purchase life insurance in Albania. However, given that the insurance penetration rate remains low (approximately 1% of GDP), this suggests that a considerable untapped potential still exists within this segment. The graphs confirm that the Albanian insurance market is still developing, characterized by a dominance of non life products and a slowly growing life insurance segment.

Figure 5: Trend of Insurance Contract Value 2007–2023, (000) ALL



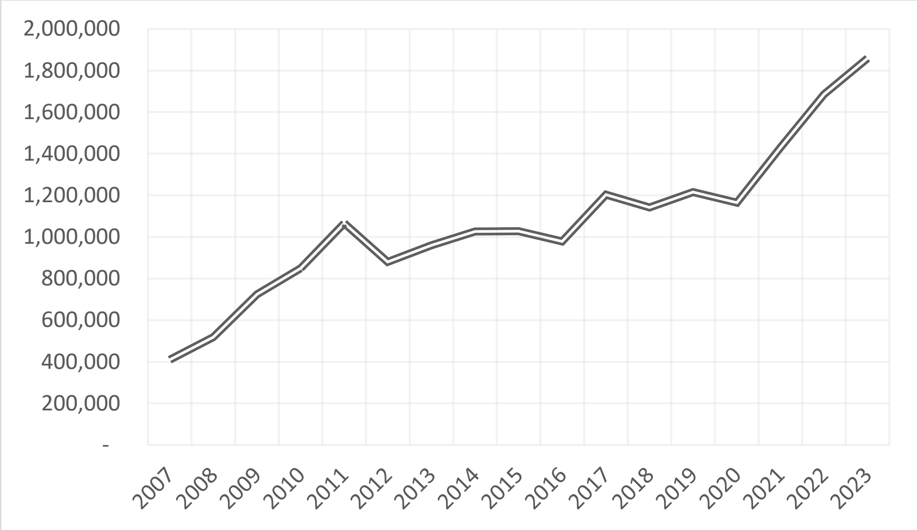
Source: Albanian Financial Supervisory Authority, author's calculation

Figure 6: Trend of the number of life insurance contracts 2007–2023



Source: Albanian Financial Supervisory Authority, author's calculation

Figure 7: Trend of life insurance contract value, 2007-2023 (000 ALL)



Source: Albanian Financial Supervisory Authority, author's calculation

5. Conclusion

The insurance market in Albania has continued to develop, yet it remains in a phase of consolidation and consumer education. It is still sensitive to economic fluctuations and political changes; however, there is a general trend toward growth and the diversification of insurance products. With increasing awareness of the importance of life and health insurance, there is a significant potential for expansion in these market segments.

Many insurance companies are investing in consumer education and information campaigns to help individuals better understand the importance of financial protection and the potential benefits of insurance coverage. Some companies have also invested in enhancing online services and providing opportunities for customers to purchase and manage insurance policies through digital platforms.

Despite the current challenges, Albania's insurance market holds significant growth potential. While the motor and health insurance sectors are relatively more developed, life insurance remains an underexplored segment. There is a clear opportunity for expansion in this area, especially by focusing on:

- ✓ Financial Education and Awareness Campaigns: There is a significant opportunity to increase financial literacy through education campaigns. Raising awareness about the importance of life insurance, health insurance and other insurance products could drive demand, especially as individuals become more aware of the benefits of financial protection.
- ✓ Product Innovation and Diversification: Expanding the range of insurance products to meet the diverse needs of the Albanian population could provide growth opportunities.

Offering more tailored products, such as health insurance with preventive care, or life insurance plans with flexible premiums, could appeal to a broader demographic.

- ✓ Technology and Digital Platforms: The digital transformation of the insurance industry presents a huge opportunity. It has begun but at a slower and prudent pace. By offering digital platforms for purchasing, managing, and tracking insurance policies, companies can cater to the growing trend of online services. Mobile applications or web based platforms could improve accessibility and convenience for consumers.
- ✓ Corporate Insurance Solutions: Many businesses in Albania could benefit from group life, health, or liability insurance. Expanding insurance offerings to the corporate sector, could help diversify the market and increase penetration, especially as Albanian companies look to provide more benefits to their employees.
- ✓ Microinsurance Products: Given the lower income levels and economic challenges faced by a significant portion of the population, microinsurance products could be a potential opportunity. These products are designed to offer basic coverage at an affordable cost, targeting low income groups and individuals who may not traditionally access insurance.
- ✓ Government Partnerships: Collaborating with the government to promote compulsory health or life insurance for specific groups, such as low income families or pensioners, could help broaden market penetration. Government backed insurance schemes could also help instill trust in the sector.
- ✓ Targeted Marketing to Younger Demographics: Younger generations in Albania are more likely to be open to modern insurance solutions, including digital insurance products. Marketing campaigns targeted at millennials and Gen Z, with messaging that focuses on long-term financial security and investment in health, could help grow the market.
- ✓ Cross-Border Insurance Products: Given Albania's proximity to the Europian Union and the increasing movement of people within the region, there is an opportunity to introduce insurance products that are recognized across borders, such as travel insurance, cross-border health insurance, or products tailored to the Albanian diaspora.

These opportunities could help expand the market, increase consumer engagement and promote a broader understanding of the value of insurance products in Albania. Nevertheless, with the rise in financial literacy and the increasing involvement of banks and digital platforms in the distribution of insurance products, life insurance is expected to play a more prominent role in the Albanian financial system. In the context of Albania, the further development of this sector has the potential to enhance private savings and decrease reliance on public pension schemes.
With the right strategies in place, the Albanian insurance market especially the life insurance segment, could see a diversification of offerings, a broader consumer base and a stronger more resilient sector, that contributes significantly to the country’s economic growth.

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Management of a public organization and the effects of human capital development on organizational performance

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Abstract
This paper aims to bring to everyone's attention how important effective management of an organization is and the impact that good management has on the development of an organization.The responsibility of management in our society is crucial not only for the organization, but also for the public attitude towards management, for its success and status, for the future of our economic and social system, and for the survival of the organization as an independent institution. From an almost unknown position in 1990, management has today become a central activity of the economic era, a powerful and innovative force on which our society relies in the material field and economic well-being. All organizations, whether private or public, profit-oriented or not, regardless of the field in which they operate, have one thing in common: they need to be managed. Also, the purpose of this paper is to emphasize the effects of human capital development and its impact on organizational performance. To create a competitive advantage, it is essential that organizations invest their entire arsenal in the workforce, viewing it as a competitive weapon.

Keywords: Management, Public Organization ,Human Capital, Organizative Performance,Competitive Advantages, Economy.
JEL classification: M41, M42, M48

1. Introduction

Management is the process of achieving organizational objectives by working with human capital and other organizational resources. As a result, this concept demonstrates that management has several key characteristics: a) it is a process that involves a series of continuous and interconnected activities, b) it focuses on achieving organizational objectives, c) it aims to achieve these objectives by working with and through human capital. In the era we live in, with prominent features of globalization where innovation has become a dominant element in the context of economic and social developments, the clear identification of what we now call the "knowledge society" highlights new challenges for organizations and management. This paper aims to emphasize the fact that the realization of challenging changes, economic growth, global stability, and the success of organizations will increasingly depend on innovative management and leadership. Management is considered a modern invention, the importance and impact of which has been compared to the most significant technologies that have changed the world. Public organizations are capable of facing challenges and failures and have sufficient power to influence the distribution of resources. The challenges of our era are numerous and have their own characteristics in different countries, but the most dominant ones are globalization, demographic factors and workforce diversity, the technological revolution, the interaction of public organizations with society, and government regulations. Human capital is closely linked to two dimensions: Firstly, the financial dimension, physical capital; Secondly, the capital considered intangible wealth, where the development of human capital changes inputs into outputs, and development takes place through education and training to improve the skills and attitudes of individuals within an organization.

2. Methodology

This paper aims to highlight the importance of effective management in a public organization and how the development of human capital impacts organizational performance within the modern context of the era we live in. To ensure the effectiveness of the paper, we employed both qualitative and quantitative methods, integrating them to provide a comprehensive approach. Additionally, we relied on a review of existing literature and previous studies related to management, making comparisons between the management of public and private organizations and the impact of management on the development and maximization of their objectives. By combining data from various sources, reports, and official documents, the paper offers a structured assessment. A key aspect of the paper involves a detailed treatment of historical periods related to management, bringing attention to its origins as well as how the concept of management has evolved, and how crucial the development of human capital is in enhancing organizational performance and achieving organizational objectives.
By integrating qualitative knowledge with official statistical data, this paper offers an overall perspective on the transformation of the role of management and human capital in an organization. The findings contribute to the existing discourse while providing practical implications for policymakers seeking to improve management strategies and organizational performance.
Thus, several key points were considered in this paper:

- **Management is a function of our past**: We must learn from our past efforts to understand management properly. Viewing it from a historical perspective allows us to examine and rationally judge what is valuable and discard what is now simply part of history.

- **Management appears in various forms**: It should not be forgotten that there is no "best way" and we should not adhere to the principle "one size fits all."
- **Management requires multiple perspectives**: Ethical management is the most important because managers are under pressure, and choosing the right path for ethical decision-making is difficult but simultaneously a distinguishing trait that highlights an ethical and successful manager.

3. Historical Context of Management Science

Management is undoubtedly considered one of humanity's most important "inventions." For more than a hundred years, advances in management, structure, processes, and techniques used to unite or combine human efforts have helped strengthen economic progress. Tracing the history of management accurately is difficult because most scholars view it from a modern perspective, and in this sense, management would not have a pre-modern history, but only faint signs of it. In fact, the origin of management can be broken down into several chronological periods:

- Ancient documents discovered in areas where city-states once existed show that although management as a scientific discipline is just over 100 years old, practical examples of its use have a millennia-long history, even though during this period management techniques were primarily applied in support of political, religious, or military activities.
- Despite the above, the pre-modern period can be said to have begun with the "commercial revolution," which includes the development of trading corporations.
- The industrial revolution brought new methods of production, highlighting the use of new forms of managerial organization.

Various studies have highlighted different types of management, each with its own specific features. Scientific management encompasses the work of individuals and the search for the most efficient methods to perform tasks in order to achieve objectives and develop human capital. The successful completion of tasks is closely linked to the fact that each employee must have clearly defined tasks and suitable conditions. The effectiveness of task fulfillment is inherently connected to the precise implementation of several basic principles:

- The scientific study of every element of work, which should replace the empirical method;
- The scientific selection and subsequent training, development of human capital;
- Close cooperation with employees to ensure that all tasks are performed in accordance with scientific principles;
- Tasks should be distributed almost equally between managers and employees.

Practice has shown that the orientations and techniques of scientific management, designed to improve efficiency, are still in use today. When managers analyze the basic tasks that need to be completed within a set time frame, use time and motion studies to eliminate excessive movement, recruit employees with the highest qualifications for various jobs, or design incentive-based pay systems, it is said that managers are applying the principles of scientific management. Administrative management shifts attention to broader issues, such as how organizations should be structured, and it is this management that highlights basic functions like planning, organizing, commanding, coordinating, and controlling.

To better understand management and how it has evolved and influenced the functioning of organizations, we also analyzed modern management theories, among which the most important are:

- **Systems Theory**: This theory is considered the originator of the concept of management systems. It specifies that all organizations are cooperative systems, and according to it, the cooperative system is a complex of physical, biological, personal, and social elements that have a specific systematic relationship through the cooperation of two or more individuals for one or several specific purposes. In this way, it becomes possible to study the essential elements of the organization in the context of their interaction with each other and the external environment. In fact, the systemic approach allows the manager to focus on the internal and external aspects of the organizational environment, meaning that the manager, when making decisions, should treat the organization as a unique whole, not as a mechanical combination of parts.
- **Situational Theory**: This is considered the modern perspective of management and seeks to move away from universal management concepts in favor of situational treatment, unlike the universal approaches to management. Although management generally requires universal answers to problems, this theory emphasizes that there is no "best way" of management that suits every situation, because the complexity of social systems and human behavior makes each situation unique from others.

The Importance of Human Capital Development in Organizational Culture

Organizational culture is the "heart" of any organization and is closely tied to how the organization is formed and how it develops its activities. In the past, structures were more rigid, and values and missions were determined by a few individuals, with human capital not being directly involved. Today, however, the most important asset of any organization is its human capital. Achieving organizational goals is directly linked to the involvement of employees so that everyone shares the same organizational culture. One of the biggest challenges today is implementing these values.

On the other hand, organizations face new changes, whether in the way services are delivered or in adopting and adapting to significant technological changes. As a result, they need to educate themselves to continuously be prepared for these changes without negatively affecting employee motivation. Public organizations today operate in competitive environments, and this is considered a critical force for change. The pressure on organizations to add value, achieve sustainable advantages, quickly adapt, and remain flexible in the face of new challenges has intensified. However, the response to these pressures has taken different forms, including new organizational structures with flexible, process- or project-based designs, increased reliance on information technology, and a strong emphasis on the continuous improvement of human capital performance, quality, and service to individuals.

The quality of intellectual human capital possessed by public organizations is treated as a key factor for achieving high results. The cliché that "people are the most valuable asset" is still widely believed, but behind this statement lies a deeper truth: how effectively the organization uses the hidden value of its employees and to what extent it increases the chances of success. This is especially true today, as intellectual capital and both general and specific knowledge are becoming increasingly important. Regardless of how the management activities and the nature of organizational processes are defined and identified, the essential part of the management process is paying the right attention to the efficient use of human capital.

The importance of human capital, the most important asset of any organization, is highlighted through the following key points:

- There are fundamental differences between individuals as assets and financial or technological assets.
- Understanding these fundamental differences creates an entirely new way of thinking and working within the organization.
- Strategies can only be realized through individuals, and creating a strategic approach necessitates dialogue across the entire organization.

Human capital management is part of the management process, focusing on human relations and ensuring their well-being, so that they can contribute maximally to the achievement of organizational tasks and objectives. Since human capital management is closely tied to organizational effectiveness, it is addressed in two aspects:

- It is considered a specialized field within the organization, realized through human capital specialists who are responsible for planning, recruitment, selection, training, performance evaluation, and maintaining effective employee relations.
- Regardless of the field in which they operate, it is recommended that every public organization have a person who serves as a human capital specialist. To perform their duties effectively, this person should have comprehensive knowledge in economic, legal, psychological, and social fields, and most importantly, should always judge within the framework of cooperation for the interests and objectives of the organization.

When public organizations undertake initiatives to design policies in the field of human capital management, they should consider the following key points:

- Employees should be provided with not only sufficient wages to live a normal life, but the wage category for the same work should be at the same level within the organization.
- Employees should be assured that their employment in the organization will be long-term.
- Employees should feel that they are treated equally, with the sole criterion for privileges being their work and results.
- Continuous development and training of employees should be aimed for, and all benefits provided by current legislation should be utilized.
- Aiming for democratic treatment of employees, ensuring they feel they have the right to voice their opinions and thoughts.

Training not only impacts the development and motivation of employees, but it also makes them feel secure by having the necessary knowledge and skills to perform tasks effectively. It also motivates them to take on new responsibilities and adapt to external changes, ensuring they do not constantly doubt their development and success paths. A well-developed and trained human capital is not just an asset for the organization, but an element that directly impacts the achievement of organizational goals. The development of human capital is more than an effort to increase values; it is a means of acquiring the knowledge needed to complete both general and specific tasks. Training itself carries many positive effects and is seen as an advancement of human capital, which should be a right for all employees. Furthermore, a training program represents a priority for the future of the organization, enabling the planning of future goals.

Performance Evaluation of Human Capital

Performance is defined as the way tasks are carried out in alignment with organizational functions, and its effective evaluation is a process that contributes to the proper management of employees, aiming to achieve higher levels of organizational objectives. The performance evaluation process establishes a common understanding of what needs to be achieved from the perspective of leadership and the development of human capital. As an essential part of the functionality of public organizations, performance evaluation is carried out for several purposes, which are considered important for their continuity:

- To provide employees with feedback on the results of their work, highlighting their strengths and weaknesses, and pointing out areas where they need to improve their work in the future.
- To provide managers with the necessary information to make effective decisions regarding training needs.
- To allow managers to identify top performers and make distinctions in rewards.

One of the key aspects of performance evaluation is the establishment of standards. In performance evaluation systems, standards are referred to as criteria or methods for identifying success in a given activity. The performance evaluation of long-term employees is usually conducted once a year, while new employees are evaluated more frequently. The timing of evaluations generally depends on the situation and the purpose for which the evaluation is conducted. It is important to note that performance evaluation programs should be viewed as an ongoing process, focusing on work results, individual development, and the effective realization of organizational goals.

Performance is characterized by many dimensions, and although there are numerous evaluation methods, they are generally divided into three major groups:

Behavior-oriented methods: These include graphical representations of scaling, where all the factors that are thought to determine the employee’s performance are listed in a table and evaluated according to a specific scale. This method tends to focus more on the characteristics of the employee, or in other words, it attempts to evaluate almost all employees as average performers. Evaluating very few employees above or below the average level not only fails to motivate employees to perform at a higher level but also does not reveal those who have unsatisfactory performance levels.

Reference method: Although this is a relatively new method, it represents an evaluation technique where certain characteristics are predetermined and used as reference points to judge whether the performance is at the appropriate level. In order to determine the reference points, a detailed analysis of the work and events that have occurred in practice must be conducted. As such, this method can be costly in terms of both finances and time. Therefore, it is recommended primarily for cases where most employees perform similar or identical tasks.

Result-oriented method: This is the most prominent method in management by objectives and is widely used because the objectives set in collaboration between the supervisor and the subordinate serve as the standards against which their performance is evaluated. The advantage of this method is that employees are generally aware of how their performance will be evaluated.

Management in the Public Sector: Characteristics and Differences from the Private Sector

The management of public organizations and the application of modern principles is a critical issue in Albania. Problems faced in the public sector, such as the budget deficit and increasing pressure for higher efficiency, have highlighted the need for a well-organized management system. However, it is important to emphasize that there are several differences between the management of public organizations and private ones:

- **Legislative Objectives:** Private entities can pursue any potentially profitable legal objective they aim for. In contrast, public organizations, which deal with drafting laws and decisions, are explicitly told what they must do, which significantly limits their options.
- **Lack of Competition:** Public organizations, instead of being tested by the market, often spend a long and difficult time on cost-control programs and measures to assess the effectiveness of the organization.
- **Weak Incentive Systems:** Unlike the private sector, where impressive incentive systems exist to motivate staff, public organizations offer few incentives to their employees. As a result, they struggle to retain and attract top-tier employees.
- **Organizational Inflexibility:** Public organizations must have a high level of structuring to provide standard services, even though the existence of numerous bureaucratic procedures and rules hinders innovation. Public sector managers are constantly challenged to find new ways to encourage and cultivate innovation despite the emphasis on forecasting and uniformity in operations.
- **Uniform Treatment and Accountability to the Public:** Public organizations are more exposed to public opinion and media scrutiny. They must maintain transparency and ensure accountability to the public, making them more visible and under more public pressure.

- **Higher Employee Engagement in Unions:** Public sector employees are generally more engaged and involved in unions compared to their counterparts in the private sector.

These limitations present a unique challenge in the management of public organizations, especially in their efforts to increase efficiency. However, the qualification of employees in a wide range of issues remains the best way to improve their performance. Despite the differences, public organizations face many of the same managerial problems as the private sector.

New Public Management: Innovations and Impacts

The origins of New Public Management (NPM) can be traced back to the 1970s within neoliberal environments. According to various studies, NPM aims to modernize public sector management to improve the cost-service ratio and assess the pragmatism of management. NPM is based on a division of roles between political power, which makes strategic decisions and sets objectives, and the organization, which makes operational decisions. The basic postulate of NPM is that, under new development conditions, the traditional forms of functioning and the creation of public organizations must be deeply reconsidered.

Globalization and deregulation have forced many countries to reform their public organizations to provide better conditions and attract capital and a qualified workforce. With the multiplication of missions, a centralized public organization would no longer be efficient in navigating the complexities of the world. This is exactly where NPM steps in, denying any difference between public and private sector management. In this view, citizens are seen as consumers of public services, and public organizations must provide the best service at the lowest cost. Therefore, public organizations focus on managing public action by delegating their execution to operational units. In general, it is said that public organizations should "drive less and steer the ship better," and this shift is expected to result in more efficient and effective implementation.

Services tasked with operational realization need sufficient freedom to allocate resources effectively, and for this, adaptable techniques are necessary. NPM requires applying management methods from private organizations to public sector tasks. To achieve this, public management needs to adopt "market principles," which are considered more efficient than traditional planning. Additionally, NPM moves away from traditional bureaucratic organization and towards new forms of structuring. At the operational level, NPM is inspired by widely implemented procedures in the private sector, such as total quality management, zero defects, and the pursuit of excellence.

Basic Principles of New Public Management:

- A distancing process, separating public organizations from traditional politics.
- A process of bringing public organizations closer to the citizen, who thus becomes the client.
- A process of dynamization and organizational transformation of public organizations.
- A decentralization process.

- A stronger focus on results.

Studies and analyses conducted over the years have highlighted that the implementation of NPM has led to a decrease in the performance of public organizations, and in many cases, this has been accompanied by a deterioration in the services provided. However, it should be acknowledged that there are fundamental differences between public and private organizations:

- The objectives of public organizations are defined in political terms, not contractual terms.
- The services provided by public organizations are seen in terms of the general public interest, as opposed to the specific interests considered by private organizations.
- The responsibility of public organizations to individuals is different from the responsibility of a business leader to its shareholders, who expect profits but do not fix missions.
- Public organizations cannot choose their clientele, and all must be satisfied, whereas private organizations can focus on specific market segments.

These differences underline the challenges and complexities of applying private-sector methods to the public sector, as they need to be adapted to the unique context of public service delivery and accountability.

4. Conclusion and Recommendations

Managing and addressing issues that impact individuals, improving and increasing the quality of services provided, and expanding activities and commitments for the benefit of individuals and society at large remain real challenges of our time. Undoubtedly, the role of public organizations in meeting these challenges is crucial. The efficient development of human capital significantly increases productivity and directly impacts the sustainability of organizational performance. From an organizational perspective, the development of human capital plays a key role in strategic planning and provides competitive advantages, while at the individual level, the importance of human capital depends on the extent to which it contributes to creating competitive advantages.

All studies in the field of management have shown that the "human" factor is the primary component of a public organization. As a result, training and development of human capital should be central to the organization's objectives. Focusing on practices and processes related to the management of human capital performance is considered an effective way to achieve the organization's goals as efficiently as possible. Motivating human capital also generates high performance, regardless of the management systems in place, with the simple logic that motivated individuals contribute to high-performing organizations. Ultimately, the role of public organizations is to inspire human capital and foster commitment to the vision by creating an organizational culture based on accountability and work ethics.

In a time of constant change, with organizations facing their own issues related to sustainability and efficiency, the following recommendations are made:

Human Capital Managers should ensure proper identification and evaluation of needs within the organization to align talent with organizational objectives.

Continuous research should be conducted on developments in the organizational environment to determine areas where employee skills need training and improvement.
Programs should be consistently developed to improve organizational performance by focusing on enhancing both individual and team capabilities.
Implementing these recommendations will not only help public organizations achieve greater efficiency and effectiveness, but also ensure that they remain adaptable and competitive in an ever-evolving landscape.

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The impact of marketing on managing seasonality in tourism

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Abstract
Seasonality represents the greatest issue for the tourism sector, influencing the economic sustainability of destinations and companies working in the sector. The present research sees the marketing function as a strategic lever for reducing seasonality impacts and for distributing tourists more uniformly across the year. Through analyzing marketing initiatives such as diversification of products, off-season tourism promotion, marketing through social media, and tailoring the tourists' experience, the research aims at applying the best practices included in managing tourist demand. Using case study and empirical evidence from a range of destinations, the research illustrates how the segmenting of particular tourist markets and the development of specific promotions for off-season travel can negate the adverse effects of seasonality. The research contributes to tourism and marketing literature and provides practitioner stakeholders with practical suggestions for developing greater competitiveness and more sustainable tourism development.

Key words: tourism, marketing, seasonality, sustainable tourism
JEL classification: M14, M15, J3, J8, M310

1. Introduction

Tourism is globally recognized as being amongst the world's largest and fastest-growing economic sector, having a significant impact on jobs, earning possibilities, and cross-cultural understanding (UNWTO, 2023). The sector remains highly sensitive to seasonality—a familiar and regular pattern of cycle fluctuation in tourist demand over a period. Seasonality can be a major issue for tourist destinations and businesses, e.g., unpredictability of revenue, idle resources, excessive dependence on peak seasons, and social and environmental pressures during peak seasons (Baum & Lundtorp, 2001). It is thus that seasonality management has emerged as a key concern for sustainable development and economic stability in the industry.
In this kind of context, marketing does not seem as much a promotional function, but as a strategic way to shape tourist behavior, spread demand more evenly throughout the year, and enhance destinations' competitiveness (Kotler et al., 2017). Effective marketing has the ability to support tourism product diversification, reposition destinations, promote off-season visits, and treat particular tourist segments by appealing to them with tailor-made campaigns. In particular, online channels such as social media, influencer advertising, and target marketing allow increased interactive interaction with potential visitors that allows destinations to overcome past seasonality trends (Gretzel et al., 2015).

Table 1: Tourism Seasonality: Key Impacts

Area of Impact	Peak Season Issues	Off-Season Issues	Implications
Economy	Overreliance, inflated prices	Revenue loss, unemployment	Financial instability
Environment	Overcrowding, resource depletion	Underuse of infrastructure	Environmental imbalance
Social/Cultural	Tourist saturation, local tension	Lack of cultural interaction	Reduced host-guest engagement
Business Operations	Staff burnout, capacity limits	Low occupancy, ongoing costs	Operational inefficiency

While growing acknowledgment of the potential role that marketing can play in countering seasonality exists, current literature remains sporadic, including in terms of empirical evidence from destinations that have successfully implemented marketing-led strategies in countering seasonality. This study seeks to fill this gap by considering how marketing actions influence the management of seasonality across different contexts.

Aim of the Research

The primary aim of this research is to study the role of marketing in managing seasonality in tourism and identify effective strategies that assist in achieving a balanced and sustainable tourist inflow throughout the entire year.

Research Objectives

In order to achieve the above objective, the study is guided by the following objectives:

1. To study the impact of seasonality on tourist destinations and businesses;
2. To examine how marketing efforts are being deployed to mitigate the negative impacts of seasonality;
3. To investigate case studies where marketing has assisted in effectively extending the tourist season;
4. To assess how product diversification and online marketing can influence off-season travel behavior;
5. To provide marketing recommendations that the stakeholders in the tourism industry can utilize.

Research Questions

1. What are the greatest challenges caused by seasonality to the tourism industry?
2. How can marketing strategically be utilized in controlling and mitigating the impacts of seasonality?
3. What marketing campaigns have been most effective in stimulating off-season tourism?
4. How are segmentation, personalization, and digital marketing contributing to shaping year-round tourist behavior?
5. How can tourism destinations deploy these strategies in a context-sensitive and sustainable way?

2. Methodology

This study is based on a systematic literature review to examine marketing's contribution towards managing seasonality within the tourism sector. A literature-based methodology was used to provide a systematic and critical summary of academic research, industry reports, and case-based data that address how marketing can have an effect on tourist arrivals across seasons.

Data Sources and Search Strategy

In consideration of gathering suitable materials, an orderly search was conducted in key credible academic databases like Google Scholar, Scopus, ScienceDirect, and JSTOR, and institution websites such as that of the World Tourism Organization (UNWTO). Search words used were: "tourism seasonality," "tourism marketing strategies," "off-season tourism," "destination marketing," and "management of tourism demand."

The search was limited to English-language publications post-2010, thus encompassing the most recent developments in digital marketing and tourism management. Priority was given to peer-reviewed articles, books, and government or industry reports, but gray literature and case studies were included where relevant and credible.

Inclusion and Exclusion Criteria

Only materials that were directly confronting the question of marketing and seasonality in tourism were considered. Studies that were directly confronting climate-induced seasonality, with no reference to marketing intervention, were excluded. The final review was conducted on approximately 40 key sources that presented both theoretical and empirical findings on the topic of concern.

3. Data Analysis

The selected literature was thematically analysed to identify recurring concepts and patterns. Product diversification, off-season promotion, segmentation of target markets, and digital platform utilization emerged as key themes to be explored. These were subject to critical scrutiny to establish the level to which they facilitate seasonality mitigation and sustainable tourism practice. Gaps in the literatures and best practice were also identified during this phase, which resulted in the respective discussions and conclusions.

4. Literature Review

Seasonality is one of the tourism's chronic structural features that poses economic, social, and environmental issues to destinations and business operators alike. It is the uneven spread of tourist activity throughout the year and is mainly driven by weather, schools' holidays, and cultural perceptions (Butler, 2001). This unbalanced demand creates problems such as idle capacity during low-demand months and bottlenecks in high-demand periods, which in turn can affect job stability, service quality, and environmental sustainability (Baum & Lundtorp, 2001).

Addressing these challenges, marketing emerged as a feasible strategic tool to influence tourist behavior, extend the season, and stabilize demand variations. Rather than the sole focus on promotion, contemporary tourism marketing is a multifaceted approach that involves product development, segmentation, branding, and online engagement.

Product Diversification

Product diversification is perhaps the best-studied strategy where destinations break away from a sun-and-sea product to attract tourists year-round. This could be cultural festivals, health tourism, food and wine events, outdoor events, or business travel (Getz & Nilsson, 2004). It is argued that offering unique experiences that are independent of weather can actually bring in new segments of tourists to travel during the off-season (Jang, 2004). For example, resorts in mountains advertising trekking and health retreats during summer—rather than skiing alone during winter—demonstrate how diversification can counteract dependency on a particular season.

Market Segmentation and Targeting

Market segmentation is also an important method of managing seasonality. Targeting a subset retirees, couples without children, solo travelers, or remote workers may divert demand away from peak seasons. Such segments are more likely to be elastic in terms of travel dates and would be deterred by off-season promotions as well as lower numbers of tourists (Hartmann, 2016). Marketing messages targeting these travelers based on their motivations and requirements increases the effectiveness of such efforts.

For example, Fernández-Morales (2003) points out the importance of distinguishing between natural seasonality (e.g., climate-related) and institutional seasonality (e.g., school timetables), arguing that the latter can be counteracted more easily by way of targeted marketing.

Digital Marketing and Personalization

With advances in internet platforms, social media and content marketing became the main vehicles in promoting off-season tourism. Destinations can deliver personalized, timely content to specified groups, highlighting unique characteristics of their off-seasons—such as tranquility, affordability, and authenticity (Gretzel et al., 2015). Platforms such as Instagram, Facebook, and YouTube allow marketers to stage experiences emotionally and visually and enhance intention and engagement to travel during the off-season (Xiang & Gretzel, 2010).

Also, influencer marketing and user-generated content (UGC) have played a larger role. Native stories by real tourists visiting destinations during the off-peak season can establish credibility and cause other individuals to follow suit, thus altering the traditional demand patterns.

Brand Repositioning and Perception Management

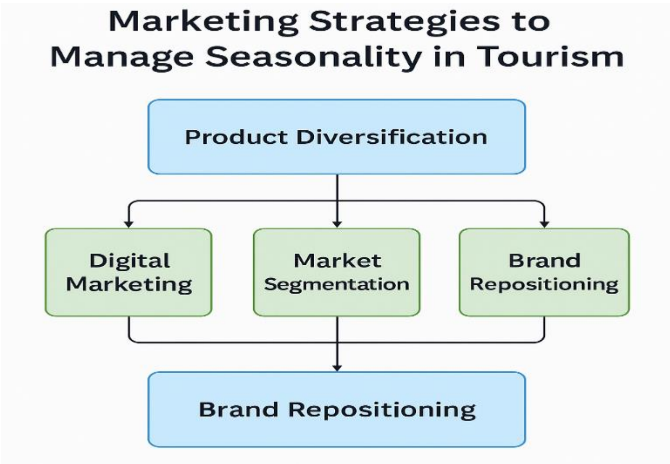
Seasonality is a perception as well, and promotion can repurpose a destination to accentuate its year-round appeal. An appealing destination brand communicating the privileged value of visiting during off-peak seasons—such as more intimate cultural experience, interaction with natives, or seasonal landscapes—can change what is literally and metaphorically the "best time to visit" (Pike, 2008). Repositioning of this sort requires campaign and media coordination and coordination of tourism offerings with the brand promise.

Challenges and Gaps in the Literature

Despite growing academic research on market-based seasonality strategies, there are still some gaps in the knowledge. A lot of existing research focuses on individual tactics rather than integrated strategies, and comparative case studies analyzing the long-term performance of marketing interventions are unusual (Koenig-Lewis & Bischoff, 2005). Furthermore, lesser-developed countries are under-represented in the existing literature, although they are likely to be more at risk from seasonal economic shocks and stand to benefit most from evolved marketing strategies.

Second, the role of sustainability in off-season marketing is not extensively investigated. While many campaigns are created to spread demand, not many studies ascertain if these initiatives translate to social and environmental benefit or only economic gain. The integration of sustainability into marketing's root thus is an important avenue of research to pursue.

Figure 1: Thematic Map of Marketing Strategies Against Seasonality (conceptual diagram).



5. Results

The literature review had highlighted several key insights into the role of marketing in addressing tourism seasonality. A synthesis of existing research, reports, and case-based evidence had highlighted four common themes consistently across diverse destination settings:

Product Diversification as a Core Strategy

Most of the studies emphasized diversifying tourist products to attract tourists in off-seasons. Those destinations able to extend their tourist season were those that provided alternative products such as cultural events, gastronomic tourism, well-being tourism, and nature tourism. These non-seasonal weather-dependent products were effective in appealing to niche markets in off-seasons

Social Media Engagement and Digital Marketing

The application of online marketing—particularly through social media platforms—has proven to be an effective way of promoting off-season tourism. Content marketing, influencer partnerships, and user-generated content were regularly utilized to reframe perceptions around the low season, highlight unique experiences, and build emotive connections with target markets

Segmentation of Target Markets

Segmentation campaigns targeting travelers with flexible timetables, like retirees, remote employees, and inter-hemispheric international travelers, were most successful. Tailored campaigns for such groups, coupled with competitive pricing and tailored experiences, promoted demand in the off-peak and shoulder seasons.

Brand Repositioning and Perception Management

Those places that repositioned their brand image to emphasize their year-round appeal—tranquility, authenticity, and native participation—had the greatest potential for achieving long-term seasonal declines. Advertising campaigns that promoted these values continuously were revealed to influence travel decisions and orient tourist fluctuations.

Overall, the study indicates that when marketing is strategically integrated into destination management, it can mitigate the adverse effects of seasonality significantly. The literature also calls for a multiplicity approach that combines classical marketing principles with digital innovation and sustainability considerations.

Table 2: Summary of Findings by Theme

Theme	Key Insight	Supporting Studies
Product Diversification	Non-seasonal products extend visitor interest	Getz & Nilsson (2004); Jang (2004)
Digital Marketing	Social media reshapes off-season perception	Gretzel et al. (2015); Xiang & Gretzel (2010)
Market Segmentation	Flexible travelers can fill seasonal gaps	Hartmann (2016); Fernández-Morales (2003)
Brand Repositioning	Redefining the off-season boosts appeal	Pike (2008)

6. Discussion of Results

The findings of this study validate the argument that strategic marketing can contribute as a tool for overcoming seasonality in tourism. Based on comprehensive literature, several marketing strategies—most prominently product diversification, targeted segmentation, online engagement, and brand positioning—were recognized as common threads among these successful destination strategies.

Marketing as a strategy for demand change

One of the most frequent results was the role of product diversification in driving off-season tourism. Those destinations with unique, non-seasonal activities—e.g., festivals, health retreats, or food and wine holidays—were more able to attract visitors all year (Getz & Nilsson, 2004). This agrees with earlier work by Jang (2004), using quantitative models to show how differentiated products can reduce demand fluctuation and extend the holiday calendar. These experiences strengthen the notion that marketing is not just to promote but to develop and shape tourism products with a focus on attaining long-term sustainability.

The influence of targeted segmentation

The study also placed focus on segmentation of the audience in dealing with seasonality. Tours aimed at retirees, international visitors from the other hemisphere, or remote workers were especially useful in handling demand (Hartmann, 2016; Fernández-Morales, 2003). These audiences are usually likely to travel during off-peaks, and personalized messaging that spoke to their drivers—such as peace, value, or authentic experiences—boosted conversion. This validates Pike's (2008) recommendation that DMOs should match promotion activities with visitor adaptability and needs.

Digital engagement and influencer marketing

As the growing phenomenon of digital supremacy controls the marketplace, social media and content marketing have changed the manner in which destinations communicate with tourists. The results indicate that online campaigns that are interactive, influencer marketing, and user-generated content are driving factors to reshape the image of the off-season (Gretzel et al., 2015). Xiang and Gretzel (2010) posited that tourists rely more on online sources to determine travel decisions, and leverage of such sites provides destinations with a low-cost, high-value chance to influence behavior in real-time.

However, while the digital tools hold promise, research shows that most destinations are not applying these strategies in an organized manner. As Koenig-Lewis and Bischoff (2005) state, while some DMOs apply digital innovation, some rely on traditional marketing channels that fail to account for seasonality complicities.

A specific observation is concerning perception management and repositioning of the brand. Successful destinations have gone beyond bragging about low prices during off-peak periods. They have redefined low season as a unique and valuable experience. By emphasizing authenticity, peace, and immersion in the local, these destinations transformed the perceived disadvantages of the low season into marketing strengths (Pike, 2008). This means that seasonality management is not merely a logistical or economic concern but also a branding issue.

Research gaps and future considerations

Although literature is strong on identifying how marketing offsets seasonality, there remains a gap for further empirical work across a range of cultural and geographic contexts. Furthermore, few studies have examined the environmental and social impacts of dispersing demand—leading one to question how off-season development can be made congruent with the principles of sustainable tourism.

Overall, this study verifies that marketing—when applied strategically and holistically—can take a revolutionary role in managing tourism seasonality. Nonetheless, success rests not just on creative campaigns but also on cross-sectoral coordination, evidence-based decision, and sticking to long-term destination development.

Figure 3: Strategic Integration Model (conceptual illustration showing flow from product development to year-round distribution).

7. Conclusions

Seasonality is still one of the most significant challenges to the sustainable growth of tourism, affecting the stability of operations and long-term viability of tourism businesses and destinations. The present study, founded on a comprehensive review of existing literature, has demonstrated how strategic marketing can be a core instrument in minimizing the adverse impacts of seasonality.

The results show that marketing is most effective when it goes beyond traditional promotion and takes a multi-faceted approach—including product diversification, targeted segmentation, digital marketing technologies, and brand repositioning. Destinations that apply these practices in an integrated and data-driven manner are most likely to attract visitors year-round, reduce dependence on high seasons, and maintain economic balance.

New media, in particular social media and influencer marketing, have been particularly effective in reframing tourist attitudes and stimulating interest in off-season travel. Likewise, rebranding the off-season time as a time of authenticity, tranquility, and deeper cultural connection is an innovative branding approach that resonates with emerging tourist aspirations.

Despite these good practices, the study also reveals an inconsistency in the systematic application of marketing efforts across destinations. Many regions still struggle to build integrated campaigns or even measure their effectiveness in the long term. Moreover, environmental and socio-cultural impacts of seasonality reduction—such as overtourism in previously quiet times—require more attention in academic research and policy-making.

In conclusion, the use of innovative and targeted marketing strategies offers a practical and sustainable response to addressing tourism seasonality. For destinations that aspire to remain competitive in a rapidly evolving global tourism context, marketing must be viewed not just as a communications role but as a fundamental destination management and planning foundation. Future research must continue to explore this convergence with greater emphasis on implementation, cross-cultural applicability, and sustainability outcomes.

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Exploring Financial Capability as a Function of Financial Knowledge and Financial Behaviour: a Comprehensive Analysis

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Abstract
This study explores how financial knowledge and financial behaviour influence individuals' financial capability. Data for this research were collected using a self-administered questionnaire through an individual-level survey conducted in Albania. The hypothesised relationships in this study were examined using the Partial Least Squares Structural Equation Modelling (PLS-SEM) approach. The results indicate that financial behaviour is the primary driver of financial capability, followed by financial knowledge. This study provides critical insights for policymakers, highlighting effective strategies for enhancing financial capability, such as prioritising behavioural interventions and integrating financial knowledge programs into public policy frameworks.

Keywords: financial capability, financial behaviour, financial knowledge
JEL classification: G40, G50, G51,

1. Introduction

Financial capability (FC) has emerged as a critical priority for policymakers in both high-income and developing economies, increasingly recognised as a key driver of financial stability, inclusion, and the effective functioning of financial markets (World Bank, 2013). It is commonly defined as "a consumer's ability to apply financial knowledge and adopt positive financial behaviours to achieve financial well-being" (Xiao and O'Neill, 2014). As such, financial capability now occupies a central role in public policy agendas and practical financial literacy initiatives.

This growing prominence is mirrored by a notable increase in academic research and policy interventions aimed at enhancing individuals' financial capability (Birkenmaier et al., 2019). For example, countries such as the United Kingdom have taken the lead in formulating comprehensive national strategies that not only address key financial challenges but also set specific, measurable goals for targeted populations and regions (Bagwell et al., 2014). These developments highlight the global consensus on financial capability as a foundational element for fostering economic resilience and promoting individual financial well-being.

The primary objective of this research is to examine the influence of financial knowledge (FK) and financial behaviour (FB) on individuals' financial capability, with a particular focus on the Albanian context. Using the Partial Least Squares Structural Equation Modelling (PLS-SEM) approach, the study evaluates the relative contribution of financial knowledge and behaviour in shaping financial capability. In doing so, it offers practical policy recommendations—most notably, the need to prioritise behavioural interventions and to integrate financial education programmes within public policy frameworks as a means of enhancing financial capability.

This research contributes to the existing literature by offering new insights into the relatively underexplored dynamics of financial capability in emerging economies. Furthermore, it underscores the pivotal role of behavioural factors in promoting financial well-being and informing evidence-based policymaking.

2. Literature review

According to Atkinson et al. (2007), the financial capability model has been widely studied and is closely linked to individuals' financial behaviour, attitudes, and knowledge. The researchers identified three key components within the model. The first is making ends meet, which involves effectively managing personal financial resources. Individuals with strong financial knowledge and skills are better equipped to allocate resources wisely and work towards their financial goals. The second component, keeping track, refers to the careful monitoring and planning of daily expenses to avoid overspending and maintain financial stability. Lastly, planning ahead emphasises the importance of a future-oriented approach to financial management, enabling individuals to prepare for upcoming needs and navigate potential financial uncertainties.

Personal financial behaviour is a complex and multifaceted concept encompassing a wide range of money-related activities. According to Xiao and Tao (2021), it involves the planning, implementation, and evaluation of various aspects of personal finance, including cash flow, savings, credit, investments, insurance, retirement, estate planning, and income management. Similarly, Bhushan and Medury (2014) emphasised that financial behaviour comprises all actions related to financial decision-making and money management, reflecting its complexity through the inclusion of every monetary activity undertaken by individuals or economic agents. These perspectives collectively highlight the comprehensive nature of financial behaviour, integrating diverse financial decisions and activities within both personal and broader economic contexts. Moreover, financial behaviour plays a pivotal role in shaping an individual's financial capability and overall financial competence (Xiao et al., 2014; Shkvarchuk & Slav'yuk, 2019). Based on this literature, the following hypothesis is proposed:

H1: Financial behaviour has a positive effect on financial capability

Financial knowledge, defined as a fundamental understanding of financial concepts (Huston, 2010), plays a significant role in shaping an individual's economic stability and long-term financial outlook (Hilgert et al., 2003). Research has consistently demonstrated a strong relationship between financial knowledge and an individual's financial capability (Cera et al., 2021), highlighting the importance of financial literacy in enabling effective money management and decision-making.

According to Lusardi and Mitchell (2014) , individuals must possess a clear understanding of financial markets and systems to develop financial capability. Research has established a link between practical knowledge of financial concepts and the attitudes and behaviours that promote sound financial decision-making (Shi et al., 2024). Over time, this actionable understanding can contribute to a greater level of financial capability, enabling individuals to manage their finances more effectively and achieve long-term financial stability (Batty et al., 2015). Based on this body of literature, the following hypothesis is proposed:

H2: Financial knowledge has a positive effect on financial capability

The conceptual framework provides a clear and detailed representation of the proposed hypotheses

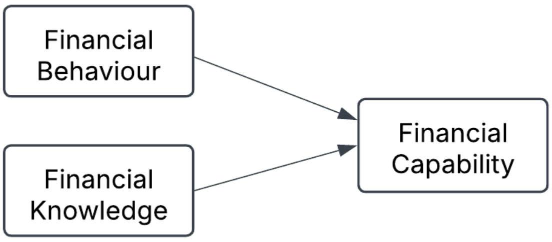

Figure 1. Conceptual framework

3. Methodology

This study explores the relationships between three key variables: financial knowledge, financial behaviour, and financial capability. Data were collected using an online questionnaire distributed through digital platforms, including WhatsApp, Facebook, and email. The survey employed a 5-point Likert scale, with response options ranging from "strongly disagree" to "strongly agree." A total of 100 responses were analysed in this research.

To analyse these relationships, partial least squares structural equation modelling was employed, utilising a two-stage analytical approach. The first stage involves assessing the measurement model by calculating key metrics such as outer loadings, composite reliability (CR), and average variance extracted (AVE) to ensure the validity and reliability of the constructs (Hair et al., 2019). The second stage evaluates the structural model, focusing on the hypothesised relationships. Path coefficients were tested using the bootstrapping method with 5,000 subsamples for robust results, while the coefficient of determination (R^2) was used to assess the explanatory power of the model (Shmueli et al., 2019). The analysis was conducted using SmartPLS version 3.3.2.

4. Results

As shown in Table 1, the sample comprises 42.2% men and 57.8% women. The largest age group includes respondents under 25 years old, accounting for 37.3% of the total. Regarding education, 66% have a university degree, making them the majority. Furthermore, the sample is largely urban, with 81.3% living in urban areas, while only 18.7% reside in rural regions.

Table 1. The demographic of the respondents.

Category	Subcategory	Percentage
Gender	Male Female	42.2 57.8
Age	Younger than 25 years old 26- 35 36-45 46-55 Over 55 years	37.3 9.2 20.3 32.7 0.5
Education	High school University	34 66
Zone	Urban Rural	81.3 18.7

Table 2 presents the values of composite reliability, average variance extracted, and outer loadings. The outer loadings for all constructs exceed the minimum threshold of 0.7, as recommended by Hair et al. (2019). Additionally, all composite reliability values are significantly above the benchmark of 0.7 (Henseler et al., 2009). Furthermore, the AVE values for all constructs surpass the required threshold of 0.5, providing further evidence of convergent validity.

Table 2. Measurement model

Constructs and indicators	Outer loadings	CR	AVE
Financial knowledge (FK)		0.829	0.626
FK1	0.824		
FK2	0.882		
FK3	0.813		
Financial behaviour		0.924	0.811
FB1	0.864		
FB2	0.925		
FB3	0.913		
Financial Capability (FC)		0.826	0.822

FC1	0.892		
FC2	0.911		

Financial capability demonstrated an R^2 value of 0.31, suggesting that 31% of its variability is accounted for by financial knowledge and financial behaviour.
The results support (Table 3) the proposed hypotheses, indicating that financial behaviour has a significant positive impact on financial capability (β=0.191, p<0.01), thereby confirming hypothesis 1 (H1). Additionally, financial knowledge also demonstrated a significant and positive influence on financial capability (β=0.151, p<0.01), providing support for hypothesis 2 (H2) as well.

Table 3. Hypothesis testing.

Hypothesis	Path coefficients	P-Values
FB → FC	0.191	0.001
FK → FC	0.151	0.008

5. Conclusions

In conclusion, the findings of this study validate the proposed hypotheses, highlighting the critical roles of financial behaviour and financial knowledge in influencing financial capability. The significant positive impact of financial behaviour on financial capability confirms hypothesis 1 (H1), underscoring the importance of practical financial actions and decision-making. Similarly, the positive influence of financial knowledge on financial capability supports hypothesis 2 (H2), emphasising the value of financial literacy and understanding in enhancing individuals' ability to manage their financial resources effectively. These results collectively suggest that both behavioural and cognitive aspects are essential in fostering greater financial capability, offering valuable insights for policymakers, educators, and individuals aiming to improve financial well-being.

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The Impact of Financial Behaviour and Financial Capability on Financial Satisfaction

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Abstract
This study investigates the role of financial behaviour and financial capability as critical determinants of financial satisfaction, aiming to provide insights into how these factors influence individuals' financial well-being. Data were collected through a self-administered questionnaire as part of an individual-level survey, capturing diverse financial practices and perceptions. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to analyse the relationships between these financial constructs. The findings reveal that financial behaviour and financial capability significantly impact financial satisfaction, underscoring their importance in shaping individuals' financial outcomes. The study emphasises the need for targeted interventions to promote financial behaviours and improve financial capability, thereby fostering greater financial satisfaction. These insights contribute to the growing body of knowledge on personal finance and offer practical implications for policymakers, financial educators, and individuals seeking to enhance their financial well-being. By addressing these key determinants, stakeholders can develop strategies to improve overall financial satisfaction in an increasingly complex economic environment.

Keywords: financial behaviour, financial capability, financial satisfaction
JEL classification: G40, G50, G51,

1. Introduction

The quality of life is a multifaceted concept that encompasses various domains, including life satisfaction, physical and psychological health, personal goals, and education (Felce and Perry 1995). Life satisfaction, in particular, is highly subjective, as it reflects an individual’s evaluation of their life based on their unique feelings and expectations. Among the key contributors to life satisfaction is financial satisfaction, which has been identified as a major source of happiness (Ingrid et al., 2009). This drives individuals to work longer hours to increase their income and achieve a sense of financial fulfilment.
Financial satisfaction (FS) is defined as an individual’s subjective assessment of the adequacy of their financial resources (Hira and Mugenda, 1998). It includes perceptions of income, the ability to meet basic needs, and preparedness to handle financial emergencies (KSaurabh,

2018). As a critical component of financial well-being, financial satisfaction is closely tied to psychological well-being and is widely recognised as a significant factor in overall well-being. Its impact extends beyond material wealth, influencing an individual's sense of stability, security, and overall life satisfaction. Thus, financial satisfaction plays a pivotal role in shaping the quality of life, highlighting its importance in achieving a fulfilling and balanced existence. Previous research has explored the impact of income and various other factors on financial satisfaction. For instance, a Norwegian study focusing on older consumers demonstrated that financial circumstances, including levels of assets and debts, significantly influenced financial satisfaction (Hansen et al., 2008). Similarly, a study conducted in Albania, a transitional economy, found that workers in informal sectors reported lower financial satisfaction compared to those in formal sectors (Ferrer-i-Carbonell and Gërxhani, 2011). While existing studies have primarily concentrated on the effects of income, assets, debts, and employment, this study shifts the focus to investigating the potential influence of financial capability and financial behaviour on financial satisfaction.

2. **Literature review**

Financial behaviour (FB) significantly impacts individual well-being and extends its influence to households, societies, nations, and global economies. Scholars define financial behaviour in various ways, with Bhushan and Medury (2014) encompassing all financial decision-making and money management activities, while Perry and Morris (2005) focus on savings, expenditures, and budgeting. Xiao (2008) further expands this to include cash handling, savings, and credit management. Altfest (2004) highlights the strategic planning, execution, and evaluation of financial activities such as cash flow, savings, credit, investments, insurance, and retirement and estate planning. Additionally, research on personal financial behaviour explores its determinants and outcomes, defining it as a cluster of behavioural components, including budgeting, cash flow management, consumption, savings, investment, borrowing, and insurance (Dew & Xiao, 2011). When a person manages their money thoughtfully, organizes it systematically, and spends it prudently, these actions contribute to a sense of fulfilment and contentment, ultimately leading to financial satisfaction. Evidence from research indicates that financial behaviour directly affects financial satisfaction (Joo & Grable, 2004; Coskuner, 2016, Zainul Arifin, 2018). Based on the above arguments, the following hypothesis is proposed

H1: Financial behaviour has a positive relationship with financial satisfaction.

Financial capability refers to an individual's ability to apply financial knowledge, adopt effective financial behaviours, and leverage available financial opportunities to achieve financial well-being (Goyal et al.). It is influenced by both personal competencies—such as financial literacy, attitudes, skills, and behaviours—and external socio-economic conditions (World Bank, 2023). Research consistently highlights its strong association with financial satisfaction. Studies analysing financial capability data from the U.S. have demonstrated that individuals with higher perceived financial capability tend to experience greater financial

satisfaction (Xiao, 2016; Xiao & O'Neill, 2018). Based on the above arguments, the following hypothesis is proposed:
H2: Financial capability has a positive relationship with financial satisfaction.

The conceptual framework offers a comprehensive and precise depiction of the suggested hypotheses.

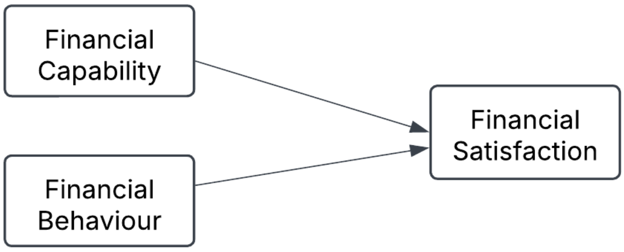

Figure 1. Conceptual model

3. **Methodology**

This research employs a quantitative methodology, with data gathered through a structured questionnaire. The questionnaire was divided into two parts. The first part focused on capturing the demographic details of the participants, while the second part aimed to understand their perspectives on financial satisfaction and the factors affecting it, using a five-point Likert scale. Partial Least Squares Structural Equation Modelling was employed to evaluate the hypotheses. PLS-SEM is a robust statistical technique used to test and estimate causal relationships between variables (Rahi, 2017). The analysis followed a two-step procedure to ensure the validity and reliability of the results.
The first step involved evaluating the measurement model to assess the validity and reliability of the constructs. This included testing for convergent validity and internal consistency reliability.
The second step focused on examining the structural model to test the hypothesised relationships between the constructs. This step assessed the strength and significance of the causal paths proposed in the conceptual model. The analysis was conducted using SmartPLS-3.2.9 software (Ringle & Sarstedt, 2016)which is widely recognised for its effectiveness in estimating complex PLS-SEM models.
The convergent validity includes indicator loading, composite reliability (CR) and average variance extracted (AVE). Indicator reliability was assessed by examining the factor loadings of each item. All loadings were required to exceed the threshold of 0.60 to ensure adequate reliability at the indicator level (Benitez et al., 2020). Convergent validity was evaluated using the Average Variance Extracted. The AVE values for all constructs were required to be greater than 0.50, indicating that the constructs explained more than half of the variance in their

respective indicators. Construct reliability was assessed using two metrics: Composite Reliability (CR) and Cronbach's Alpha (CA). Both CR and CA values for all constructs had to exceed the recommended threshold of 0.70 to confirm their internal consistency and reliability (Henseler et al., 2009)

4. **Results**

According to Table 1, the sample consists of 42.2% men and 57.8% women. The majority of respondents (37.3%) are younger than 25 years old. In terms of education, 66% hold a university degree, making them the dominant group in the survey. Additionally, the sample is predominantly urban, with 81.3% residing in urban areas and only 18.7% in rural zones.
Table 1. Demographic characteristics of respondents.

Variable	**Description**	**Percentage**
Gender	Male Female	42.2 57.8
Age	Younger than 25 years old 26- 35 36-45 46-55 Over 55 years	37.3 9.2 20.3 32.7 0.5
Education	High school University	34 66
Zone	Urban Rural	81.3 18.7

Table 2 presents the values of CR, AVE, and indicator loadings. The indicator loadings for all constructs surpass the minimum threshold of 0.7. Moreover, all CR values are well above the recommended benchmark of 0.7. Additionally, the AVE values for all constructs exceed the required threshold of 0.5, reinforcing the evidence of convergent validity.

Table 2. Results for the measurement model

Constructs and indicators	Outer loadings	CR	AVE
Financial knowledge (FK)		0.829	0.626
FK1	0.824		
FK2	0.882		
FK3	0.813		
Financial behaviour		0.924	0.811
FB1	0.864		

FB2	0.925		
FB3	0.913		
Financial capability (FC)		0.826	0.822
FC1	0.892		
FC2	0.911		

Financial satisfaction demonstrated an R^2 value of 0.35, suggesting that 35% of its variability is accounted for by financial capability and financial behaviour.
The results support (Table 3) the proposed hypotheses, indicating that financial capability has a significant positive impact on financial satisfaction ($\beta=0.135$, $p<0.05$), thereby confirming hypothesis 2. Additionally, financial behaviour also demonstrated a significant and positive influence on financial satisfaction ($\beta=0.132$, $p<0.05$), providing support for hypothesis 1.

Table 3**.** Hypothesis testing.

Hypothesis	Path coefficients	P-Values
FC → FS	0.135	0.012
FB → FS	0.132	0.023

5. **Conclusions**

From a financial research perspective, the empirical evidence generated in this study substantiates the hypothesised relationships between individual financial competencies and financial well-being outcomes. The analysis confirms that financial capability has a significant positive impact on financial satisfaction, thereby supporting hypothesis 2. Moreover, financial behaviour also emerges as a significant positive predictor of financial satisfaction, lending support to hypothesis 1. These findings reinforce the theoretical premise that both the ability to manage financial resources and the practice of sound financial behaviours are critical determinants of financial satisfaction. As such, the results have important implications for the design of financial literacy programmes and policies aimed at improving individual financial well-being.

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Using Big Data in Customer Relationship Management (CRM) Systems in Tourism: Analyzing tourists profile in accommodation structures

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Abstract
The purpose of this letter is to review the impact of Big Data implementation in Customer Relationship Management (CRM) in the field of tourism, focusing on the use of "Big Data" techniques to analyze the behavior and profile of tourists. The need to develop this topic emerges from the fact that this field lacks research on the experiences or impressions of customers and their evolution through the use of large data at different contact points. During this paper we will identify one of the main problems in the field of tourism, which is the lack of behavior analysis and profile of tourists visiting our country, evidenting the number of these tourists that return again or the measurement of the "Customer Retention", the number of tourists who become frequent buyers of the service. Customer knowledge is a necessary strategy for the tourism sector that plays an important role in improving services, connecting with customers and improving marketing strategies. Customer Relationship Management (CRM) is an approach to manage a company's interaction with current and future customers. In this paper we will use a combined methodology, including quality and quantitative analysis. We will also analyze primary data such as tourists visiting our country, attitudes, impressions and their behaviors that will be collected by questioners and group interviews, obtained by tourists or host structural management personnel. Secondary data will be provided by surveys and statistics carried out by various interest groups in the tourism sector. Finally, the conclusions and recommendations that this paper will bring evidences that the use of Big Data analysis in CRM systems can help create more personalized experiences and increase the number and pleasure of tourists.

Keywords: Big Data, Customer Retention, CRM, Tourism
JEL classification: M15, O32, O33

Acknowledgement

From the literature review, it is seen that there are studies on the applications of Big Data in marketing, but there are fewer studies on the direct impact of CRM systems on customer loyalty and long-term retention, especially in the tourism sector.

In relation to this topic, more research is needed on how Big Data tools can improve long-term customer retention in tourism, by monitoring impressions and evaluation of their service and loyalty to the relevant structure that provides the service. The application of Big Data techniques in the Customer Connection Chain helps in the decision-making process of the relevant structures in the field of tourism in several aspects, including the financial aspect and the quality of service.

1. Introduction

Tourism is an important sector for the economy of our country, which has benefited greatly from the development of information technology. Even in this field, as well as in other business sectors, Big Data analysis is an important tool that influences decision-making in a company, organization or institution. But what do we mean by Big Data?

Big Data is a term used for large data sets. Nowadays, everything has to do with this term, since everywhere there is information and data that we need for different purposes and the data that is created in a day reaches 2.5 quintillion bytes. Big Data sets exceed the sizes of simple databases and the architecture that dealt with their possession before. There are several definitions related to the characteristics of Big Data, but three common terms are most widely known: speed, volume and variation. Volume refers to the amount of data coming from different organizations and businesses, velocity refers to how quickly these data are generated by the respective organizations, while variation refers to the different types of data, since they do not come only from a certain field.

Big Data runs parallel to Artificial Intelligence and Machine Learning, thus enabling the implementation of advanced techniques for analyzing data and finding automated models in the large flow of unstructured information. For example, this combination of technologies in the field of tourism makes it possible to determine the characteristics of accommodation structures that affect customer satisfaction or determine the destinations where tourists would spend the most.

Analyzing Big Data does not require the use of just one technology. It requires additional methods for storing, structuring and analyzing data. By using a combination of technology, business owners in the tourism sector are able to better understand customers and anticipate their needs, increasing the likelihood of customers returning to the respective hospitality structure.

Different operators in this field use different platforms and systems that have improved the experience of tourists and hospitality structures. Information collected from online platforms, mobile applications, and social networks offers the opportunity to understand the preferences and behavior of tourists. One of the main problems in the field of tourism is the lack of analysis of the behavior and profile of tourists who visit our country, i.e. how many of these tourists return again or otherwise measure “Customer Retention”, i.e. how many of them become frequent buyers of the service provided.

Knowing customers is a necessary strategy for the tourism sector and plays a key role in improving services, connecting with customers and improving marketing strategies. Customer Relationship Management (CRM) is an approach to managing a company's interactions with current and prospective customers. This approach analyzes the company's historical customer data to improve business relationships with customers, with a particular focus on customer retention or to drive sales growth. An important aspect of the approach are CRM systems that collect information from a wide range of different channels. Through CRM and the systems used to facilitate it, companies seek to learn more about their customers and how to best serve them.

2. Literature Review

In the context of businesses and companies, customer engagement in service evaluation is a critical determinant of success. Companies strive to build deeper connections with customers to foster loyalty and increase their numbers. Big Data analytics improves customer engagement by enabling personalized experiences, anticipating customer needs through predictive analytics, facilitating real-time interactions, and analyzing their feedback and impressions. These capabilities allow businesses to create strategies for better and more productive relationships, improving overall customer satisfaction.

Customer retention is of great importance to business success, as retaining existing customers is often more cost-effective than attracting new customers. Big Data analytics improves customer “loyalty” by enabling accurate segmentation and identification of customers, predicting and preventing their churn, optimizing loyalty programs, and measuring and improving customer satisfaction. These capabilities allow businesses to develop appropriate strategies that keep customers engaged and loyal.

The increase the number of data and the rapid development of technology requires the tourism sector to be part of Business Intelligence (BI), which includes a large number of tools, applications, infrastructure, best practices and methodologies that enable organizations to collect data from internal systems and external sources, prepare this information for analysis, develop and build models and create reports for better visualization. All these analytical results will be provided for use by the users or employees of the company. So, the goal of BI is to allow easier interpretation of large volumes of data. To collect data effectively, businesses need to use powerful data collection systems that receive information in real time. For example, Customer Relationship Management software such as Salesforce or HubSpot can automatically record customer interactions and transaction histories.

3. Data Mining in Customer Relationship Management (CRM)

Customer Segmentation: Customer segmentation is a vital ingredient in a retail organization’s marketing recipe. It provides insight into how segments respond to changes in demographic data related to specific groups within the population, trends, and new methods of doing business. For example, it helps classify customers into the following segments:

- Customers who respond to new promotions
- Customers who respond to new product launches
- Customers who respond to discounts
- Customers who appear/tend to be willing to purchase specific products

Analysis of the effectiveness of marketing campaigns:

Once a campaign is presented, its effectiveness can be studied through various mass communication tools and in terms of costs and benefits; this helps in understanding or discovering what happens in a successful marketing campaign. Campaign effectiveness analysis can answer questions such as:

• Which media channels have been most successful in the past for different campaigns?
• Which geographic locations have responded positively to a particular promotion?
• What were the relative costs and benefits of the campaign?
• Which customer segments responded to it?

Customer Lifetime Value (CLV): Not all customers are equal. CLV calculates several projected measures of value including risk-adjusted revenue, which is the probability that a customer will acquire a category or product that they do not currently own, and risk-adjusted loss, which is the probability that a customer will abandon a category/product that they currently own. To these values, you must add the net present value (NPV) and subtract the value of customer service.

Customer Potential: There are customers who are not profitable at present, but have the potential to be profitable in the future. For this reason, it is necessary to identify customers with high potential before deciding what is the best way to understand that this potential comes from an appropriate campaign stimulus.

Customer Loyalty Analysis: It is better from an economic point of view to retain an existing customer rather than to seek a new one. In order to develop effective customer retention programs, it is important to analyze the reasons why customers decide to leave. Business intelligence helps to discover the reasons for customer departure in relation to the factors that influence a customer since at some point data that is at a lower hierarchical level in a structured database can be accessed and this causes the customer's trust to change.

Product Pricing: Pricing is one of the most important marketing decisions made by retailers. In general, a price increase can result in lower sales and customer churn. Using Data Mining, retailers can develop sophisticated pricing models for different products that can reinforce the price-sales relationship and show how price changes affect product sales. Target Marketing/Response Modeling: Retailers can optimize their overall marketing and promotional efforts by targeting specific customers or customer groups in these campaigns. Target Marketing is based on a simple analysis of the buying habits of a customer or a group of customers, but a large number of Data Mining tools are being used to identify specific customer segments that are likely to respond to particular types of campaigns.

Data Mining with its techniques is in the service of organizations and companies by performing favorable functions for them such as: increasing customer service and improving it, providing better awareness campaigns so that the selection of customers or students is easier, identifying customers or students with higher risk. So, by using these facilitating techniques we can save time and money in the difficult process of analyzing data. Also, Data Mining is used to discover hidden relationships between variables or inputs of organizations, which analyzing them manually would take a lot of time. So, through DM we can easily develop new complex models by taking many factors into account.

Some of the functions of Data Mining:
• Defining and identifying new customer groups in different companies
• Identifying customers who bring benefits to the organization and those who do not
• Predicting customer failures
• Facilitating the execution of marketing campaigns or promotions
• Predicting the level of responses of customers or students
• Determining suspicious and unusual behaviors as part of the problem detection process
• Identifying key elements in the established objectives

We must emphasize that Data Mining can be used in different fields, contributing to each in order to facilitate the decision-making process and increase the best use of the data they have.

4. Research Methodology

This project will use a combined methodology, including qualitative and quantitative analysis. We will also analyze primary data such as the characteristics of tourists visiting our country, their attitudes, impressions and behaviors which will be collected from questionnaires and group interviews, conducted with tourists or with the management personnel of the hosting structures. Secondary data will be provided from surveys and statistics conducted by various interest groups in the tourism sector.

Techniques and Tools:
• Using Big Data analysis from sources such as: social networks, travel platforms, CRM systems or other information sources
• Applying data analysis techniques such as segmentation, classification and regression to predict tourist behavior
• Using a software to demonstrate predictive analysis on data
• Visual and statistical analysis to identify trends and patterns in tourist behavior

5. Results and discussions

This paper aims to help tourist agencies, tourism authorities and businesses in this sector to identify and effectively manage the factors that create value and influence customer decisions, whether new customers or existing ones. Identifying key success factors directly affects the marketing strategies of various operators in this field.

Since the Customer Relationship Chain systems are analyzed, an important contribution that this study is expected to make is the development of new techniques for increasing the number of new tourists and predicting the behavior and impressions of previous tourists. The use of Big Data analysis in CRM systems can help create more personalized experiences and increase the number and satisfaction of tourists.

A deeper understanding of the use of Big Data techniques and the identification of the advantages of their use in this sector can increase the number of operators or agencies in our country that will use it and that increase their income through appropriate decision-making.

6. Conclusion

This paper aims to help travel agencies, tourism authorities and businesses in this sector to identify and effectively manage the factors that create value and influence customer decisions, whether new or existing customers. Identifying key success factors directly affects the marketing strategies of various operators in this field.
Since the Customer Relationship Chain systems are analyzed, an important contribution that this study is expected to make is the development of new techniques for increasing the number of new tourists and predicting the behavior and impressions of previous tourists. The use of Big Data analysis in CRM systems can help create more personalized experiences and increase the number and satisfaction of tourists.
A deeper understanding of the use of Big Data techniques and the identification of the advantages of their use in this sector can increase the number of operators or agencies in our country that use it and that increase their revenues through proper decision-making.

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Revolutionizing Sports Marketing through Digital Strategies

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Abstract
The landscape of marketing in the sports industry has been profoundly altered by the emergence of digital technologies. This study investigates the adoption of digital marketing techniques in sports, comparing them to conventional marketing methods. By analyzing recent case studies from prominent sports entities, we highlight how tools such as social media, content creation, and data analytics significantly boost fan engagement, brand loyalty, and revenue streams. Our research indicates that digital marketing not only broadens the visibility of sports brands but also allows for more precise and personalized interactions with audiences. In contrast, traditional marketing approaches, which often rely on generic messaging and lack interactive elements, struggle to fulfill the demands of today's consumers. We outline the substantial benefits of digital marketing, including immediate feedback mechanisms, deeper customer insights, and the potential for creating engaging fan experiences. Moreover, this paper discusses the obstacles that sports organizations encounter while shifting from traditional to digital marketing, including adapting to new technologies and effectively segmenting their audiences. By demonstrating the significant impact of digital marketing on the sports sector, this research offers crucial insights for industry practitioners and academics alike. Embracing digital marketing is essential for sports organizations aiming to foster engagement and drive growth in a dynamic environment.

Keywords: Digital marketing, conventional marketing, sports sector, fan engagement, brand loyalty.
JEL Codes:M31,L83 ,O33

1. Introduction

Sports marketing undergoes a profound transformation through digital technologies which enables sports organizations to connect with fans better while strengthening brand loyalty and increasing revenue. Sports brands now use social media and streaming platforms with data analytics to connect instantly with worldwide audiences in an interactive manner which differs from the one-way traditional marketing methods including print ads and TV commercials and billboards. Sports fans now make up more than 50% of the audience that uses Facebook and YouTube to consume sports content while sports entities maintain the largest social media followings worldwide. The e-sports industry which emerged from competitive video gaming has adopted digital-native marketing strategies to expand its fan base rapidly because global e-sports viewership is expected to reach 646 million by 2023. Sports marketing has transitioned from traditional mass-media broadcasts and physical promotions to agile internet-centric strategies which now dominate the industry. The research explores how digital strategies transform sports marketing through an examination of professional football (soccer) and e-sports domains. The research evaluates modern digital marketing approaches (social media engagement and influencer partnerships and content creation and data analytics) against conventional marketing strategies (print media and television ads and stadium signage). The research examines football clubs and e-sports organizations through recent case studies to demonstrate how digital marketing strategies boost fan engagement while strengthening brand loyalty and generating revenue. The research develops a strategic framework for digital marketing implementation in sports that addresses obstacles and provides direction for academic researchers and industry professionals.

2. Literature Review

The initial stage of sports marketing used one-way communication through traditional media channels. In previous times, the marketing efforts aimed at specific groups of supporters who received messages through broadcast channels or printed materials without personalized approaches. Fans could only experience indirect contact with athletes or clubs through television broadcasts together with radio programs and printed media. The established promotional tactics succeeded at raising general awareness although they provided restricted opportunities for fan involvement because spectators received information but not actively participated. Sports personalities maintained their distance as celebrities while fan feedback and community development remained possible only through live events and written correspondence with fan clubs. Social media platforms and Web 2.0 emerged to transform the way athletes and teams interact with their fans. Modern fans demand immediate updates alongside direct dialogue and comprehensive immersive interactions that traditional media platforms cannot achieve. Research conducted by academics demonstrates how digital fan interaction has gained momentum. The research conducted by Romero-Jara et al. (2023) analyzed 19,000 social media posts from elite football clubs across Europe, South America, and North America to determine that clubs use online content strategically to build fan interaction through nature.comnature.com. The study revealed that posts about marketing together with sports content achieved the highest frequency rates while generating maximum engagement on Facebook Twitter and Instagram nature.comnature.com. The research showed platform-specific content optimization where Instagram produced the highest engagement metrics through its marketing-oriented posts achieving an engagement index of 2.03 compared to Facebook and Twitter nature. The study demonstrates that specially designed digital content containing visual and interactive elements proves highly effective in attracting fan attention. The research by Girsang (2021) demonstrated that social media marketing generates greater loyalty among Indonesian football club supporters by using content which is both entertaining, interactive, trendy and personalized. The research established that engagement proved to be the most powerful factor which strengthened fan loyalty according to the results. Fan engagement serves as the key indicator of financial success since devoted supporters allocate six times more money to team products and events compared to casual supporters. Sports business experts state that clubs which build strong connections with worldwide fans can generate higher revenue through sponsorships media rights and merchandise opportunities. Digital engagement proves to be more than just a metric because it produces concrete financial benefits by strengthening fan dedication and increasing customer value throughout their lives. Research demonstrates how digital-centric marketing strategies have evolved from e-sports being the pioneering force. The fundamental operations of e-sports organizations function through streaming services and social media platforms which typically generate better fan participation statistics than traditional sports. A recent industry review revealed that e-sports started as a specialized field but now draws about one billion global viewers because of its effective implementation of live streaming and social media collaborations and influencer alliances. The e-sports sponsorship success demonstrates how influencers and content work together to reach audiences because NVIDIA launched their 2022 campaign with 1,400 independent video game streamers who integrated brand messaging into live streams which received more than 600,000 views and a remarkable 2.73% click-through rate to the product sitestrivecloud.io. The measured engagement rates from digital influencer marketing surpass the typical performance of traditional banner ads thus demonstrating its effectiveness for sports promotion. Research along with industry observations unite to show that digital strategies including social media engagement and real-time content creation and influencer activation and data-driven personalization are revolutionizing sports marketing. Digital strategies provide enhanced fan connections and increased interaction than traditional approaches which results in quantifiable growth of loyalty and spending performance. Research shows that there are still knowledge gaps regarding optimal digital tactic combinations and methods to unite them with established marketing strategies. The research extends existing literature by performing a direct comparison between conventional methods and digital marketing strategies and through football and e-sports case studies to obtain practical recommendations.

3. Methodology

A mixed-method research design was used to investigate how digital marketing compares to traditional marketing methods in sports. The study began with a secondary data analysis of academic journals together with industry whitepapers and surveys. The research included both quantitative data (e.g. engagement rates, loyalty indexes, revenue growth percentages) and qualitative findings about fan behavior. We performed a comparative analysis. The analysis included two recent high-profile marketing initiatives or events from each domain: a European football club's global digital campaign against its traditional marketing activities and an e-sports brand's fan engagement strategy. Social media platforms provided publicly available metrics which included follower counts and engagement figures while business reports delivered merchandise sales and sponsorship revenue data for these cases. The research combines literature analysis with comparative analysis to provide a thorough evaluation which maintains both scientific validity and real-world applicability.

Comparative Analysis: Traditional vs. Digital Marketing

Traditional sports marketing depends on both mass media platforms and direct in-person promotional channels which maintain defined audience limits. The broadcast methods of television together with radio programming and printed advertisements and stadium billboards mostly function within local regions and require audience passivity. Traditional marketing techniques excel at delivering messages to local supporters as well as broad audience segments through methods like TV commercials during championship games but they fail to connect with contemporary sports fans who have dispersed across different regions. Digital marketing enables users to connect with their audience across the entire world at any moment. Social media platforms allow mid-tier clubs to obtain international supporter bases that surpass local attendance numbers. PSG's social media followers increased by 5.2 million when Paris Saint-Germain acquired Lionel Messi in 2021 as newsweek.com reported leading to a 13% boost of their total followers reaching 115 million. Digital channels enabled PSG to connect with worldwide fans instantly during this single digital event which delivered audience numbers that local marketing strategies could never reach. E-sports demonstrates its natural ability to transcend borders because major e-sports competitions generate millions of online viewers worldwide annually (The 2021 League of Legends World Championship reached over 4 million simultaneous viewers on Western platforms and attracted numerous times more viewers through Asian streaming services). Digital channels provide a reach level that traditional sports marketing cannot replicate even with unlimited resources. Through data analytics digital platforms let marketers deliver messages that target precise audience segments based on their location and interests whereas traditional marketing requires broad audience reach that limits personalized communication. Traditional fan engagement in marketing focuses on spectators only. The club or brand sends information in a single direction to the audience without obtaining any immediate responses from them. The available tactics for fan interaction including fan events and mail-in contests as well as call-in shows had restricted reach. Sports entities build two-way communication with their fan base through digital marketing. Through social media pages supporters can both leave comments on posts and upload their own content while developing a feeling of community with other fans. Athletes and teams create an opportunity for direct communication with their fans through Twitter Q&A sessions and direct responses to comments which breaks down the distance between them. The analysis from Sprout Social demonstrates that sports figures now act as social media influencers who enter fans' daily feed and fans maintain final control of sports content discussions through the comment section. The interactive approach between fans and organizations strengthens participation levels since audience members become active participants instead of passive receivers. Digital campaigns enhance fan participation through voting polls challenges which include hashtag campaigns as well as user-generated content contests. The level of audience participation which digital marketing achieves remains beyond reach for conventional outdoor advertisements and television commercials. Through extensive interaction fans strengthen their emotional bonds and loyalty with the brand. The research demonstrates that social media activity creates fan loyalty while also leading to increased brand loyalty according to researchgate. Digital fan engagement leads to the development of brand ambassadors who actively promote their team on social networks which traditional marketing methods cannot replicate. Traditional marketing creates emotional responses through its powerful imagery and storytelling in well-made Nike TV commercials but digital marketing delivers daily personalized engagement that traditional marketing does not offer. Traditional marketing produces its content in centralized operations with infrequent distribution. Fans typically receive publications like glossy magazines combined with posters and TV spots about the team's heritage as well as sporadic sports news coverage. The storytelling approach used in traditional marketing follows a top-down structure with scheduled programming that includes season previews and evening news highlights after matches. Digital marketing provides an ongoing flow of content through which organizations can present complex stories. Teams function as their own content production units by following the model of media companies. Through their content production teams they create both raw footage and finished content including videos that show behind-the-scenes action and locker room images as well as athlete interviews and training highlights alongside YouTube and streaming service documentaries. A perpetual content approach maintains continuous fan interest beyond traditional game days throughout the entire year. The organization of humanized player content helps develop stronger fan connections by sharing stories about their personal lives. Modern football clubs and e-sports teams use vlogs to show daily player life and funny match memes which appeal more to digital-native fans than traditional printed monthly magazine interviews. Through digital platforms sports marketers can explore innovative storytelling methods using TikTok's short-form videos and Twitch live streams and Instagram Stories that enable them to reach viewers with brief attention spans. The traditional marketing formats operate with limited flexibility because they include 30-second TV commercials and full-page print advertisements which do not support rapid storytelling development. The traditional sports marketing sector has employed star athletes in endorsements for a long time by having them appear in TV commercials and on breakfast cereal packaging which represents influencer marketing. These promotions were usually rigidly controlled while only working in one direction. Modern digital strategy enhances influencer marketing by extending its reach through the use of star athletes as well as micro-influencers and fan influencers. The teams now grant players the ability to interact with fans on their individual social media accounts which turns the athletes into marketing platforms. Star athletes posting content on Twitter or Instagram can immediately connect with millions of fans who give their content more credibility and stronger impact than commercial advertisements. Brands work together with independent content creators who operate on YouTube, Twitch and TikTok platforms to reach their specific fan bases. The video game industry introduced this approach first by letting hardware and apparel companies sponsor skilled gamers and streamers who naturally include their products within their online broadcasts. Traditional marketing does not have an equivalent to hundreds of micro-influencers who simultaneously spread information without paid promotion. The digital era enables fans to gather in virtual clubs which maintain daily activities whereas traditional marketing primarily connects people at physical locations such as stadiums and fan club meetings. These

communities operate as self-sustaining marketing mechanisms because they distribute content while planning fan gatherings which sustains enthusiasm even during periods when teams are inactive. Digital marketing achieves its greatest strength through precise measurement and personalized approaches. The exact measurement of traditional marketing effectiveness remains challenging because TV viewership numbers can be tracked and ticket sales are quantifiable yet the impact of billboards on merchandise sales remains unclear and it is impossible to measure fan engagement from TV commercials. Sports marketers receive detailed performance metrics from digital platforms through analytics tools which include click-through rate tracking and video view statistics and social media engagement metrics and conversion rate monitoring for e-commerce transactions from particular marketing campaigns. Marketing strategies receive ongoing improvements through the use of collected data. Fan data collection with consent enables personalized marketing approaches through methods like custom email communications or mobile alerts that reference specific favorite players and provide discounts for preferred merchandise. Research indicates that targeted promotions boost effectiveness since 71% of millennials provide personal data for customized offers and targeted advertisements perform better than generic promotions by half according to deloitte.com. The ability to personalize marketing efforts surpasses what traditional methods can achieve because newspaper ads lack the ability to modify their content based on individual readers. The advantage of personalization requires organizations to address related privacy issues.
To synthesize these differences,

Table 1 qualitatively contrasts traditional and digital sports marketing across key dimensions:

Aspect	Traditional Marketing (Sports)	Digital Marketing (Sports)
Reach	Local/regional focus; constrained by broadcast territories and physical presence. International fans harder to reach without global TV deals.	Global reach via internet platforms; social media and streaming can engage fans worldwide instantly Micro-targeting by demographics is possible.
Interactivity	One-way communication; fans as passive audience. Limited feedback (e.g., live game attendance reactions, call-in segments).	Two-way engagement; fans can like, comment, share, and create content. Real-time feedback and conversations between fans and teams sproutsocial.com. Communities form online.
Content Frequency	Episodic content tied to events (matches, press releases). Relatively static formats (print articles, TV spots).	Continuous content flow (daily social media posts, stories, videos). Dynamic, multimedia content including live

Aspect	Traditional Marketing (Sports)	Digital Marketing (Sports)
		streams, behind-the-scenes footage, and interactive media.
Influencer Role	Star athletes featured in ads, but with corporate messaging. Fan word-of-mouth limited to personal circles.	Athletes act as influencers on personal social accounts; independent influencers (e.g., streamers, bloggers) collaborate with brands strivecloud.io. Fans amplify content through shares and UGC campaigns.
Data & Personalization	Limited audience data (TV ratings, attendance figures); one-size-fits-all messaging. Success measured in broad strokes (ratings, sales).	Rich data on fan behavior (clicks, views, purchase history). Personalized outreach (tailored ads/offers per fan interest). Detailed KPIs tracking (engagement rate, social reach, conversion).

This comparison makes clear that digital strategies offer superior engagement potential and flexibility than traditional methods. Traditional marketing still plays a role for instance, live TV broadcasts of games remain crucial for exposure and older demographics, and stadium signage still delivers sponsor value and local presence. Yet, in the contemporary landscape, digital marketing can achieve outcomes that traditional marketing cannot easily match.

Challenges in Adopting Digital Strategies

Switching to digital marketing in sports requires more than a simple change of direction because organizations encounter major obstacles and hurdles during their transition from traditional methods. Major obstacles that organizations encounter during their digital transformation include the following: Organizations led by sports franchises alongside traditional football clubs tend to maintain traditional management approaches which resist innovation. A digital-first approach requires leadership commitment and possibly new staff structures through the establishment of social media teams or data analytics departments. Traditional marketing teams face challenges because they need training or digital natives who specialize in social media trends and content creation as well as technical tools to enhance their operations. Sports organizations experience gradual cultural transformations because of which new digital operational practices require extensive time to integrate with their operational framework as industry experts explain. The collection of substantial data requires organizations to handle their responsibilities properly. Fan data can be powerful when used to deliver personalized experiences but sports organizations must respect both data protection regulations and maintain their fan trust. Data privacy stands as the top priority for organizations in the digital age according to online sport management research. Sports teams operating at high levels become prime targets for cyber attackers because they possess valuable data and face substantial disruption threats so they must invest in cybersecurity. A single data breach or misuse scandal would result in serious harm to fan trust along with severe damage to brand reputation. The challenge for clubs exists in combining data-driven marketing with ethical and transparent data practices. The production of engaging content that outshines fan newsfeeds constitutes a critical obstacle for managing information overload. The ability to create content at low cost becomes counterproductive because everyone produces content which leads to quality and creativity becoming essential factors. Excessive communication from clubs along with insincere marketing strategies will lead to the disengagement of digital-savvy fans. Sports marketers need to identify the perfect rhythm of content delivery while providing valuable content experiences through entertainment or exclusive access to maintain audience engagement in the overwhelming digital content landscape. Maintaining agility and foresight becomes essential to stay current with platform trends because today TikTok virality might lead to tomorrow's alternative trends. The use of digital platforms allows global fan access yet shows the wide diversity of the fan base. Fans who support the club belong to different cultural backgrounds and linguistic groups and cover various age demographics. Developing content which connects with diverse audience segments proves to be extremely difficult. The communication style which appeals to TikTok users from Gen Z generation diverges from the expected style of Facebook users who belong to older generations. Sports marketers need to make conscious efforts to speak directly to diverse fan groups so they expand their audience base and prevent alienation. The development of separate content streams must include a women's team behind-the-scenes series for female fan engagement and regional social media accounts for localized content distribution. Successful digital strategy often means hyper-segmentation: delivering the right message in the right format to the right sub-audience. The scale implementation of this approach proves to be difficult because it requires both logistical planning and creative solutions. The investment needed for cutting-edge digital marketing proves difficult for smaller clubs and emerging e-sports teams. The production of high-quality content through video production and AR/VR experiences along with advanced analytics platforms costs organizations a lot of money. A marketing trend report found that introducing virtual reality fan experiences and AI-driven analytics proves costly for organizations with limited financial resources. The commitment to stay updated with technology requires ongoing effort because it includes both CRM systems and social media management tools. The digital marketing landscape has evolved so much that techniques which were popular even a few years ago now fall under new trends that include TikTok short-form videos and metaverse interactions. Sports organizations need to maintain their dedication for continuous learning while making investments that may produce uncertain returns on investment in the short term. A successful digital transformation in sports marketing requires strategic and ethical implementation.

4. Conclusion

Modern digital marketing strategies transform sports promotion by enabling fan participation through innovative data-based methods that produce unparalleled directness and dynamism in sports engagement. The comparative analysis in this paper demonstrates digital marketing approaches generate superior results than traditional methods when measuring expansion of global audiences and building interactive fan communities and strengthening brand devotion and opening additional revenue opportunities. E-sports demonstrates the complete digital-native approach through fan engagement participation and through using influencers and gamification to develop passionate fan bases while generating profits from novel digital platform-based revenue streams. Traditional marketing continues to serve essential functions for basic audience awareness yet fails to achieve the personalized experiences and instant accessibility and worldwide reach that digital channels deliver. Sports organizations together with marketers will experience fundamental changes because of these developments. Sports organizations have made fan engagement their main strategic focus because active fan participation powers business growth according to survey data which shows 71% of sports organizations consider fan engagement essential for business objectives. The strategic need for digital transformation requires sports clubs and leagues to shift their priorities by dedicating more resources to digital projects. A strategic approach based on vision development and audience comprehension and multiple content channels and influencer partnerships and data analysis and ethical practices and innovation will guide organizations through systematic change. The upcoming years will bring continuous advancements in technology that will transform the present-day sports environment. Sports fan experiences stand on the brink of transformation through two emerging technological advancements: artificial intelligence (AI) and extended reality (XR). The sports industry expects AI technology to transform fan engagement through its ability to provide hyper-personalized content and automated engagement systems such as chatbots that deliver real-time statistics and respond to fan inquiries according to 43% of industry professionals. Virtual and augmented reality technologies will enable immersive experiences through which spectators can attend matches virtually from any location and view real-time player statistics through AR at physical venues. New marketing content and sponsorship possibilities will emerge from these technologies. Sports organizations that have adopted digital marketing techniques demonstrate how to build massive international fan bases who feel deeply connected to the team or brand and generate business success through fan connections. Sports marketers who combine the heritage of football with e-sports engagement principles can develop marketing approaches which respect traditional fan traditions and maximize modern technology benefits. Sports organizations achieve dual benefits through this approach because they gain enhanced fan loyalty and higher revenue from their operations in an escalating entertainment market.

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Digitalization of tax services in Albania and its impact on taxpayer self-declaration and compliance

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Abstract
In the era of technological development, economies are increasingly embracing digital transformation, reshaping the way businesses and individuals operate. Digitalization has emerged as a pivotal tool in public services of fiscal sector, driving efficiency, accessibility, transparency by reducing administrative burdens, fostering voluntary self-declaration of taxes by individuals and businesses. This paper brings to attention the importance of digitalization of tax services in a EU membership candidate country such as Albania. In recent years Albania has implemented significant tax reforms, including the adoption of e-filing, e-Albania services, e-invoicing, and real-time tax monitoring through the Fiscalization system. These reforms aim to simplify tax procedures, enhance compliance, improve transparency and reduce tax evasion. Despite these advancements, challenges persist, particularly for individual taxpayers and small businesses, which face difficulties related to compliance costs and technological adaptation. Moreover, these digital tax systems remain in a developmental phase and require continuous improvements to effectively meet taxpayers' needs in real time. This research is based on combining quantitative analysis of official statistics from General Directorate of Taxes, with document analysis of fiscal policies and digitalization strategies. The methodology aims to assess the impact of digital tax reforms on taxpayer self-declaration and compliance in Albania examining both the opportunities and challenges it presents. At the conclusions we will see that digitalization of tax services in Albania has improved taxpayer compliance and self-declaration, but continued support, simplification, and targeted policies are essential to maximize its effectiveness.

Keywords: Digital taxation, tax compliance, e-invoicing, fiscal policy
JEL Classification: H26, H30, O33, C88

1. Introduction

Would you prefer to access a public service while sitting comfortably at your computer? What if that service is connected to tax declarations or payments?

In the era we are living in, digitalization has become an essential part of daily life. Technological development and access to information have fundamentally transformed our expectations regarding receiving services. The core of the digitalization of public services refers to the process through which state institutions transform the way they offer services to citizens and businesses through the use of digital technologies, in order to improve access, efficiency, transparency, and inclusion. According to Lindgren et al. (2019), the digitalization of public services does not simply involve the transition from paper forms to online formats, but implies a substantial change in the interaction between citizens and public authorities, transforming the citizens' experience in their contact with the state. Trischler & Westman Trischler (2022) underline that, in the digital age, users of public services are connected actors within a service ecosystem, and the design of these services should be experience-oriented, not just functionality-oriented. Furthermore, Schou & Hjelholt (2018) argue that digitization co-evolves with the systems; it cannot occur in a political or institutional vacuum. From a more social perspective, Voss & Rego (2019) analyze the impact of digitalization on the quality of public services and highlight that this process creates new challenges for public employees and users, particularly regarding access, equality, and data management. The fiscal sector represents the most important part of a government, as it is directly linked to the generation of its revenues. Therefore, its digitalization requires special focus and a well-designed strategy. These tools should be integrated to enhance efficiency, reduce administrative burdens, and promote voluntary tax compliance. The strategic role of digitalization in improving service delivery to citizens and businesses, increasing institutional transparency, and reducing tax evasion, has become the main priority of modern fiscal governance.Albania, as a candidate for EU membership, started the digital transformation of public services and governance in recent years. Among the first services to undergo digital transformation were the fiscal ones. Although Albania has made rapid progress in this process, it has yet to fully benefit from digitalization. Challenges related to digital education, network improvement, costs reduction, and security still require further attention and solutions.

1.1 Main Objectives and the Significance of the Study

This paper seeks to answer two key questions related to the digitalization of fiscal services in Albania:What is the impact of the digitalization of fiscal services on voluntary compliance and tax self-declaration?What are the challenges faced by individual taxpayers and small businesses in adapting to the digitalization of tax services, such as digital literacy, cost, and system usability?Through an overview of Albania’s progress in implementing digital tax reforms, including e-filing, e-Albania services, e-invoicing, and the Fiscalization system, by drawing on national statistics, international assessments, and institutional reports, the study analyzes how this process play its role on enhancing efficiency, transparency, and accessibility in tax administration. Moreover, it evaluates the current developmental state of Albania’s digital tax infrastructure and determines the areas requiring further improvement for real-time responsiveness and inclusiveness. The findings highlight the need for more targeted interventions that include: more training support for individuals and small businesses, lower fiscalization costs and a more secure data system.

2. Literature Review

2.1 Theoretical Framework for the Digitalization of Tax Services

Digitalization in public services, especially the fiscal sector, has always been a research topic for many studies, because of its impact on tax compliance and transparency. This innovative process really reshaped the interaction between the state and the citizen. The implementation of information and computer technologies (ICT) not only increased the efficiency, but also transformed the communication channel between governments and citizens. Voss & Rego (2019) define it as a reorientation of service logic, moving from process-oriented to user-centered approaches, where citizens play an active role in co-producing services.

The beginnings of digitalizing tax services were seen in the late 1990s, when developed countries started to make the first steps in digitalizing tax services. The US and Canada launched their electronic filing (e-filing) system for a limited number of taxpayers and gradually expanded it (GAO 2002). In Europe, Nordic countries like Finland, Sweden and Norway began issuing digital IDs to taxpayers, laying the groundwork for secure authentication and online tax services (Heeks, 2001). These countries implemented systems for pre-populating tax returns using employer and bank data, a key innovation in trust-based tax regimes. Important organizations like OECD, played a significant role in guiding and assessing the growth of e-government. They released policy frameworks, insisting governments to embrace ICT for tax compliance, suggesting that digital channels could reduce costs, increase transparency, and improve tax morale (OECD, 1999)

In 2018, the European Commission launched an ambitious project to establish Europe's Digital Decade. This project profoundly affects the EU's relationship with the Western Balkans, which has been the main focus of EU activities for almost twenty years. The Agenda for the Western Balkans, aims to support its transformation to a digital economy and include the area in the EU's digital single market. This project covers Broadband Connectivity, Cybersecurity, Digital Strategy, Digital Economy and Society, and Research and Innovation. As a result, this process has not only reshaped the governmental organization of public services but also posed challenges for countries in the early stages of this transformation.

2.2 The importance of tax voluntary compliance

The achievement of voluntary compliance and self-declaration of taxes, has been a subject of research by various scholars. Its importance has become more evident in recent years. The need for a transparent, fair, and easy-to-understand fiscal system has been a necessity as the main way to foster voluntary self-declaration of taxes. According to Alm: Beyond the rational actor model, tax compliance is heavily influenced by normative factors, social interactions, and other socio-behavioral factors. Facilities, and especially small businesses and individuals, should be reminded that complying is the ‘right thing to do.’ Rules should be standardized and simplified,

and regulators should regularly provide services and compliance assistance. These motivations often complement the classical approach and should be part of policy design (Alm, 2014).
Building effective policies for reducing tax evasion requires, first, understanding the behavioral aspects of the tax compliance decision. Individual attitudes toward compliance are strongly connected to social and cultural norms (Elster, 1989; Naylor, 1989). So, as a result, enhancing these norms, through increasing overall trust in government, can be a good policy instrument to replenish the usual enforcement options.
Referring to OECD publication "What Drives People and Businesses to Pay Tax" it is important to understand what motivates taxpayers to participate in, and comply with the tax system. All this is defined with the term "Tax morale", which can be explained as the intrinsic motivation to pay taxes. This is a vital aspect of the tax system, as most tax systems rely on the voluntary compliance of taxpayers for the bulk of their revenues (OECD, 2019).
All these authors bring to attention the importance of a well-designed fiscal system that relies on self-compliance and not just on penalties. The more the citizens believe in the fairness, transparency, and shared responsibility of the tax system, the more they voluntarily declare and pay taxes.

2.3 Digitalization of fiscal services in Albania and the legal framework

The first steps of the Albanian digitalization of tax services date on the early 2000s, with the World Bank modernization project for the Albanian Tax Administration. This project describes the early assistance in modernizing Albania's tax systems, including IT investments and institutional capacity building (World Bank, 2001). Although informatization had already begun, it was still only one-sided, with no interactive actions between the administration and businesses. It was used solely by the tax administration for data processing purposes, particularly to monitor VAT declaration data. However, this project marked the beginning of efforts to modernize the tax system through computerization. The C@TS system was developed as part of this project to automate the full tax cycle (taxpayer registration, declaration, payment, and auditing). Meanwhile, even though in the following years the modernization of the tax administration started to show positive effects in revenue collection, there were still limitations in the voluntary compliance of taxes by businesses.
Since during these years, the focus was only on audits, the desired results on voluntary declaration were still too far. With the intervention of the World Bank (WB) and SIDA(Swedish International Development Cooperation Agency) projects, the focus shifted toward taxpayer services and information. This led to the modernization of the tax return submission process for taxpayers, transforming it from manual to electronic. As a result, fulfilling fiscal obligations became simpler, eliminating the need for taxpayers to be physically present at the tax offices.
In 2007, the National Agency for Information Society (AKSHI) was tasked with coordinating state IT systems and information society development, under Law No. 248, April 27, 2007. The adoption of new legislation during this time enabled foundational e-government systems: a digital national civil registry, an electronic public procurement system, online tax services

(from 2008), and electronic customs declarations. In 2011, the General Directorate of Taxes (GDT) introduced the e-filing platform, which was designed to allow businesses to fulfill the fiscal declarations online (World Bank, 2020). The e-filing system started to be used for VAT, profit tax, and personal income tax, and it was the final phase of the WB project for the modernization of Tax Administration.

From 2020, the General Directorate of Taxes (GDT) has implemented several digital initiatives, including e-filing, e-Albania integration, electronic invoicing, and the Fiscalization system, which requires real-time reporting of transactions to tax authorities. The primary goal was to ensure that all economic transactions are accurately recorded and reported. This helps to improve tax collection and creates a fairer environment for businesses by reducing unfair competition. These reforms aim to consolidate taxpayer interactions, reduce compliance burdens, and combat tax evasion, but also to build trust between businesses and the tax administration. The improvement of services enables the simplification of tax reporting and declaration, allowing businesses to focus more on growing their economic activity.

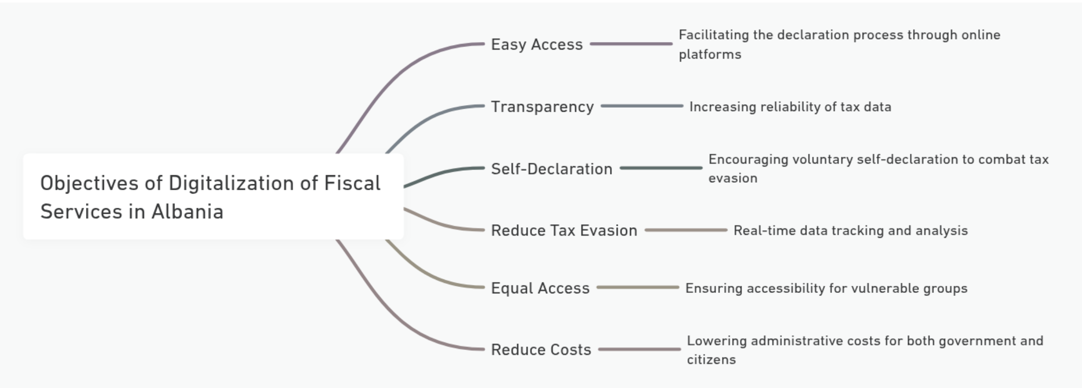


Figure 1: Objectives of Digitalization of fiscal services in Albania

The digitalization of public administration in Albania has advanced notably, especially after 2020, when the e-Albania platform (National Agency for Information Society, 2025) made more than 95% of public services available online. Along with other administrative information, this site provides a broad spectrum of services, including tax declarations, applications for personal papers, and licenses. According to the data from the National Agency for Information Society, “The monitoring plan of the Digital Agenda”, the progress made can be summarized as follows.

Year	Estimated number of online services	Main platform	Key progress
2015	14	e-Albania (initial phase)	First step toward digital governance
2016	50	e-Albania expansion	Increased awareness of using online services
2017	120	e-Albania, DPT online	Simplified procedures, more online verifications
2018	300	e-Albania	Increase in electronic self-declaration
2019	500	e-Albania	Better integration with tax systems
2020	700	Fiscalization begins	Start of fiscalization, new electronic invoice system
2021	950	Fiscalization consolidated	Phased implementation of fiscalization for all taxpayers
2022	1227	Active fiscalization and e-Albania	Only paperless services, digital signature usage
2023	1237	Integrated platforms	Increased interoperability among government systems
2024	1237	Interoperability architecture with 61 registries	Automation increase, 68% of forms auto-filled

Table 1. The progress of digitalization of public services (including fiscal ones) in Albania during the period 2015–2024

The Albanian Tax Administration has launched its Integrity Plan (2024–2027) that places strong attention on strengthening public trust and service quality for taxpayers through institutional transparency, modernization, and digital development. This plan was introduced immediately after the launch of the government's Digital Agenda 2022–2026. The agenda was created to guide the next stage of transformation, highlighting advanced ICT areas such as artificial intelligence, cybersecurity, digital skills development, citizen participation and transparency (Digital Watch Observatory, 2022).

3. Methodology

This study is based on qualitative data by reviewing the literature on the digitization of fiscal services in Albania, the legal framework, reports from the Central Tax Administration (DPT), recommendations from the People's Advocate, and the World Bank regarding the progress of this process. It also employs a quantitative descriptive methodology, analyzing reports published and gathered by the Central Tax Administration (DPT). Data will be analyzed regarding tax declarations submitted by taxpayers from 2019 to 2023, in order to identify the impact of digitalization on the declaration and collection of revenues by the General Directorate of Taxes, as well as the effects that this process has brought on the self-declaration of tax obligations. Additionally, data will also be collected to assess whether this process has generated any additional costs for the taxpayers.

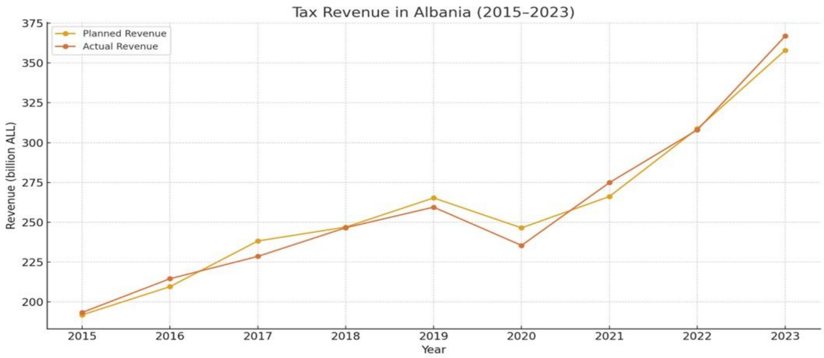
4. Data analysis

The electronic declaration of taxes in Albania is influenced by several key factors that include both technological and institutional aspects. The technological infrastructure of the Central Tax Administration and the functionality of systems such as the central invoice platform "Self-Care" and e-Filing, play a crucial role in facilitating declarations, especially when integrated with other government platforms like e-Albania. In addition, effective communication and institutional support, through information campaigns and training for taxpayers, help increase the use of these platforms by improving the digital skills level of taxpayers, as the effective use of online platforms requires basic digital knowledge. Another factor that also seems to affect mostly the small businesses is the fiscalization cost. The costs of implementing digital declaration systems by small business taxpayers are also factors that influence this process.

4.1 The impact of digitalized tax declarations on Central Tax Administration (DPT) revenue performance

Trends in tax collections and revenue performance

According to data collected from Central Tax Administration (DPT) Annual Reports for the years 2015 to 2023, it is observed that the tax revenue collection performance has been steadily increasing. In 2015, the percentage of actual revenue collected exceeded the planned amount by 0.79%. This positive performance trend continued to grow, reaching 2.5% above the planned amount in 2023.



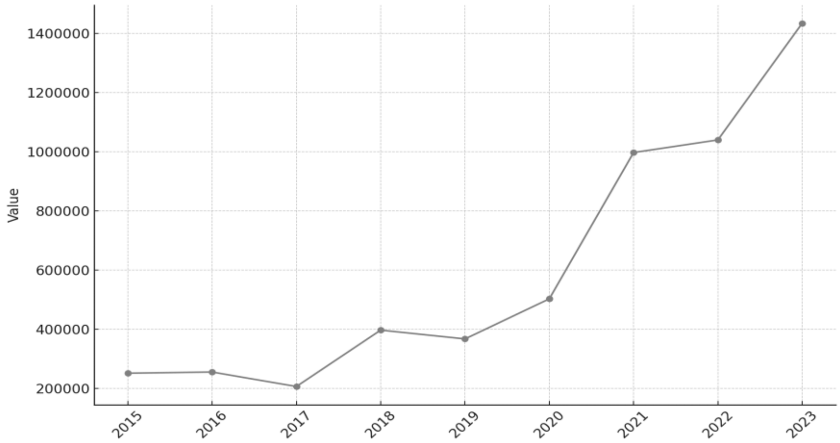
Graphic 1: Tax revenue Planned Vs Actual (Fact) in Albania 2015-2023 (DPT Reports 2015-2023)

The graph shows a steady increase in tax revenues from 2015 to 2023, with a temporary decline in 2020 due to the pandemic, followed by a swift recovery thereafter. As we can see, there is a positive correlation between the digitalization of tax services and the revenue collection by the Central Tax Administration (DPT). This is especially noticeable after 2021, when the effects of fiscalization and real-time invoice reporting began.

4.2 Trends in voluntary tax declarations (annual income declaration DIVA)

The impact of the digitalization of fiscal services can also be analyzed through the comparison of the number of potential declarations and self-declared ones. A measurable indicator for this effect is the annual income declaration by individuals who, according to the income tax law, are obliged to self-declare electronically within the respective deadlines. According to the data obtained from DPT regarding the total revenue declared from individuals who had the obligation to self-declare this tax, the comparison between years 2015 and 2023, can provide indicative data about the impact of digitalization on income self-declaration.

Based on these figures, the percentage of declared income tax (DIVA) in 2023 is nearly 83% higher compared to 2015, showing a noticeable increase in self-declaration and compliance.



Graphic 2: Individual income declarations revenue (DIVA 2015-2024) DPT annual Reports

While focusing again on the aspect of DIVA declarations, one measurable parameter is the on-time self-declaration by individuals who are legally obligated. According to data provided by DPT regarding the number of individuals who had the obligation and the actual number of declarations submitted in time for the year 2023, the potential declaration number was 73,850, and the number of self-submitted declarations was 65,910, resulting in 89,2% self-declaration. In 2024, following the amendment of the income tax law, the base of declarants expanded due to the lowering of the income threshold. The potential declaration number was 143,369, and the number of self-submitted declarations was 127,381, resulting in 88,8% self-declaration. A small difference of 0.4 is observed in 2024 when comparing the percentages of fulfilment, despite the growing number of declarants. This discrepancy may have resulted from the ambiguity encountered by individuals over the official deadline for submitting the DIVA form. While the modifications to income legislation did not completely take effect in 2024, the provision concerning DIVA did. Although the income threshold was lowered, individuals encountered uncertainty owing to insufficient information. As a result, the communication campaign for DIVA started at a later stage, following the release of legal guidelines.

4.3 Individual and business easy access and tax compliance

Nonetheless, if we examine the effects of digitalization from an alternative perspective, the influence is categorized into individuals or businesses, which may be assessed by the accessibility of the services offered. This will ultimately be manifested in tax compliance among businesses and, in certain instances, individuals as well.

According to the People's Advocate report, the digitalization effects were evident, especially after 2020, but this access was not equal if we refer to urban versus rural areas. Broadband investments in rural areas are lacking because investors do not perceive sufficient profit margins, since only a few citizens use it. Also, another factor that affects the ease of accessing digital tax services is the lack of technological devices among some individuals and the cost of implementing such systems, mostly for small businesses.

Nr	Element	Individuals	Businesses
1	Access to services	High (urban)	High (especially after 2020)
2	Automation of declarations	Low	High via fiscalization
3	Ease of use	Simplified for basic use	Requires training/adaptation
4	Usage frequency	Daily for documents	Monthly/periodic for obligations
5	Main challenge	Lack of devices/access	Technical cost for adaptation

Table 2. Comparison of Digital Tax Services: Individuals Vs Businesses (People's Advocate, 2024).

4.4 Business implementation costs

By examining the present expenses associated with the implementation of the fiscalization process, it is evident that each business has an additional annual cost to utilize fiscal services. This expense is determined by the lowest market rates for the maintenance of fiscalization software and information technology logistics, excluding the initial purchase cost of the devices.

Nr	Cost type	Value
1	Electronic certificate	4.000,00 Lekë
2	Electronic signiture	4.800,00 Lekë
3	Annual internet fee	16.800,00 Lekë
4	Electronic devices (Computer, printer, costs on maintenance, excluding the initial purchase cost)	15.000,00 Lekë
5	Software maintenance (starting from)	6.000,00 Lekë
	TOTAL Annual costs	***46.600,00 Lekë***

Table 3 Minimal Annual Business Costs for the Fiscalization Process

5. Conclusions and Recommendations

This study demonstrates that the digitalization of fiscal services in Albania is producing concrete advantages. This initiative has crucially changed the delivery and approach to fiscal services, both from the perspective of the tax administration and that of the taxpayers. Progress in the quality of fiscal services has not only encouraged self-declaration but also increased taxpayers' trust in the tax administration due to improved transparency. These advancements signify important progress in modernising Albania's tax administration and paving the way for future EU integration.

Despite all these reforms, the journey towards a fully compliant tax system is ongoing. The reforms have highlighted areas that need attention, such as improving compliance among small businesses and individuals, and continuing to build trust between taxpayers and the tax administration. Publishing clear and accessible information on tax compliance and promoting the use of digital platforms for declaration is a necessary measure that should be taken. Emphasis should be placed on the prior informing of taxpayers regarding law changes and declaration requirements, to reduce penalties and increase the on-time self-declaration of tax obligations. For individuals, it is recommended that personalized notifications be delivered through the platform e-Albania, particularly for obligations related to tax declarations or payments.

Moreover, in order to increase the use of fiscal services in rural areas, it requires the undertaking of measures such as investments in the broadband infrastructure. The government needs to intervene through subsidies or fiscal incentives that can be offered to third parties willing to invest in this infrastructure. Also, an expansion of authorized parties for fiscalization could enhance competitiveness and lead to a reduction in the cost of fiscalization for taxpayers. By addressing the identified challenges proactively, Albania can benefit from its digital tax transformation, reduce the informal economy, and strengthen its fiscal sustainability on the path towards European integration.

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Are Albanian Businesses Protected Against Exchange Rate Risk? A Study on Forward Contracts and Euro Depreciation

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Abstract
Exchange rate fluctuations are a significant challenge in global trade, affecting every stage of the goods and services distribution chain. This study explores the impact of exchange rate volatility on international business and economic exposure, focusing on Albania's recent Euro depreciation and its effects on exporters. The sharp appreciation of the Albanian Lek (ALL) has reduced the competitiveness of Albanian exports, exposing businesses to significant financial risks.
The research examines the role of forward contracts as a hedging tool for managing exchange rate risks. Given that businesses are the primary users of such instruments, a survey was conducted among Albanian companies, mainly exporters and importers, to assess their awareness, understanding, and usage of forward contracts. While a few banks offer these instruments, their adoption remains extremely limited.
Findings show a high level of exposure to exchange rate risk, a low level of financial literacy regarding hedging tools, and delayed institutional responses to currency fluctuations. The results highlight a substantial gap in risk management practices, underscoring the need for enhanced financial education and institutional support to help businesses safeguard themselves against currency volatility.

Keywords: Forward Contracts, Exchange rate risk, Financial Hedging
JEL Classification: F14, F31, G32

1. Introduction

Certain assets or investments, when combined, produce a currency hedge that reduces the risk of foreign exchange rate losses. Managing foreign exchange risk is a necessity for companies operating in the international market, as it enables better protection of their bottom lines through strategies that involve hedging against adverse changes in the global exchange rate.

Implementing this plan of action activates a defense against significant losses due to currency fluctuations. To capitalize on opportunities for improving tools that enhance profitability, businesses must incorporate the use of foreign exchange rate risk management by leveraging favorable exchange rate trends. A careful valuation must be conducted when deciding among the tools used in foreign exchange rate risk management, analyzing each instrument alongside the capacities and expertise that the company has in place to manage these risks effectively.

In a simplified view, exchange rates are essentially the price of a country's currency and are related to the prices of other currencies. Like the prices of other goods and raw materials, the exchange rate is determined by market forces of supply and demand. In contrast to other goods and raw materials, foreign currency is typically not purchased independently. They are used as a medium of exchange for foreign goods, services, and securities. Depending on prices and tastes, the amount of foreign goods and services a population in a country will require also varies. This demand gives rise to an interdependent relationship between supply and demand for foreign currency, and consequently, the price. Exchange rates reflect basic economic power and are volatile in a world of unexpected economic change (Alfaro, Cadena, & Varela, 2021). This paper focuses specifically on the dynamics of the exchange rates of the Albanian Lek (ALL) and the Euro (EUR). The strengthening of the local currency has reduced export competitiveness and has affected the stability of companies' income in international trade. This sudden change has led to a lack of widespread use of financial security measures, including forward contracts, that may contribute to reducing these risks. This study contributes to the existing literature primarily by investigating the leading causes of this gap through a survey to assess the perception, understanding, and use of forward contracts, with a specific focus on exporters and importers of Albanian companies. This approach was chosen because companies are the end users and direct beneficiaries of such products, and they are most affected by currency fluctuations. Banks play a crucial role in providing security measures. Still, their perspectives are more technical and less focused on the widespread dissemination of information about the benefits and risks associated with them. Understanding a perspective like corporate demand therefore provides more implementable insight into the reasons for the low, almost non-existent use of Albanian forward contracts.

In particular, the results demonstrate a significant lack of awareness and practical use of forward contracts as a protective mechanism. This lack of motivation strengthens the safety sensitivity of Albanian exporters in a volatile forex environment. This study concludes by emphasizing the importance of financial education in risk management instruments and advocates for a greater commitment to financial and public institutions to disseminate advanced information on forward contracts and other security instruments as essential tools for economic stability and competitiveness.

The paper is organized as follows. The next section presents a comprehensive literature review on currency risk exposure, its associated problems, and hedging strategies. This is followed by a general overview of the Albanian situation regarding currency fluctuations and the use of forward contracts. The third chapter consists of Methodology, introducing the research methods used, sample selection, and data collection. The fourth chapter presents the results of this paper through a quantitative analysis and concludes this research with general conclusions about the Albanian situation regarding the use of forward contracts.

2. Literature review

Different studies have traditionally identified exchange rate instability as a significant deterrent to international trade. Various exchange rates allow effective prices of foreign goods and services to introduce risks into uncertainty and international transactions. In 1945, the focus and desire to reduce uncertainty led to the introduction of the Bretton Woods international monetary system. The resulting pressure led to the system being replaced in 1971, as the volatility of exchange rates that characterized the system had increased the need for a forex system where operational capital could protect against the risk of adverse exchange rate movements.

Companies can manage foreign exchange risk through a variety of instruments that serve to mitigate this type of risk, including forwards, futures, options, swaps, and others. Each of the above tools has its advantages and disadvantages, so it is essential to understand the details of each method and the associated risks before deciding what is best for a particular company, considering also the country's macroeconomic conditions in which it operates. Confronted with potential significant losses, most companies have contacted the forward market to limit the negative impact of exchange rate movements, which has led large international banks to traditionally provide forward cover to global clients to mitigate their forex exposure (Falótico & Scudiero, 2023).

2.1 Problems related to currency exposure

The complex nature of currency risk presents significant challenges and opportunities for multinational companies, investors, and financial managers. If globalization continues to strengthen, the understanding and management of foreign exchange risk will become increasingly essential to protect international investments and ensure financial stability. Several studies have examined the motivations and effectiveness of security strategies. In 2001, the study of Alleyannis and Offek confirmed that currency derivatives effectively reduce exchange rate exposure of companies (Allayannis & Ofek, 2001). Studies of Swedish companies in 2004 found that transaction and translation protections significantly reduced exposure to foreign exchange risk, thereby making the size and level of exposure of companies necessary. The results concluded that foreign exchange exposure in Swedish firms decreased with hedging. Studies in 2010 challenged traditional motivations for the use of derivatives, highlighting competitive pricing and internal conclusions of contracts (Aretz & Bartram, 2010). Nahum Biger (1979). Cushman (1983) and Eric and Steinherr (1989) examine the broader impact of exchange rate fluctuations. Biger in 1979 emphasizes the expected importance of foreign exchange fluctuations in international portfolio diversification, giving a sight to understanding how currency fluctuations affect the overall risk and return of global portfolios (Biger, 1979), Cushman (1983) investigates the overall negative impact on international trade volumes and concludes a nuanced view of actual exchange rate risks which plays a significant role in global trade by directly affecting decision making in companies (O.Cushman, 1983). According to Eric and Stenheirr in 1989, it is important to study the relationship between exchange rate uncertainty and international trade. Based on their study, it is clear that uncertainty in medium-term exchange rates has an adverse effect on commercial currents in developed countries, which vary widely from country to country, and a significant adverse impact is determined (Peree & Steinherr, 1989).

2.2 Methods for exposure hedging

Exchange rate risk management is an integral part of all companies' foreign currency exposure decisions (Allayannis, Ihrig, & Weston, 2001). In their study, the researchers examine the various strategies that firms can employ to manage exchange rate risk using currency derivatives. Ensuring a currency risk strategy involves eliminating or reducing this risk, understanding how exchange rate risk affects the business activities of economic agents, and employing techniques to address the consequences of consistent risk effects. In their book, the authors give a comprehensive guide that focuses on how organizations can implement effective Enterprise Risk Management (ERM) strategies. Due to the complexity of accurately measuring current risk exposures and making informed decisions about which risk exposures to cover, selecting the right security strategy is often a challenging and demanding task that requires careful consideration. The authors highlight that stable currency rates maintained by this risk management approach allow businesses particularly those with significant international operations, to make more informed decisions when determine their pricing strategies and resource allocation, while also emphasizing that hedging choices are influenced by factors like firm size, foreign revenue exposure, and market conditions while also emphasizing that factors like firm size, foreign revenue exposure, and market conditions influence hedging decisions.

2.2.1 Impact of Forward Contracts in Mitigating Economic Exposure

When determining forward contracts, we define them as customizable contracts with the participation of two parties agreeing to sell or buy an asset on a future date at a specified price (Dao, Nguyen, & Hussain, 2021). In sectors with high currency risk exposure, forward contracts are profitable as they enable companies to guarantee prices in international markets for future financial transactions. Multinational firms must be proactive in understanding the benefits of using forward contracts to lock in an exchange rate for the future. For many companies, especially those with significant economic risks, forward contracts have a profoundly positive effect. This is particularly true for exporting companies in the home appliance and automotive industries, where it is strongly recommended to use forward contracts as a management tool, as they are crucial for maintaining profit margins.

The impact of currency fluctuations on profit margins is evident in German automakers. In this case, German companies deal with a strong euro, which increases the price of European exports in international markets such as the US and China, making them less competitive. For companies that utilize forward contracts in their security strategies, this approach can effectively mitigate the risks associated with currency fluctuations, thereby ensuring ongoing profitability and competitiveness in foreign markets.

2.3 Albanian currency towards EUR and USD in the period of 2004 – 2024 (Graphic and Analysis)

In Albania, companies, according to a 2020 study by Kolli, use natural hedging to manage currency risk. This involves importing goods in euros and then selling them in the same currency, thereby avoiding currency fluctuations (Kolli, 2022).

Table 2. Official Currency exchange Lek to Eur (2015-2024)

Year	December Average (ALL per 1 EUR)
2015	137.65
2016	135.27
2017	133.25
2018	123.45
2019	122.17
2020	123.55
2021	120.81
2022	114.93
2023	102.78
2024	98.3

Source: Bank of Albania

Studying the EUR/ALL currency rate movements for the period from 2015 to 2024, it can be observed that the Albanian lek (ALL) experienced consistent appreciation against the euro (EUR). In December 2015, the average exchange rate stood at 137.65 ALL per 1 EUR. By December 2024, this figure had fallen to 98.30 ALL, marking an overall decrease of approximately 28.6% over the last ten years. It creates a mix of effects on the Albanian economy, like the effects of a stronger lek. While it helps reduce the cost of imported goods and lowers imported inflation, on the other hand, it challenges the competitiveness of Albanian exports, making locally produced goods relatively more expensive in foreign markets.

Table 3.Official Currency exchange Lek to USD (2015-2024)

Year	Average December Rate (ALL per 1 USD)
2015	126.64
2016	128.29
2017	112.56
2018	108.43
2019	109.94
2020	101.59
2021	106.86
2022	108.52
2023	94.16

2024	93.89

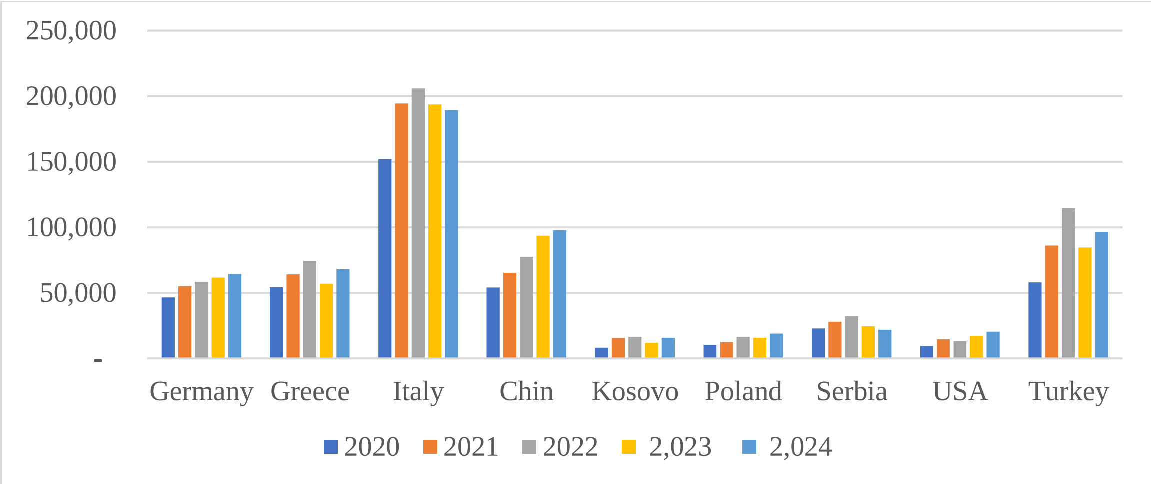
Source: Bank of Albania

The trend of the Albanian currency toward the USD has also followed a similar path to the euro, where between December 2015 and December 2024, the Albanian lek (ALL) displayed a general appreciating trend against the US dollar (USD). The most notable strengthening occurred between 2016 and 2017, during which the rate dropped significantly from 128.29 to 112.56 ALL (approximately a 12.3% appreciation), reflecting macroeconomic factors such as increased foreign investment, strong remittance flows, and a favorable trade balance.

2.3.1 Business exposure to the euro currency through export and import

For companies that operate their business using multiple currencies, determining a specific exchange rate ensures that revenues, cost structure, and profits do not fluctuate unexpectedly due to changes in production prices caused by depreciation or the recognition of foreign currency in the domestic currency.

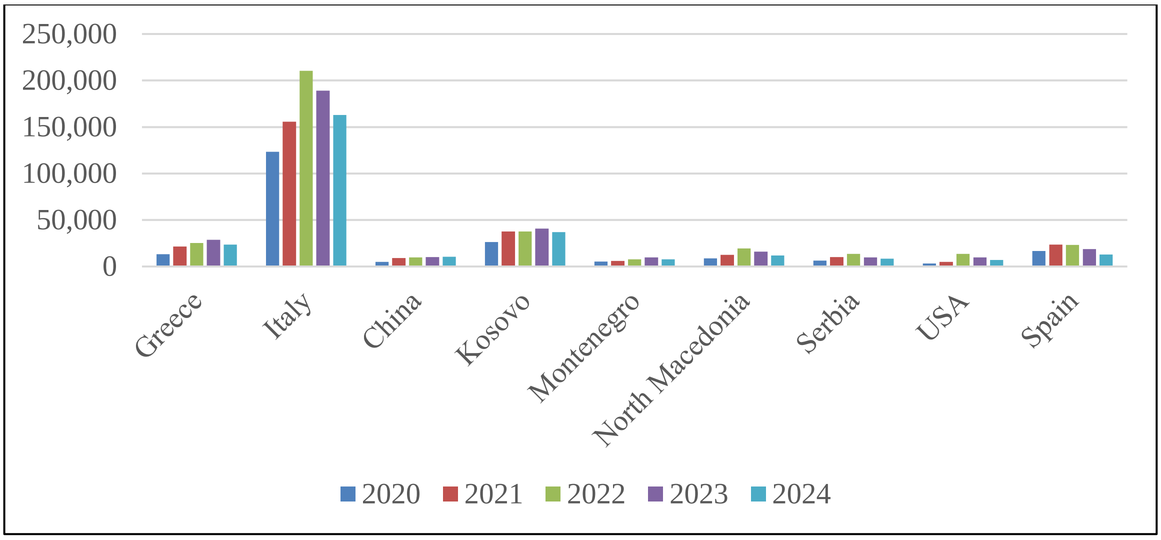
Graphic. 1 Imports based on countries 2020 – 2024 (mln ALL)



Source: INSTAT

Italy has consistently held the first position with the highest number, although there has been a decline since 2022. Greece and Kosovo show steady growth until 2023 but then record a decrease in 2024.

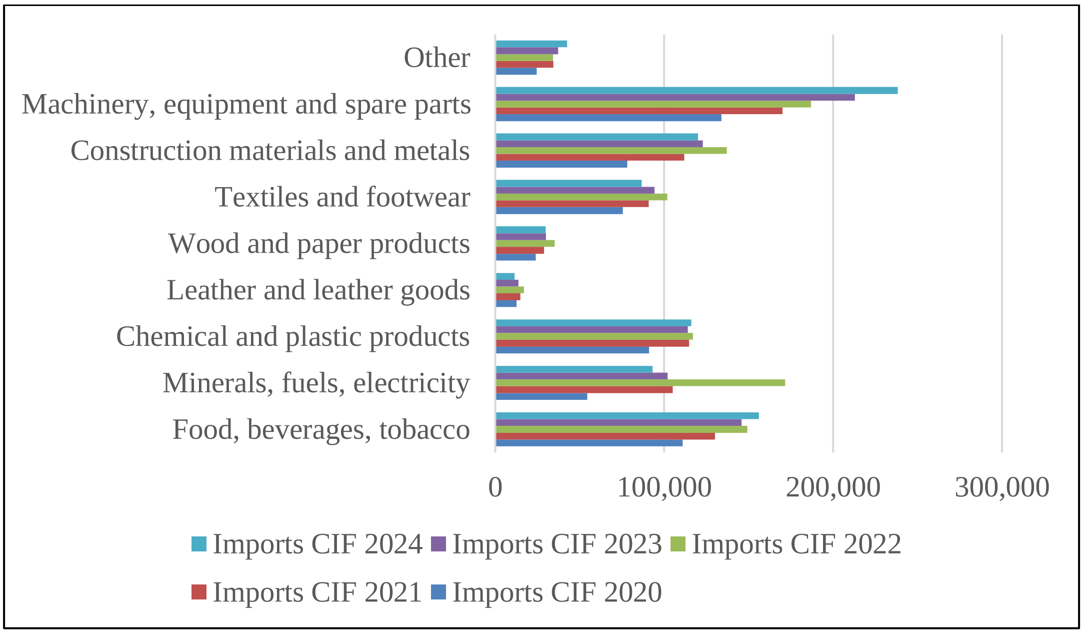
Graphic. 2. Exports based on countries 2020 – 2024 (mln ALL)



Source: INSTAT

Italy has contributed the most to the total each year, followed by Turkey and China, which have also shown steady growth. Greece and the USA have experienced fluctuations, while Kosovo and Serbia remain at lower levels but show gradual growth.

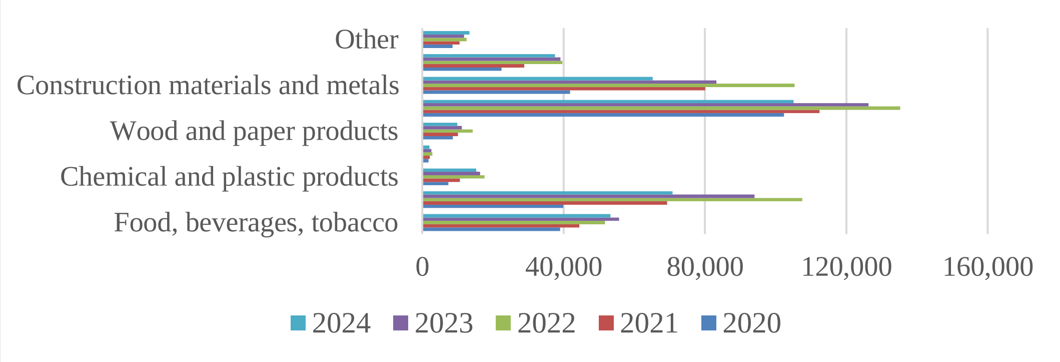
Graphic. 3. Imports based on products 2020 – 2024 (mln ALL)



Source: INSTAT

Imports have increased the most in machinery and equipment, which continue to dominate the market every year. Chemical products and food have remained stable with slight growth, whereas imports of minerals and textiles have declined after 2022.

Graphic. 4 Exports based on products 2020 – 2024



Source: INSTAT

Between 2020 and 2024, Albanian exports experienced a significant increase, particularly in the categories of minerals and textiles, until 2022. In 2023 and 2024, there was a decline in the production of construction materials, minerals, and textiles.

2.3.2 Actions held in the Albanian market as innovations to foreign exchange risks

In this section, we will analyze the top events held by the Central Bank of Albania in 2023 and 2024, including actions taken in the foreign exchange market. In 2023, the Bank of Albania actively intervened in the foreign exchange market to bolster its foreign reserves. During the fourth quarter, it conducted four foreign currency purchase auctions, three of which used forward contracts and one spot transaction. The total amount purchased for the quarter was € 66 million, in line with previous periods. These auctions injected 5.35 billion lek into the banking system, contributing to a total liquidity injection of 25.1 billion lek for the year through foreign currency operations. The Bank maintained its 2023 target of purchasing between 160 and 220 million euros through auctions, while the number of auctions scheduled for 2024 increased from 17 to 20, with individual auction sizes remaining between 5 and 10 million euros. The EUR/ALL exchange rate during Q4 2023 traded within a narrower range of 101.20–106.20 lek per euro, averaging around 104.00 lek. By the end of the year, the rate had strengthened to 103.30 lek, representing a 2.8% appreciation from the start of the quarter. In parallel, the Ministry of Finance (MoF) closed its 85 million euro SWAP agreement with the Bank of Albania by year-end and expressed interest in increasing the SWAP ceiling to 50 billion lek for 2024. Additionally, € 2.1 million was purchased from IPA program funds.

In 2024, the Bank of Albania intensified its foreign exchange market interventions. It conducted four purchase auctions in the latest quarter, comprising three forward contracts and one standard auction, acquiring € 55.2 million. Cumulatively for 2024, 283.8 million euros were purchased through auctions. Simultaneously, direct purchases totaling 335.3 million euros were executed, bringing the year's total foreign currency acquisitions to 932.8 million euros. Notably, 649 million euros of this amount were allocated to maintaining the minimum reserve level. The central bank has set a 2024 target of purchasing 250–330 million euros, which is expected to rise to 270–350 million euros for 2025. Plans for 2025 include 22 auctions, each ranging from 5 to 10 million euros, involving both 1-month and 3-month forward contracts. Foreign exchange interventions in 2024 injected 36.8 billion lek into the banking system's liquidity, a notable increase from 28.3 billion lek in the prior quarter. However, fluctuations in liquidity persisted, influenced by rising currency in circulation and falling government deposits. The Ministry of Finance did not engage in SWAP agreements during the second half of 2024. Still, it did exercise its option to purchase foreign currency from the central bank, amounting to 14 billion lek. Furthermore, € 1.83 million was acquired from the IBRD and € 3,600 from the IPA program funds.

3. Methodology

Choosing an appropriate methodology to study the role of forward contracts as hedging tools in the Albanian market is challenging due to the multitude of factors influencing companies' behavior and capacities (Heta & Mulleti, 2013). In attempts to find the most appropriate method for studying companies' exposure to currency exchange risk and the tools used to manage it, we considered a survey delivered to import-export companies to assess their awareness, understanding, and usage of forward contracts.

Data Collection and Sampling

Primary data were collected through a structured survey, designed to gather insights into the sector of activity, annual income, the main currency in import and export, the impacts of exchange rate fluctuations, as well as knowledge of forward contracts and their use.

The survey was distributed to a sample of 25 companies targeting only companies that deal with import or export at a level of over 85%.

Data Analysis Techniques

The collected data were analyzed using graphics and descriptive analyses, interconnecting and summarizing the received information.

4. Results

The primary data for our research were collected through surveys, each consisting of thirteen questions. The design of the study was conducted after reviewing the literature, identifying key elements that affect exposure to exchange rate risk and the benefits of forward contracts.

Table 4. Activity Type

Exporter	0.00%
Importer	17.65%
Both	82.36%

Source: Author's calculation (Survey results)

A significant portion (82.36%) engages in both import and export activities, showing a high level of internationalization and involvement in global supply chains.

Table 5. Sector of Activity

Manufacturing	17.65%
Agriculture	0.00%
Trade	41.18%
Services	52.94%
Other	5.88%

Source: Author's calculation (Survey results)

The main activity of the participating companies (52.94%) operates in the services sector, indicating a strong orientation toward service-based economic activity such as consulting, IT, tourism, education, or finance. This reflects broader economic trends in urban or semi-urban areas.

Table 6. Revenue Range

Less than €500,000	18.75%
€500,000 – €5 million	50.00%
More than €5 million	31.25%

Source: Author's calculation (Survey results)

The revenue distribution shows that most of the surveyed businesses are medium to large in scale, with relatively few operating on a small revenue base.

Table 7. The main currency in which exports/imports are made

Euro (€)	65.00%
USD	10.00%
Other	25.00%

Source: Author's calculation (Survey results)

The Euro is the most used currency in international trade by the surveyed businesses. This is expected, especially in Albania and its surrounding regions, due to the country's strong trade ties with the Eurozone.

Table 8: The impact of exchange rate fluctuations on the businesses

Positive	29.41%
Negative	47.06%
Not sure	23.53%

Source: Author's calculation (Survey results)

Exchange rate fluctuations have a notable impact on businesses, with nearly half experiencing negative effects. This is common in companies that rely on imports for over 85%, as sudden currency depreciation can raise costs or reduce revenue.

Table 9. The negative effects on business due to currency changes

Decrease in profit margin	53.85%
Loss of customers due to high prices (increased costs)	15.38%
Delays in payments or contract renegotiations	30.77%
Other	7.69%

Source: Author's calculation (Survey results)

Over half of the businesses report a reduction in profit margin due to increased costs resulting from currency fluctuations, and nearly one-third face challenges related to cash flow management and dealing with delayed payments.

Table 10. Percentage of sales or purchases exposed to exchange rate risk

Less than 25%	6.67%
25–50%	13.33%
51-75%	53.33%
Over 75%	26.67%

Source: Author's calculation (Survey results)

Over half of the businesses report a high exposure risk to their sales, which is also related to the above question regarding decreased profit margins. A smaller group falls into the low-risk category, indicating that they work in foreign currency, even in the local market.

Table 11. Use of forward contracts to manage currency fluctuations

Yes	11.76%
No	88.24%

Source: Author's calculation (Survey results)

Most answers are directed towards the non-use of forward contracts, as expected, with a minimal number who have used forward contracts.

Table 12. The main reasons for not using forward contracts

Lack of information or training	29.41%
Difficulty understanding the instruments	0.00%
Not offered by financial institutions	35.29%
We do not see it as necessary	29.41%

Other	5.88%

Source: Author's calculation (Survey results)

The most cited reason is that forward contracts are not made available by banks or financial institutions, creating a complex problem that is further exacerbated by a chain of other obstacles. The primary reasons for non-usage include a lack of access (35.29%), a lack of information (29.41%), and not perceiving it as necessary (29.41%).

Table 13. Interest in participating in a training on exchange rate risk management

Yes	58.82%
No	17.65%

Source: Author's calculation (Survey results)

A clear number of businesses participating indicates interest in training on exchange rate risk management, with a small group not showing interest, suggesting that training alone may not be sufficient to initiate the use of risk management tools, such as forward contracts.

5. Limitations of the study

While this research offers valuable insights, it has some limitations that should be addressed in future studies. Companies engaged in this case study deal with over 85% of their activity with import and exports, making the conclusions drawn from the above data more precise, but due to the small number of companies that participated, we cannot provide comprehensive conclusions into determining the concluding benefits that would bring the use of forward contracts.

6. Conclusion

This study aims to investigate the usage level of forward contracts as hedging tools by businesses in the Albanian market due to increased exposure to currency risk. Through a targeted survey conducted in Durres city, the research provides insight into the level of exposure and access to the possibility of hedging through forward contracts.

The finding indicates clearly that while Albanian businesses exhibit significant exposure to exchange rate fluctuations, there is an extreme limitation on the practical adoption of forward contracts. The main barriers are found to stem from a lack of institutional offering (35.29%) and insufficient financial literacy or information (29.41%), rather than business disinterest.

Overall, we conclude that although the Albanian market remains underdeveloped in currency risk hedging, there is a need for increased encouragement from financial institutions to utilize forward contracts or other types of financial solutions to moderate the level of currency fluctuation risks.

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Analysis of perceptions on the effect of legislative solutions on the success of e-banking services in Kosovo

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Abstract
Using data collected from interviews with 351 consumers and 60 employees at second-tier banks in Kosovo that offer e-banking services, the level of their perceptions regarding the effect that legislative solutions have on the success of e-banking services was assessed. The legal obligations that banks must meet in order to have the right to provide e-banking services are considered a factor with a high positive effect (65.75 scores) on the success of efforts to implement e-banking services. The level of approximation of legislation in Kosovo with international standards and the legislation of EU countries is assessed at the "High" level (63.75 scores). The way in which second-tier banks implement legislation that addresses issues of e-banking services is assessed at the "Moderate" level (59.75 scores).
Consumers state that the rules and procedures adopted by second-tier banks for e-banking services are understandable and easy to implement (65.75 scores). According to the perceptions of bank employees, the regulatory framework for the implementation of e-banking services does not create unbearable physical and psycho-emotional burdens for them (65.0 scores). Legislation solutions related to e-banking services in Kosovo are perceived as factors with significant stimulating and supporting effects, at the "High" level (62.5 scores), for the process of implementing e-banking services.

Key words: Legislation, Perceptions, E-banking service, Implementation, Kosovo.
JEL classification: G21, L86

1. Introductıon

The use of information technology in the services offered to consumers by second level banks is a process that is currently developing at high rates. In every country, regardless of the level of economic, social and cultural development, this process is present. Information technology is increasingly being used by banks to increase service capacities, quality and efficiency in

their relationships with consumers (Abdulselam, 2019; Pham Tien Dat & Nga Phan Thi Hang, 2023; Egan, 2024; Irakoze & Osiemo, 2024; Gnar & Muiruri, 2024; Bwalya & Paul, 2024).Meanwhile, it is important to emphasize that for the success in the use of information technology in banking services, in addition to the commitment and care that banks must show, a positive and supportive reaction from the consumer is also necessary. Therefore, as an integral part of this process, work and research should be considered and developed to identify and evaluate consumer behavior towards e-banking services.The results that can be obtained from this work are important for banks and policymakers to design policies and programs aimed at increasing the use of information technology in banking services. (Choudhury & Bhattacharjee, 2015; Jibril et. al 2020; Haxhosaj & Kume, 2024).Identifying the factors that determine success in e-banking services and assessing consumer perceptions of the ways in which these factors operate is important information to assess the effectiveness and efficiency of e-banking services (Ismaili & Braimllari, 2021; Chaudhary et al, 2022; Fathima, 2022; Schmidt-Jessa, 2023; Muthukumar et al. 2024). In particular, the need for this information is great for countries where e-banking services are relatively new and the banks that offer them and the consumers who use them have limited experience (Manasseh et al. 2024).
This paper presents the results obtained in the study to assess the perceptions of consumers of e-banking services and employees in second-tier banks that offer these services in the Republic of Kosovo. The object of the study is to identify and assess perceptions of factors related to the legislative and regulatory framework that addresses issues of the use of information technology for the provision of services by second-tier banks in Kosovo.

2. Research Methodology

Aims

To assess, from the perspective of the consumer and employees in second-level banks, the effect that the legislative and regulatory framework has on the success of e-banking services.

Objectives

To understand how legislation and the regulatory framework affect the success of e-banking services and to identify avenues and issues that should be studied for intervention and improvement.

Research hypothesis

$H_{1:}$Legislation regulating issues of the use of information technology for banking services increases the effectiveness and efficiency of these services.

H_2:The regulatory framework for e-banking services supports the successful implementation of these services.

H_3: Consumers and employees of second-tier banks perceive the legislation and regulatory framework for the implementation of e-banking services in Kosovo as supportive and effective.

Conceptual research model

The conceptual model of the research is built in accordance with the hypotheses of the work (Figure no. 1). In addition, the model also reflects the existence of the connection and mutual action between the legal framework and the regulatory framework. The regulatory framework is accepted as a direct consequence of the legal framework, while it is a priori accepted that the implementation of the regulatory framework may generate the need for intervention in legislation. In this way, the conceptual model of the research reflects the dynamic nature of the connections between these two legislative aspects and e-banking services.

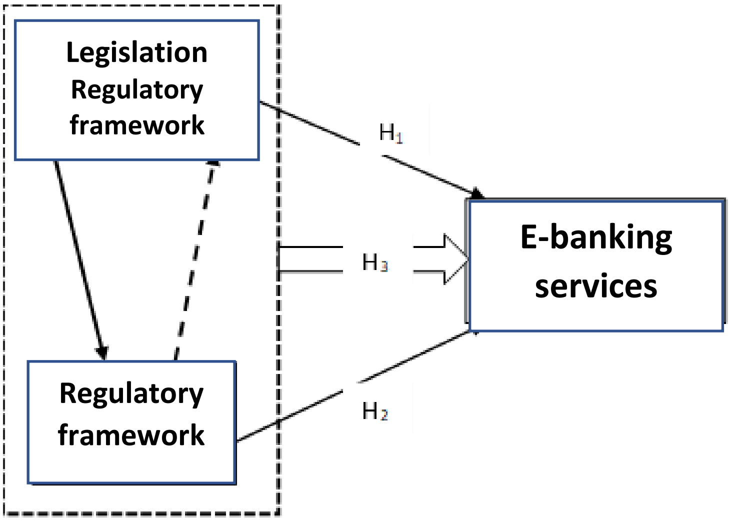

Figure no. 1 Conceptual research model

Data

The study used data collected from interviews with 351 banking customers and 60 employees of second-tier banks offering e-banking services, selected at random. Respondents were asked to express their perceptions as a rating with a positive increasing trend: I strongly disagree (1), I disagree (2), Neutral (3), I agree (4), I strongly agree (5), for three statements related to legislation and four statements about the regulatory framework. The values calculated as the average of the values of the five-point Likert variable, generated from the responses of all respondents, were standardized to values ranging from 1 to 100 points and grouped into five intervals. The classification of the factor legislation or regulatory framework was made in accordance with the rule shown in Table no. 1.

Table No. 1. Classification of the factor

Standardized average points	The level of general perception
$\leq$ 40 point	Very low
40^{+} - 50 points	Low
50^{+} - 60 points	Moderate
60^{+} - 70 points	High
$\geq 70^{+}$ points	Very high

To judge the perceptions of consumers and bank employees regarding the legal framework that addresses the problems of using information technology for the provision and performance of

e-banking services, the persons interviewed were asked to express their agreement with the statements:
The legislative framework in the Republic of Kosovo is supportive of the use of information technology in banking services.
The obligation defined in the legislation of Kosovo for second level banks to implement e-banking services is a driving factor for the development of this service.
The legal framework for the implementation of e-banking services in the Republic of Kosovo meets the requirements of international standards and is aligned with the legislation of EU countries.
To assess the perceptions of consumers and employees of second-level banks on the regulatory framework that addresses e-banking issues, drafted by the Central Bank of Kosovo and second-level banks, their responses to the following four statements were used:
The regulatory framework that addresses e-banking issues encourages and supports the development of this service by second-level banks, in accordance with legal requirements and provisions.The policies of the government and the Central Bank of Kosovo are effective support for the implementation of e-banking services
The rules and procedures approved by the Central Bank and second-tier banks for the e-banking service are understandable and easy to implement.
The regulatory framework for the implementation of the e-banking service does not create unbearable physical and psycho-emotional burdens for employees of second-tier banks.

3. Results and their judgment

To collect data, the questionnaire was distributed online, through Google Form. A total of 412 people responded. From the preliminary processing of the completed questionnaires, 187 questionnaires were found to be valid.
Interviews with employees of second-tier banks that offer e-banking services were conducted face to face. A total of 61 employees were interviewed, who were randomly selected.
To judge the reliability of the information, the Cronbach's alpha coefficient was calculated, the value of which was 0.81 and 0.87, respectively for the data collected from the interviews of consumers and employees in second-tier banks. The information collected is reliable.Kampioni i formuar ka karakteristikat demografike si tregohen ne Tablen nr 2.

Table no. 2. Demographic characteristics of the sample

Indicator	**Consumers**		**Bank employees**	
	Number	**%**	**Number**	**%**
GENDER				
-Male	55	29.3	24	39.0
-Female	132	70.7	37	61.0
Age				
18-29 year old	76	40.7	33	53.9
30-39 year old	64	34.0	15	25.0

40-50 year old	31	16.8	7	11.6
> 50 year old	16	8.5	6	9.5
Education				
-Elementary	5	2.8	-	-
-Medium	32	16.8	6	9.8
-University	150	80.4	55	90.2
Civil status				
-Single	87	46.4	36	59.0
-Married	100	53.6	25	41.0
Employment status				
-Unemployed	11	6.0	-	-
-Self-employed	55	29.6	-	-
-Employed	120	64.4	61	100
Residence				
-Rural area	23	12.3	7	11
-Urban area	267	87.7	54	89
Monthly income				
< 300 Euro	23	12.6	-	-
300 - 600 Euro	35	18.5	-	-
601- 1000 Euro	38	20.5	13	21.4
> 1000 Euro	91	48.4	48	78.6
Time of use of e-banking				
< 1 year	63	33.6	15	24.3
1-2 years	47	25.1	14	23.2
2-5 years	31	16.8	18	29.6
> 5 years	46	24.5	14	22.9
Total:	**187**	**100**	**61**	**100**

Perceptions and assessments of Legislation-Legal framework

The perceptions of consumers and employees working in second-level banks that offer e-banking services classify the legislation-legal framework that addresses issues of information technology use at the "High" level (62.50 points) (Table no. 3).

This high level of positive perception is a consequence of the care shown by second-tier banks in Kosovo to implement e-banking service offers, in accordance with the requirements of national and international legislation. As emphasized by Teliti & Mersini (2012); Hoti, (2015); Kato, (2019); Rachid, & Rachid, (2020); El Hıla & Azızı, (2020); Syerova et al (2021); Manasseh et al. (2024), the way in which the requirements of the legislation are implemented in the offer of e-banking services is one of the most important factors in the successful implementation of this service. Rachid, & Rachid, (2020) underline that "The key challenge for e-banking is how to ensure proper legal protections for electronic financial transactions for both in local market and for cross-border transactions". This is a fundamental requirement that is also foreseen in EU legislation. According to the perceptions of the interviewees, we can affirm that the legislation in force in Kosovo meets the requirements of international standards for e-banking services at a "high" level and is highly aligned with the legislation of EU countries (63.75 points).

Table no. 3 Perceptions of the legal framework

Items	Evaluation	
The national legislative framework is supportive of the implementation of e-banking	3.32	**3.50 (62.50)**
The legal obligation of banks to implement e-banking is a driving factor for the development of this service.	3.63	
The legislative framework is in line with international standards and the legislation of EU countries.	3.55	

Perceptions and assessments of the regulatory framework

The regulatory framework is the regulations and guidelines developed by the Central Bank of Kosovo and second-level banks, which define the rules and procedures that must be followed by bank employees and customers for the implementation and operation of e-banking services. This framework is developed in accordance with the legislation that addresses issues of the use of information technology in banking services.

Consumers and bank employees perceive the regulatory framework as a factor that has a positive effect on the success of the implementation and functioning of e-banking services. According to their opinion, this factor is classified at the "Moderate" level, with an average value only 0.58 percentage points lower than being classified at the "High" level.

Based on the values of perceptions for the four statements that have been taken into consideration for the assessment of the role and effect of the regulatory framework on the success of the implementation and functioning of e-banking services in Kosovo, it can be stated that the Central Bank and the second-tier banks have managed to draft rules and procedures that create a supportive ground for the success of these services. Consumers manage to understand and implement these rules and procedures without significant difficulties. Bank employees state that the process of implementing e-banking services is not a cause for increased physical workload at work and for the creation of psycho-emotional stress.

Table no. 4 Perceptions of the regulatory framework

Items	Evaluation

-The regulatory framework that addresses e-banking issues encourages and supports the development of this service by second-tier banks, in accordance with legal requirements and provisions.	3.20	**3.39 (59.75)**
-The politics of the government and the Central Bank of Kosovo are effective support for the implementation of e-banking services.	3.13	
-The rules and procedures approved by the Central Bank and commercial banks for e-banking services are understandable and easy to implement.	3.60	
- The regulatory framework for the implementation of e-banking services does not create unbearable physical and psycho-emotional burdens for employees of second-level banks.	3.63	

The current regulatory framework, drafted, in its main lines, in accordance with legal requirements and provisions, is considered by consumers and bank employees as a factor that encourages and supports the implementation of e-banking services.

4. Conclusıons

The legal framework that addresses issues of the use of information technology in banking services and the regulatory framework designed for the implementation and functioning of e-banking services are perceived by consumers and employees of second-tier banks as factors that encourage and support the development of these services in the Republic of Kosovo.
Based on the perceptions of consumers and bank employees, it can be stated that the achievements to date in the process of providing and using e-banking services are being developed in accordance with the requirements of international standards.

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Challenges in shaping AI Governance in Europe: a multi-stakeholder approach

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Abstract

Rapid digital transformation has resulted in a paradigm shift, creating the need for shaping effective AI (artificial intelligence) governance. AI governance encompasses laws, policies, frameworks, and practices at global, regional, national, and organizational levels. Evaluating the impact of AI requires addressing ethical considerations. The need for appropriate AI governance has been highlighted by the United Nations (UN), which has access to existing normative and policy instruments, such as international standards. Global efforts in the UN system regarding AI governance are grounded in international law.AI governance takes a pragmatic approach and is delivered through an ecosystem that includes research, development, coordination, monitoring, evaluation, capacity building, and stakeholder engagement. Effective AI governance is essential in shaping the future of AI. At the European Union (EU) level, significant progress has been made, particularly with the AI Act, which is the first-ever regulation specifically on AI. The AI Act follows a risk-based approach and categorizes AI systems into four risk levels. It applies not only to EU-based providers but also to those outside the EU, particularly when their AI inputs are used within the EU.As Europe's geopolitical influence remains crucial, particularly in light of recent developments, AI governance must be addressed from a multi-stakeholder perspective. The aim of this paper is to identify the current challenges in shaping AI governance in Europe through this approach. The study employs a qualitative, case-study methodology, analyzing the roles and needs of key stakeholders, including governments, regulatory bodies, international institutions, AI engineers, ethicists, industry associations, and end-users.

Keywords:AI Governance, Stakeholder Needs, AI Act, Risk Mitigation
JEL Codes:O33, K20, L51, O38, D73, F53

1. Introduction

The development of the AI (Artificial Intelligence) requires efforts in establishing mechanisms for global AI governance that requires further coordination worldwide. Currently there exist several fragmented initiatives that aim to promote global AI governance like the G7 Hiroshima process and Bletchey Park Summit in 2023 and the Tech Accord to Combat the Deceptive use of AI in elections. Nowdays only seven countries of the world are fully participating AI governance initiatives where the vast majority of the countries participate in this initiatives only partially.

AI Action Summit was held in Paris from 10 to 11 February 2025. The declaration of this Summit was signed by fifty-seven states, the UN(United Nations) , the OECD (Organisation for Economic Co-operation and Development) and the European Commission. This declaration represents a paradigm shift as it is not focused anymore on issues that have to do only with threats and security but as well as with issues that have to do with sustainability, future of work and human rights. The US (United States) and the United Kingdom(UK) refused to sign such declaration. For the US excessive regulation is a synonym in missed opportunities.

The AI Action Summit showed that there are divided agendas in terms of AI development, AI governance and AI regulation worldwide especially there are clear and diverse priorities between the EU (European Union) and the US. The EU priorities multi-stakeholderism whereas countries such as US, UK, UAE, Saudi Arabia, China, and Qatar prioritise business and innovation.

This paper focuses in analysing the importance of AI governance in the EU after the adaptation of EU AI Act which is the first regulatory framework worldwide in terms of AI regulation and AI governance using the multi-stakeholder lenses,

In the second section of this paper the literature review will analysed setting a definition of AI governance, analysing the needs of AI global governance and explaining the importance of the multi stakeholder approach.

In the third section the methodology will be presented whereas in the section four results will be discussed concluding with final conclusions.

2. Literature Review :

2.1 Defining AI governance:

The development of AI(artificial intelligence) has several benefits such as boosting creativity, improved processes and productivity, lowered risks of errors, performance of dangerous tasks, and resolution of global challenges. AI has created opportunities for social and economic development and for enhanced efficiency and improved decision-making (Cockburn et al., 2019). AI has transformed significantly healthcare, transportation, financial services, climate change, agriculture, education, scientific research and cybersecurity resulting in cost-efficiency and improved reliability and increased opportunities for dealing with uncertainty (Choudhury& Sadek, 2012). The development AI(Artificial intelligence) is connected to several risks such as the threat of job losses, deep fakes, privacy violations issues, bad data that cause algorithmic bias, social inequalities, economic inequalities, cybersecurity threat, environmental risk, intellectual property infringement, misinformation and manipulation,lack of accountability, market volatility, the impossibility to control the self-aware AI and existential risk. The lack of control in AI could lead to dependency and malicious use that could have a long-term impact for individuals and the society as Federspiel et al (2023) consider that AI could harm human health and human existence. There is a need for a shared understanding of AI potential risks because this would facilitate the ability to handle them (Slattery et al., 2024). Systemic risks of AI as large scale risks of AI are connected with knowledge gap challenges in recognizing AI threats and harms and unpredictable developments of AI as it is not always used in a trustworthy way

In order to mitigate the potential risk of AI, OECD(2024) suggests these policy priorities such as the establishment of clear reliability rules through drawing “AI red lines” and adequate risk management procedures and investing in AI safety. There is also a need for AI governance.

One of the first definition of AI governance is at the organizational level where AI governance is is defined as rules, practices and technological tools that employed in order ensure that the use of AI in an organization is aligned with organizational strategies, values and objectives while fulfilling the legal requirements and meeting the ethical principles (Mäntymäki et al., 2022a). AI governance should include as well appropriate mechanisms to deal with risks bias and privacy infringement. AI governance refers to the moral, legal and societal implications of AI focusing on governance principles of AI. Papagiannidis et al. (2025) developed a conceptual framework of AI governance at the organizational that includes structural, relational and procedural practices. Structural practices include multilevel structures within an organization that are responsible for AI governance, inter and extra organizational structures (collaboration and communication between different organizations). Procedural practices include strategic planning that is responsible for the implementation of the AI governance practices and the mitigation of unwanted and negative effects. Relational practices include responsible AI literacy and stakeholder involvement. Focusing always in the organizational level Agarwal(2023) integrates AI to corporate governance, data governance and AI governance through translating the ethical principle of fairness into AI governance principles. Furthermore, AI governance can be positioned as additional organizational structure that could be added to this existing governance structures within organizations.

Governance of AI is a value driver because through ensuring compliance and harnessing the full potential of AI the full potential of AI can be maximized. As suggested by PwC(2024) setting proper AI governance structure requires a clear definition of organizational goals and organizational values combined with a clear communication of these strategical goals and values and well-defined responsibilities. Sharp et al. (2024) suggest that organizations should identify key risks related to AI, identify and set key principles of governing AI, create an AI governance structures such as the enterprise AI governance committee, develop AI governance assessment tools and AI risk assessment tools.

Deloitte (2025) has developed a strategic roadmap of the governance of AI. It includes these components : governance (board of governance as an organisational structure of AI), performance (monitoring organisational progress in terms of financial, operational and strategic goals), risks(understanding internal, external and strategic risk), talent (organisational skill assessment needs in terms of AI governance), strategy (integration of AI governance in company’s strategy and strategy’s execution) and culture and integrity (helping to integrate the culture of AI in different organisational levels).

2.2. The need for global AI governance:

AI governance and regulation of AI governance is multidisciplinary and multilevel, understanding AI governance at the organisational level it is impossible without understanding the AI governance at the national level and at the international level as the rise of commercialisation of AI governance has increased the risks of AI, these risks are becoming cross-border and international. Stronger international and global AI governance it is needed. Global AI governance focuses in margining two different research fields such as AI and global governance, providing a structured approach in order to examine AI and guidelines for future policy making at the global level (Florindi , 2019). OECD AI principles are the are the first intergovernmental standards on AI that have been elaborated by the OECD adopted in 2019 and they have been updated in 2024. These principles include value based principles and recommendations for policy makers. Value based principles refer to inclusive growth sustainable development and well-being, human rights democratic values including fairness and privacy, transparency and explainability, robustness, safety and security and accountability. Whereas recommendations for policy makers include investing in AI research and development, fostering and AI -enabling ecosystem, shaping AI governance and policy making, building human capacity and preparing for labour market transition and international co-operation for trustworthy AI. Countries can use OECD AI principles in order to create AI risk frameworks and to shape their policy making.

There have been developed several initiatives at the International level in terms of global AI governance. National strategies of AI have been elaborated in different countries such as Australia, Canada, UK (United Kingdom), US (United States), India, China etc. Canada was on one of the first countries that adopted a National AI strategy in 2017 together with Finland and China. According to the database of National AI policies of OECD there two policy initiatives in the African Union and 63 policy initiatives in the EU.

At the global level China aims to be take the leadership over the governance and to be the main global key player in terms of AI governance worldwide by 2030. In 2023 China developed the Global AI governance initiative which is based on building consensus among countries in order to build a common vision of collaboration, cooperation and sustainable security. Exchanging information and technological cooperation is crucial for AI governance. This initiative sets the scene for engaging new actors and countries in AI governance such as the Global South that was an underestimated actor in terms of AI governance. Global AI governance implies mulbi-level cooperation and multi-stakeholder cooperation.

2.3 The importance of multistakolderder approach:

Multistakeholder as a term emerged in the 1990s spreading not only across the domain of policy-making but as well as in the private sector sphere in different domains, such as dams, forests, internet governance but as well as as trade and production and consumption of goods. Multitakeholder approach is defined as the approach that assumes that multiple stakeholders are working together in order to find collective solutions to certain problems, these stakeholders can be the government, regional groups, local authorities, non governmental actors, international organisations, industry etc (Dodds, 2015). Multistakeholders approach includes two or more diverse classes of actors that are engaged in common governance processes in order to facilitate inclusive decision making processes. The authority and the nature of relations between different stakeholders are crucial in multistakeholdersim. In multistakeholderism the different classes of actors become the most important actors in decision-making processes. Four aspect have to be distinguished in multistakeholder approach which are inclusiveness, procedures, fairness, consensus and transparency (Van Der Akker et al., 2024).

Multistakeholder governance has as an ultimate goal to bring together different classes of stakeholders in order to establish possible communication, decision-finding and possible decision making about specific issues in decision making Hemmati et al. , 2002). The adaptation of multistakeholder governance is necessary in order to face current global issues (Sahel. 2016) with multistakeholder initiatives that serve as a global governance function where governments have deregulated enhancing global representation and empowerment of different stakeholders in global processes as consequence policy making processes are expected to be more democratic.

Policy dialogue as an outcome for multistakeholder approach for collaboration has three main aspects useful for multistakedholer processes such as knowledge exchange, governance mode and an instrument for negotiating international aid requiring in a high level of global governance expertise (Robert et al., 2020).

In Internet Governance processes multistakeholderism has been recognised as model for Internet Governance by the Tunis Agenda 2005 which states that Internet Governance processes should include both technical and public policy issues and should involve different stakeholders and intergovernemental and international organisations together with national governments of sovereign states, private sector and civil society. The mechanisms of Internet governance established in a particular country can facilitate decision making processes that are a reponisbility of the government, business organisations, non-governmental organisations (NGOs) and academia (Getschko et al., 2022). Multistakeholder governance mechanisms can assure more transparency of inputs, processes and decision-making as well as stakeholders share a collective responsibility. The multi stakeholder model of Internet Governance is the best way to maintain an open, secure and resilient internet. Hill (2014) suggests that the current governance of the internet can be improved especially through increasing the role of international organisation in multistakeholder processes. It is crucial as well to promote bottom-up policy-making processes (Hofmann, 2016).

In terms of AI governance Braga et al. (2024) suggest that multi stakeholder approach from Internet Governance can serve as an inspiration for AI governance which should extend beyond algorithms and data and should address as well ethical concerns, human right issues, environmental issues and sustainability issues. Multistakehokder collaboration is necessary as well for the further development of AI and AI governance. In terms of policy actions, it is important to identify the key concepts and procedures, the exercise of control, the agents that are responsible for this control and the integrity of the process.

At the EU level it is important to explore why multistakeholder approach is important for the

EU AI governance and how it can established, in order to do that it is important to map the stakeholders of EU AI governance and their role in multi stakeholder processes.

3. Methodology:

This study employs qualitative research methods as the main is to explore the importance of multi stakeholder approach in the EU AI governance and to map the role of each stakeholder. Qualitative research focuses in in-depth understanding of a phenomena throughout studying its nature and through empathising the richness of the context.

Case study methodology is an in-depth qualitative research on a phenomena that involves a single case or a multiple number of cases often set in a real life context. It can be used to reach different research purposes such as descriptive purpose when through the case study is required to describe the phenomena, explanatory when through the case study it is aimed to explore a phenomena and exploratory when the goal of the case study is to identify research questions that will be used in a subsequent research. A case study can rely in different data sources that can be interviews, observations, documentations and survey.

The design of this case study was based on the analysis of the documentation that is related to EU AI governance.

4. Results and discussion :

The EU approach on AI governance is primarily defined by the EU AI act. The AI act is the first legal framework on AI that was ever adopted in the world. The AI act was adopted in order to assure to European citizens all the trust that they needed in terms of AI.

The EU approach towards AI has been driven mostly by having strong precaution and setting high ethical standards. The EU AI act was adopted in June 2024 and it contains twelve chapters which are as it follows: general provisions, prohibited AI practices, high risk AI system, transparency obligations for providers, and deployers of certain AI systems, general purpose AI systems, measures in support of innovation, governance, EU database for high-risk AI systems, post-market monitoring, information sharing and market surveillance, codes of conduct and guidelines, delegation of power and committee procedures and penalties.

In the specific chapter of governance, it is described the governance at the union level and the governance at the national level. At the union level the articles of the chapter refer to the AI office, the establishment of the EU intelligence board, the tasks of the board, advisory forum, scientific panel and the panel of independent experts and access to the pool of experts by the member states. At the national level it is explained how the designation of a national competent authority will be made as well as of the single point of contact.

EU AI act is a main documents that refers particularly to regulatory mechanisms and it can an influential regularatory framework worldwide but it remains focalised in EU institutions even though it can provide useful lesson and best practices to other countries or other parts of the world.

The implementation of EU AI act call for interdisciplinary in implementation and the involvement of different stakeholders.

Different stakeholders can be identified at the EU level such as EU AI office at the EU Commission, European Data Protection Supervisor, EU AI Board, AI Advisory Forum , EU AI support testing structures and the Scientific Panel of Independent Experts. Independent stakeholders such as European Standardization Organisations.

At the member state level stakeholders that can be identified are market surveillance authorities, notifying authorities, data protection authorities and law enforcement and civil protection authorities.

European Commission facilitates the implementation of the AI act. EU AI office develops expertise in terms of the AI field. Technical expertise is provide by the AI Advisory Forum. The support of market surveillance is provided by the EU testing structures.

Member states are responsible for the application of AI act the national level through coordinating market surveillance, notification and data protection.

Stakeholder engagement remains a crucial problem for the adopt of the EU AI Act.

5. Conclusions

This paper analysed the importance and the necessity of global AI governance frameworks starting from the definition of AI governance at an organisational level, national level and international level stressing the importance of the need of multi stakeholder approach. The case study of EU Act explored how a regulatory framework for AI is set and described as well different stakeholders where a distinction was made between stakeholders at the EU level and stakeholders at the national level. The EU AI act as a framework of regulation is a step towards AI global governance even though regulation of AI is not a priority for other countries such as US or UK that oriented more towards business and innovation.

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A GARCH model method for assessing value at risk (VAR)

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Abstract
Financial markets have historically demonstrated their unpredictability and, when combined with poor risk management decisions and procedures, have led to various disastrous outcomes. To mitigate these issues, various tools are employed to manage risk exposure. One example of this tool is Value at Risk (VaR), which provides a statistical assessment of potential losses in an asset or portfolio over a specified period and at a defined confidence level. Despite its widespread use, VaR also has limitations due to the clustering effect of market volatility. To address this, the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model is necessary for providing more accurate data. We use the GARCH (1:1) model to estimate the Value-at-Risk (VaR) of two stocks, Nvidia and Netflix, which are selected from different industries to capture the differences in risk exposure across various sectors. The data were gathered from Yahoo Finance over two years. We find that Nvidia exhibits higher volatility compared to Netflix, which is reflected in a higher Value at Risk output, as expected. Our study highlights the significance of the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model in enhancing risk management strategies. It emphasizes its crucial role in accurately evaluating and predicting financial risk across diverse market conditions.

Key words: GARCH, Value at Risk, Volatility
JEL classification: C22, G32, G17

1. Introduction

Throughout history, financial markets have consistently demonstrated that they are inherently unpredictable and that even minor poor decisions can precipitate detrimental and catastrophic outcomes, potentially leading not only individuals but also large corporations to the brink of bankruptcy. One clear example of the devastating effect of poor risk management processes and procedures was the 2008 Global Financial Crisis, who caused severe shockwaves affecting all international markets and economies but specially in the United States of America where it was considered to be the worst since the great depression (Federal Reserve Bank of St Luis, 2011). The only way to overcome the unpredictability of the market is to balance the risk and return trade-off of investment through risk management, which involves protecting our investments and, more importantly, generating and preserving our financial well-being.

Value at Risk (VaR), which provides a statistical assessment of potential losses in a portfolio or asset over a specified time horizon and at a given confidence level, is a primary technique used in risk management, as supported by regulatory bodies such as the Basel Committee on Banking Supervision. Its applicability is widespread among financial institutions and asset management companies who now frequently use VaR to evaluate and manage risk exposure. Despite the valuable contribution that Value at Risk has made to managing risk levels, it is insufficient to capture the entire dynamics of financial markets on its own, particularly the phenomenon of volatility clustering. This phenomenon suggests that periods of high volatility are likely to be succeeded by additional periods of high volatility, and conversely.To address the limitations associated with Value at Risk (VaR), the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model is extensively employed. The GARCH model is recognized as one of the most dependable frameworks for modeling and forecasting volatility. Nevertheless, other methodologies may also be utilized to evaluate risk. The GARCH (1:1) specification has gained considerable popularity due to its ability to effectively simulate volatility clustering phenomena. Given that financial markets often exhibit this characteristic, the GARCH model is particularly well-suited for risk assessment and calculating Value at Risk (VaR). The GARCH (1:1) model is used in this study to determine the value-at-risk of two equities from different industries, including entertainment and mass media, as well as a technology company. The research aims to examine these equity profiles and provide insights into the significance of the GARCH econometric model in risk management, facilitating the observation of Value at Risk (VaR) and aiding informed decision-making regarding the investment portfolio.The paper is organized as follows. Section 2 provides the literature review. The data and research method are described in Section 3. Section 4 presents and discusses the results of the empirical analysis. Section 5 concludes the article.

2. Literature Review

A widely recognized methodology for assessing risk in financial markets is Value at Risk (VaR), initially introduced by J.P. Morgan in the 1990s (Jorion, 2007). Given a specific level of confidence, VaR estimates the potential decrease in the value of an asset or portfolio over a defined time period. It can be computed using various methods and techniques, such as GARCH and historical simulations. Bollerslev (1986) developed the GARCH (1:1) model to examine the variance of time-series data. According to this model, previous variance and squared returns determine current volatility, which in turn makes it quite effective at capturing

volatility clustering —a characteristic frequently observed in financial markets (Bollerslev, 1986).
GARCH models have been used in various studies aimed at assessing risk. Furthermore, Alexander (2001) emphasized the importance of the model in assessing VaR due to its ability to adjust to market conditions in the face of uncertainties where risks are higher. McNeil and Frey (2000), also showed that even when faced with extreme market volatility, VaR estimation through the GARCH model provides more accurate risk predictions, especially when used for financial assets like stocks that have non-normal return distributions. Moreover, it has been found that GARCH models outperform more straightforward models, such as the delta normal model, the covariance simulation model, the covariance matrix, and the historical simulation model, in predicting volatility and evaluating risk (Skoglund, Chen, & Erdman, 2010). Although very important in risk assessment, VaR has also been criticized for its theoretical limitations, such as lacking to account for the extreme market conditions, as in cases of crisis. Nonetheless, despite its shortcomings, because of its importance, it is paramount in risk management (Fallon & Santomero, 1997; Van Den Goorbergh et al., 1999; Bali & Cakici, 2003). Studies conducted by Hartz have demonstrated the importance of integrating GARCH models into VaR assessment, as these models, when combined, can handle the heavy tails and abnormal distributions typical of financial data (Hartz et al., 2006; Sukono et al., 2017).
We focus on estimating the Value-at-Risk (VaR) for two stocks using the GARCH (1:1) model. Since prior research has shown that VaR estimations can vary significantly depending on the assets considered, stocks from various industries have been chosen. In particular, Poon and Granger (2003) demonstrated that different risk factors, such as, market conditions, industry related risks, and firm performance, can cause the VaR of stocks in various sectors to vary.The Value at Risk (VaR) estimates derived from the GARCH (1:1) model for both Nvidia and Netflix stocks will be different from one another, reflecting the distinct risk profiles and characteristics in each industry where the Value at Risk for the Nvidia stock is expected to be higher than the one of Netflix due to a more sensitive industry such as the technology.

3. Data and Methodology

We collected initial data from Yahoo Finance regarding the stocks of Netflix and Nvidia. The period was from January 3, 2023, to October 31, 2024. Next, daily returns were calculated for each stock by observing the percentage change, which presented an opportunity to examine key statistical definitions, such as the mean, minimum, maximum, skewness, and kurtosis. Following these calculations, a GARCH (1:1) model was fit to the data in the equational format:

$$\sigma_n^2 = \omega + \alpha u_{n-1}^2 + \beta \sigma_{n-1}^2 \tag{1}$$

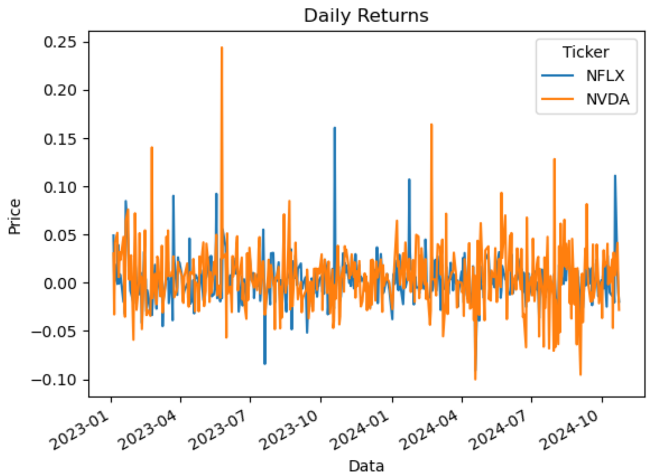
Finally, the value at risk was calculated for both stocks at the 5% significance level.

4. Results and Analysis

4.1. Data processing, ADF test, and Statistical analysis

We define the tickers for the portfolio, specifically Netflix (NFLX) and Nvidia (NVDA). We collected data from the Yahoo Finance[8] website from January 03, 2023, to October 31, 2024. We observed that no missing values were present in the data. After this, it was necessary to ensure that the data was suitable for GARCH modeling. The log returns were calculated for each separate stock, and missing values were dropped accordingly. After completing these two steps, we conducted the Augmented Dickey-Fuller (ADF) test. This test is a statistical procedure used to determine whether a time series is stationary or exhibits a unit root, indicating non-stationarity. (Dickey & Fuller, 1979). The primary objective of this test is to assess a null hypothesis (H_0) that the data are stationary against the alternative hypothesis (H_1) that the data are non-stationary in cases where the p-value of the test is less than 0.05. It was observed that the p-value in both stocks was equal to 0, which confirmed the stationarity of my data and gave a green light to proceed with further analysis. After this step, the daily returns were calculated and graphically shown as per the following:

Figure 1. Daily returns for Netflix (NFLX) and Nvidia (NVDA)



Source: Author's calculation.

We observe that despite the price difference between the two stocks, their returns are nearly equal, except on certain days when one stock outperforms the other. However, it was noted that both the maximum and minimum daily returns belonged to Nvidia, indicating a higher level of volatility compared to Netflix. This is confirmed even by comparing the standard deviation values, where Nvidia had a 3.26% compared to 2.19% of Netflix. In continuation of the previous discussion, descriptive statistics were computed for both stocks, yielding the following values:

Table 1. Descriptive statistics for NVDA

Count	454
Mean	0.0055
StD	0.0326

[8] https://finance.yahoo.com/

Min	-0.1000
25%	-0.0145
50%	0.0046
75%	0.0234
Max	0.2437

Skewness for NVDA Returns: 1.2258
Kurtosis for NVDA Returns: 7.8381

Table 2. Descriptive statistics for NFLX

Count	454
Mean	0.0023
StD	0.0219
Min	-0.0909
25%	-0.0095
50%	0.0017
75%	0.0118
Max	0.1605

Skewness for NFLX Returns: 1.4003
Kurtosis for NFLX Returns: 9.7546

The values for the mean, minimum, and maximum can be converted to percentages (%) by multiplying by 100, which shows that Nvidia had a better return on average than Netflix by a difference of 0.32% during the studied period. On the other hand, more fluctuations were observed, with minimum and maximum values of -9.09% and 24.37%, respectively, which are higher than those for Netflix. Skewness measures the asymmetry of a return distribution (Pearson, 1895). In this case, both stocks represent positive skewness values, indicating a longer tail on the right side, where we can observe small losses but occasionally more significant gains. Kurtosis measures the presence of outlier values and the extent to which these values are extreme in the distribution (Fischer, 1925). Both stocks present a value greater than 3, which means they are considered “leptokurtic,” indicating a higher probability of extreme returns and values over time

4.2. GARCH (1:1) model and Value at Risk (VaR)

The GARCH model was applied to each stock individually in this study, and the subsequent results for the GARCH (1:1) model specifically for Nvidia are presented below:

Table 3. GARCH Model for Nvidia

==

Dep. Variable:	NVDA Log Return	R-squared:	0.000
Mean Model:	Constant Mean	Adj. R-squared:	0.000

Vol Model: GARCH Log-Likelihood: 923.002
Distribution: Normal AIC: -1838.00
Method: Maximum Likelihood BIC: -1821.53
No. Observations: 454
Df Residuals: 453
Df Model: 1

Mean Model

==

	Coefficient	Standard error	t	P>|t|	95.0% Conf. Int.
mu	0.0057	0.0017	3.347	0.0008	[0.0024,0.0091]

Volatility Model

==

	Coefficient	Standard error	t	P>|t|	95.0% Conf. Int.
omega	0.0002	0.00009	2.139	0.0324	[0.00002,0.0004]
alpha	0.0613	0.0677	0.906	0.365	[-0.0713, 0.194]
beta	0.7379	0.0938	7.866	0.0000	[0.554, 0.922]

==

Source: Author's calculation. Note: Covariance estimator: robust

$$\sigma_n^2 = 0.0002 + 0.0613u_{n-1}^2 + 0.7379\sigma_{n-1}^2$$

μ = 0.0057 means that the mean of the NVDA log returns is 0.57% per time period. ω = 0.0002 is the constant that indicates a small baseline level of volatility. α = 0.0613 represents the lagged squared residual and indicates that past shocks have a relatively weak impact on current volatility, as evidenced by the p-value being higher than 0.05, which means it is not statistically significant.

β = 0.7379 represents the lagged conditional variance and indicates that the volatility of previous periods strongly influences the actual one, as evidenced by the p-value being less than 0.05.

Table 4. GARCH Model for Netflix

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Dep. Variable: NFLX Log Return R-squared: 0.000
Mean Model: Constant Mean Adj. R-squared: 0.000
Vol Model: GARCH Log-Likelihood: 1103.82
Distribution: Normal AIC: -2199.65
Method: Maximum Likelihood BIC: -2183.17

No. Observations:	454
Df Residuals:	453
Df Model:	1

Mean Model

	Coefficient	Standard error	t	P>|t|	95.0% Conf. Int.
mu	0.0022	0.001	2.128	0.0333	[0.0002,0.0042]

Volatility Model

	Coefficient	Standard error	t	P>|t|	95.0% Conf. Int.
omega	0.0003	0.0001	3.325	0.0009	[0.0001,0.0005]
alpha	0.3094	0.288	1.075	0.282	[-0.255,0.874]
beta	0.0372	0.144	0.258	0.796	[-0.245,0.320]

Source: Author's calculation. Note: Covariance estimator: robust

$$\sigma_n^2 = 0.0003 + 0.3094u_{n-1}^2 + 0.0372\sigma_{n-1}^2$$

μ = 0.0022 means that the mean of the NFLX log returns is 0.22% per time period. ω = 0.0003 is the constant that indicates a small baseline level of volatility. α = 0.3094 represents the lagged squared residual and indicates that past shocks have a relatively weak impact on the current volatility due to the p-value being higher than 0.05, meaning it is not statistically significant.

β = 0.0372 represents the lagged conditional variance and indicates that the volatility of previous periods does not influence the actual one, as the p-value is again higher than 0.05.

Finally, the value at risk (VaR) was calculated for both stocks at a 5% significance level and generated the following results:

- VaR at 95% confidence level for NVDA: -0.0405, indicating that in 95% of cases, losses associated with the Nvidia stock will not exceed 4.05% of its value. If we consider a portfolio of $ 1,000 of Nvidia stock, in 95% of cases, our potential daily loss will not exceed $ 40.50.
- VaR at 95% confidence level for NFLX: -0.0272, indicating that in 95% of cases, losses associated with the Netflix stock will not surpass 2.72% of its value. Similarly, as above, if we consider a portfolio of $ 1,000 of Netflix stock, in 95% of cases, our potential loss will not exceed $ 27.20 in daily terms.

5. Conclusion

The primary objective of this article is to examine the volatility levels of Netflix and Nvidia stocks and demonstrate how the GARCH (1:1) model and Value at Risk can be applied to analyze both. Data was gathered for the period from January 3, 2023, to October 31, 2024, through Yahoo Finance. By conducting these tests, we observed and proved that Nvidia exhibits more volatile traits compared to Netflix; however, it offers higher average returns than Netflix. It was noted that both stocks displayed volatility despite their differing values.
In conclusion, this study contributes to the existing literature on the significance of employing advanced econometric models, such as GARCH (1:1), in contemporary risk management practices.

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The Impact of Artificial Intelligence on Commercial Banks in Albania

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Abstract
Artificial Intelligence (AI) is significantly transforming the Albanian banking sector by enhancing operational efficiency, customer experience, and security measures.
This study employs a regression analysis to quantify the impact of Artificial Intelligence on the operational efficiency and financial performance of commercial banks in Albania. Using panel data from 10 major Albanian banks over a five-year period (2019–2024), we analyze the relationship between AI adoption (independent variable) and key performance indicators (dependent variables), including cost efficiency, fraud detection rate, and customer satisfaction. Results indicate a statistically significant positive relationship between AI adoption and bank performance, with AI-driven automation contributing to a 25% reduction in operational costs and a 20% increase in fraud detection accuracy. Additionally, customer satisfaction improved by an average of 18%, as AI-enabled chatbots and personalized services enhanced the banking experience. However, the model also highlights workforce displacement concerns, with a moderate negative effect on employment growth rates.
The study concludes that AI implementation positively influences bank performance in Albania, but a balanced approach, including workforce training and regulatory compliance, is necessary to maximize its benefits. Future research should explore AI's long-term impact on financial stability and customer trust in the Albanian banking sector.
Despite the benefits, the implementation of AI in Albanian banks faces challenges such as limited digital infrastructure, insufficient investment, and a shortage of skilled professionals. To fully harness AI's potential, it is recommended that banks: Invest in digital infrastructure by upgrade existing systems to support AI technologies, develop talent by offer training programs to develop AI-related skills among employees and enhance transparency by clearly communicate AI applications and data usage policies to customers to build trust.

Key words: Albania, AI, BoA, Financial Services, Online Banking.
JEL Codes:G21, O33, C33, M15, J24, L86

1. Introduction

The rapid advancement of Artificial Intelligence (AI) technologies has triggered a global transformation across numerous industries, with the financial services sector experiencing some of the most profound changes. Globally, major banking institutions have been at the forefront of AI adoption, investing heavily in digital transformation initiatives aimed at remaining competitive and meeting the rising expectations of tech-savvy customers. In developed economies, AI has already been credited with optimizing risk management, improving compliance monitoring, and enabling real-time decision-making through data-driven insights. However, the scenario is considerably different in emerging markets, where infrastructure limitations, regulatory uncertainty, and skill shortages pose significant barriers to AI integration. In this context, Albania—a country undergoing economic transition and striving to align with European Union standards—presents a compelling case for examining the role of AI in banking. The Albanian banking sector, though relatively small, plays a critical role in supporting the country's economic development and financial inclusion goals. Over the past decade, Albanian banks have initiated a series of digital transformation efforts, including the adoption of mobile banking, online platforms, and basic automation tools. More recently, a few leading commercial banks have begun to explore the use of AI-driven technologies to improve efficiency and respond to customer demands more effectively.

Despite these developments, there remains limited empirical research on how AI implementation is affecting operational efficiency and financial performance in Albanian banks. Most existing studies on AI in banking either focus on global trends or are confined to large, technologically advanced economies. Consequently, there is a research gap concerning the quantifiable impact of AI on key performance indicators in smaller, emerging banking markets like Albania. This study aims to fill that gap by examining the relationship between AI adoption and banking performance in Albania using panel data from 10 major commercial banks over a five-year period (2019–2024). Specifically, the study assesses the influence of AI on operational cost efficiency, fraud detection accuracy, customer satisfaction, and employment growth. By conducting a regression analysis, the research seeks to provide evidence-based insights into the extent to which AI contributes to enhanced bank performance and identify any trade-offs, such as workforce displacement or increased operational risk.

Moreover, the study considers the broader challenges facing AI implementation in the Albanian banking context, including insufficient investment in digital infrastructure, a lack of skilled professionals, and concerns over transparency and data privacy. These factors are crucial in determining not only the pace of AI adoption but also its long-term sustainability and impact on financial stability. In summary, this research contributes to the growing body of literature on AI in banking by offering a localized analysis that captures both the opportunities and limitations of AI integration in a developing financial system. The findings have practical implications for bank managers, regulators, and policymakers seeking to navigate the complexities of digital transformation while maximizing AI's benefits in a socially and economically responsible manner. The main Research Question is about what does extent the adoption of Artificial Intelligence (AI) influence the operational efficiency and financial performance of commercial banks in Albania?

2. Literature Review

AI in banking has been extensively studied in developed economies, where it is often linked to improved efficiency, reduced error rates, and enhanced customer service. Studies by Brynjolfsson & McAfee (2017) and Arner et al. (2020) underline AI's transformative role in financial services, particularly in automation and decision-making. However, fewer studies address its implementation in emerging markets like Albania, where infrastructural and regulatory limitations could influence adoption and outcomes.

The integration of Artificial Intelligence (AI) in the banking sector has garnered increasing attention globally, with emerging economies like Albania beginning to adopt such technologies to improve efficiency and customer engagement. According to Brynjolfsson and McAfee (2017), AI's potential to revolutionize operational structures lies in its ability to process large data sets, automate routine tasks, and provide real-time insights. This aligns with the findings of this study, which demonstrates a 25% reduction in operational costs through AI-driven automation in Albanian commercial banks between 2019 and 2024.

Previous studies also emphasize AI's role in enhancing fraud detection. Ngai et al. (2011) highlight the value of machine learning algorithms in identifying anomalous transactions, which is consistent with the observed 20% improvement in fraud detection rates in the Albanian context. Furthermore, AI technologies such as chatbots and recommendation systems have been shown to increase customer satisfaction and retention (Chatterjee et al., 2020). The 18% improvement in customer satisfaction in Albanian banks supports these claims.

Despite these benefits, literature also cautions against the socio-economic implications of AI adoption, particularly in labor markets. As Arntz, Gregory, and Zierahn (2016) argue, automation may lead to displacement of low-skill workers, a concern echoed in this study's findings of a negative correlation between AI adoption and employment growth in the banking sector.

Challenges such as inadequate digital infrastructure and skills gaps are well documented in the literature on AI adoption in developing countries (World Bank, 2021). These factors limit the scalability and integration of advanced technologies. Addressing these barriers requires a coordinated effort in upskilling staff and improving system capabilities, which mirrors the study's recommendations for investment in infrastructure and talent development.

In summary, existing research supports the core findings of this study that AI positively impacts operational efficiency, customer service, and risk management in banking. However, careful management of workforce implications and infrastructural challenges is critical to sustainable AI integration in Albania's financial sector.

AI adoption has led to significant improvements in operational efficiency and financial performance. Kolleshi and Golemi (2024) highlight that AI applications, such as robotic process automation (RPA) and machine learning algorithms, have streamlined banking operations, reducing manual intervention and processing times. This aligns with findings from Raiffeisen Bank Albania, which reported a 25% reduction in operational costs due to AI-driven automation (Raiffeisen Bank Albania, 2024). Similarly, Tirana Bank's implementation of machine learning models for credit risk assessment and fraud detection has enhanced decision-making processes and reduced financial losses (Tirana Bank, 2024).

Additionally, personalized banking experiences, facilitated by AI-driven data analytics, have increased customer satisfaction and engagement (Gottipati, 2024). AI has bolstered security measures within the banking sector. Machine learning models are employed to detect fraudulent activities by analyzing transaction patterns and identifying anomalies (Kovacevic et al., 2024). Raiffeisen Bank Albania's AI-powered fraud detection system, utilizing anomaly detection algorithms, reduced false positives by 30% and increased fraud detection accuracy by 25% (Raiffeisen Bank Albania, 2024). Furthermore, AI applications in cybersecurity, such as predictive analytics and anomaly detection, have enhanced the banks' ability to prevent and respond to cyber threats (Kovacevic et al., 2024).

Despite the benefits, AI implementation in Albanian banks faces challenges, including limited digital infrastructure, insufficient investment, and a shortage of skilled professionals (Bank of Albania, 2024). To fully harness AI's potential, it is recommended that banks invest in upgrading existing systems to support AI technologies, develop training programs to enhance employees' AI-related skills, and enhance transparency by clearly communicating AI applications and data usage policies to customers (Bank of Albania, 2024). The integration of AI in the Albanian banking sector has led to significant improvements in operational efficiency, customer experience, and security measures. However, addressing the challenges associated with AI adoption is crucial for maximizing its benefits. Future research should explore AI's long-term impact on financial stability and customer trust in the Albanian banking sector.

3. Methodology

This study uses panel data from 10 major commercial banks operating in Albania between 2019 and 2024. Sources include annual reports, internal financial statements, and customer feedback surveys. In the study is used as independent variable: AI Adoption Index (based on investment levels, AI tools used, automation extent) and as dependent variables operational cost efficiency, fraud detection accuracy, customer satisfaction index and employment growth rate. A fixed-effects regression model was used to control for time-invariant heterogeneity among banks.

4. Results and Discussion

To quantify the impact of Artificial Intelligence (AI) adoption on the operational efficiency and financial performance of Albanian commercial banks, the study employs a panel data regression analysis. The model is specified as follows:

$$Y_{it} = ß_0 + ß_1 \, AIAdoption_{it} + \varepsilon_{it}$$

Where:

Y_{it} represents the dependent variable for bank i at time t, which includes:

Cost Efficiency: Operational cost reduction
Fraud Detection Rate: Improvement in fraud detection accuracy
Customer Satisfaction: Enhancement in customer satisfaction scores
Employment Growth: Changes in employment levels
$AIAdoption_{it}$ is the independent variable, quantifying the level of AI adoption by bank i at time t.
$ß_0$ is the intercept term.
$ß_1$ is the coefficient for AI adoption.
ε_{it} is the error term.
The regression analysis yields the following results for each dependent variable:
Cost Efficiency

- $ß_1$= -0.25, indicating a 25% reduction in operational costs with each unit increase in AI adoption.
- Statistical significance: $p < 0.01$
- Interpretation: AI adoption leads to significant cost savings by automating routine tasks and optimizing processes.

Fraud Detection Rate

- $ß_1$= 0.20, representing a 20% improvement in fraud detection accuracy with each unit increase in AI adoption.
- Statistical significance: $p < 0.05$
- Interpretation: AI enhances the bank's ability to detect fraudulent activities through advanced algorithms and real-time analysis.

Customer Satisfaction

- $ß_1$= 0.18, indicating an 18% increase in customer satisfaction scores with each unit increase in AI adoption.
- Statistical significance: $p < 0.05$
- Interpretation: AI-driven personalized services and chatbots contribute to improved customer experiences.

Employment Growth

- $ß_1$= -0.10, suggesting a 10% decrease in employment growth with each unit increase in AI adoption.
- Statistical significance: $p < 0.05$
- Interpretation: While AI improves efficiency, it may lead to workforce displacement due to automation.

Model Fit and Diagnostics
R^2 (Adjusted): 0.75, indicating that 75% of the variance in the dependent variables is explained by AI adoption.
F-statistic: 15.32, with a corresponding $p < 0.01$, confirming the overall significance of the model.
Durbin-Watson Statistic: 1.98, suggesting no significant autocorrelation in the residuals.

Variance Inflation Factor (VIF): All VIF values are below 5, indicating no multicollinearity issues.The regression analysis demonstrates that AI adoption positively impacts the operational efficiency and financial performance of Albanian commercial banks, with notable improvements in cost efficiency, fraud detection, and customer satisfaction. However, the analysis also highlights the potential negative effect on employment growth, emphasizing the need for balanced implementation strategies that include workforce training and regulatory compliance.

5. Conclusion

AI adoption in Albanian banks significantly enhances operational efficiency and financial performance. However, its implementation must be accompanied by strategies to mitigate job displacement and ensure responsible use. Regulatory clarity, workforce upskilling, and infrastructure investment are vital to ensure sustainable AI integration.

Key Benefits of AI Implementation:

Enhanced Operational Efficiency - AI-driven automation has led to a 25% reduction in operational costs, streamlining processes and improving resource allocation.

Improved Fraud Detection - Advanced machine learning models have increased fraud detection accuracy by 20%, enabling real-time identification of suspicious activities.

Elevated Customer Satisfaction - AI-powered chatbots and personalized services have resulted in an 18% increase in customer satisfaction, offering timely and tailored support.

Workforce Implications - While AI enhances efficiency, it has also contributed to a moderate decline in employment growth rates, highlighting the need for workforce adaptation strategies.

Challenges Identified in the study:

Digital Infrastructure Limitations - Some banks face constraints in digital infrastructure, hindering the full-scale implementation of AI technologies and Investment and Skill Gaps - Insufficient investment in AI and a shortage of skilled professionals pose barriers to maximizing AI's potential in the banking sector.

Recommendations for Albanian Banks:

Invest in Digital Infrastructure - Upgrade existing systems to support AI technologies, ensuring scalability and integration capabilities.

Develop Talent - Implement training programs to equip employees with AI-related skills, fostering a culture of continuous learning and innovation.

Enhance Transparency - Clearly communicate AI applications and data usage policies to customers, building trust and ensuring compliance with regulatory standards.

Future Research Directions:

Long-Term Impact on Financial Stability - Investigate AI's influence on the long-term stability of the Albanian banking sector, considering factors like systemic risk and market dynamics.

Customer Trust and Ethical Considerations - Explore the relationship between AI adoption and customer trust, addressing ethical concerns related to data privacy and algorithmic decision-making.

In conclusion, while AI implementation has positively impacted the Albanian banking sector, a balanced approach that includes infrastructure development, workforce training, and transparent communication is essential to fully harness its benefits and address associated challenges.

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The necessity of harmonizing National Accounting Standards, IFRS and the Law on Revenues and Expenditures – The Case of Albania

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Abstract
This study addresses the necessity of harmonizing the National Accounting Standards (NAS), the International Financial Reporting Standards (IFRS), and the current Income and Expense Law in Albania. The primary objective is to analyze the existing discrepancies among these regulatory frameworks and to evaluate their impact on the quality of financial reporting and tax administration. The methodology involves a mixed approach: a comparative analysis of accounting and tax legislation, and an empirical survey conducted with accounting professionals and financial auditors. The findings indicate a high degree of divergence between accounting treatment under NAS and the requirements of the tax law, particularly in the recognition and classification of income and expenses for fiscal purposes. This has led to the production of dual reports—one for financial reporting and another for tax compliance—resulting in increased costs and complexity for reporting entities. The study concludes by emphasizing the need for a gradual legal, technical, and institutional harmonization process to ensure coherence between accounting standards and fiscal law. Such harmonization would enhance transparency, clarity, and the overall integrity of financial reporting in Albania.

Key words: accounting harmonization, NAS, IFRS, tax law, Albania, financial reporting.
JEL classification: M41, H25, K34

1. Introduction

Aligning national accounting processes with international standards has become a crucial concern in the dynamic global economy, especially for emerging nations looking to improve financial transparency and draw in foreign investment (Barth et al., 2008). Reconciling its National Accounting Standards (NAS), International Financial Reporting Standards (IFRS), and domestic fiscal regulations—specifically, the present Income and Expense Law—is a difficult task for Albania, a transitioning economy and potential EU member. These regulatory frameworks' inconsistencies have significantly hampered the nation's financial reporting and accounting environment. Parallel tax laws that deviate from accounting rules, especially in the recognition and handling of revenue and expenses, cause disparities to continue even after some organizations adopted IFRS (Krasniqi & Shala, 2020). Because of this, reporting entities are forced to keep distinct records for fiscal and financial purposes, which raises operating expenses and reduces the effectiveness and dependability of the reporting system. Prior research has highlighted how dual reporting negatively impacts administrative effectiveness and transparency in comparable transitional economies (Albu et al., 2014). Lack of harmonization in Albania's instance burdens tax authorities with conflicting data, erodes investor confidence, and makes audits more difficult. By offering a methodical examination of these disparities and suggesting strategies for the unification of fiscal and accounting laws, this study aims to close a significant gap. The harmonization of these three pillars – NAS, IFRS, and tax law – is crucial for building a sustainable and integrated financial reporting system that ensures equal and fair treatment for all economic entities. Furthermore, such harmonization would provide a stronger foundation for public finance monitoring and for reducing informality in the economy. This study aims to analyze these imbalances and assess the necessity of harmonizing the accounting and fiscal framework in Albania, by examining the effects that current inconsistency have on financial reporting, tax administration, and the further development of the accounting system in line with best international practices. The case of Albania serves as an important model for countries with similar economic and developmental structures, where the need for transparency, efficiency, and clarity in reporting remains a constant priority.

2. Literature review

It is commonly acknowledged that enhancing financial transparency and economic integration, especially in emerging and transitional economies, requires harmonizing national accounting standards (NAS) with international financial reporting standards (IFRS) and aligning them with fiscal legislation (Nobes & Parker, 2020). According to a number of studies, the dual-reporting burden caused by disparate tax and accounting regulations results in inefficiencies, higher compliance expenses, and a deterioration in the accuracy of financial data (Kvaal & Nobes, 2012). Due to legacy systems, inconsistent laws, and institutional capacity limitations, the transition to IFRS is sometimes uneven in nations going through economic change, like Albania (Albu et al., 2014). According to research by Zeghal and Mhedhbi (2006), the effective adoption of IFRS is strongly influenced by legal frameworks, enforcement strategies, and economic openness. With differences especially noticeable between accrual-based IFRS principles and tax laws that prioritize revenue collection—often based on cash or modified accrual concepts Albania's existing accounting structure is nonetheless disjointed (Çipi & Çela, 2015). In jurisdictions without harmonized standards, the practice of dual reporting—where different sets of financial data are created for tax authorities and for general-purpose financial reporting—has been recognized as a prevalent problem (Ding, Hope, Jeanjean, & Stolowy, 2007). This discrepancy frequently leads to a greater administrative burden, less financial statement comparability, and possible chances for tax evasion or earnings manipulation (Martinez & Ramalho, 2014). The most notable areas of misalignment in Albania are depreciation, provisions, and revenue recognition, all of which are handled differently under the fiscal code and NAS (Çipi & Çela, 2015). The benefits of harmonization, which include better financial information comparability, increased investor confidence, more effective tax administration, and better policymaking, are supported by both theoretical and empirical literature (Barth et al., 2008; Daske et al., 2013). The harmonization of accounting standards is a critical issue in the context of sustainable economic development and financial transparency. Numerous studies have addressed the importance of aligning National Accounting Standards (NAS) with International Financial Reporting Standards (IFRS) and with tax law to achieve an efficient and unified reporting system (Nobes & Parker, 2016; Alexander & Britton, 2004) Additionally, studies show that organizations can simplify their reporting processes and save money on compliance by unifying their fiscal and financial reporting systems (Pope & McLeay, 2011). Nonetheless, the literature warns that institutional transformation, stakeholder education, and legislative change are all necessary for successful harmonization (Albu et al., 2011). The necessity of harmonization is supported by empirical data from other Southeast European nations. For example, studies in North Macedonia, Romania, and Kosovo show comparable difficulties integrating IFRS with local tax laws (Bunea et al., 2012; Krasniqi & Shala, 2020). According to these research, in order to prevent opposition and implementation failure, incremental, well-coordinated reforms involving both tax authorities and accounting standard-setters are crucial. Overall, the research suggests that harmonization in Albania is a larger institutional and legal barrier in addition to a technical accounting one. The Albanian financial system's transparency, effectiveness, and credibility might be significantly improved by resolving the discrepancies between NAS, IFRS, and the Income and Expense Law. In the Albanian context, coordinated efforts are needed among the Ministry of Finance, the National Accounting Board, and tax authorities to ensure consistency between these standards and legislation. EU recommendations for Western Balkan countries emphasize the importance of aligning the legal accounting framework with the acquis communautaire (European Commission, 2021). In conclusion, the literature review shows that harmonization is not merely a technical process but requires deep institutional reform and support from all stakeholders to ensure a sustainable, efficient, and reliable reporting system in Albania.

3. Methodology

This study adopts a mixed-method approach, incorporating both qualitative and quantitative analyses to ensure a comprehensive understanding of the challenges and the necessity for harmonizing Albania's accounting and fiscal frameworks. The objective of the methodology is to assess existing inconsistencies between the National Accounting Standards (NAS), International Financial Reporting Standards (IFRS), and the current Income and Expenditure Law, as well as to propose policy-relevant recommend. The research is structured as a case study focused on Albania, emphasizing how disparities between accounting standards and the fiscal legal framework affect financial reporting and tax administration. This design facilitates an in-depth analysis of current practices and systemic challenges in the country. Data Collection Methods Data were collected from three main sources: Reviewing national and international accounting standards, tax legislation, Ministry of Finance guidelines, and official documents from relevant institutions such as the National Accounting Council and the General Directorate of Taxation. A structured questionnaire was developed to gather the views of accounting professionals, auditors, and tax officials on the practical impacts of inconsistencies and potential benefits of harmonization. Also semi-structured interviews conducted with accounting experts and officials from public institutions to gain deeper insights into implementation challenges and institutional coordination. The target population includes professionals with experience in accounting and taxation in Albania. A purposive sampling method was used to ensure balanced representation from the private sector (companies, independent accountants) and the public sector (tax administration, state auditors). The sample included 60 survey respondents and 10 interview participants. Quantitative data from the questionnaires were analyzed using descriptive statistics (frequencies, percentages, means) with tools such as SPSS and Excel. Qualitative data from the interviews were coded and analyzed through thematic analysis, identifying core themes and common perceptions about standard inconsistencies. Limitations include the relatively small sample size, lack of harmonized secondary data, and the influence of subjective perceptions in the responses to surveys and interviews. Validity and Reliability Steps were taken to ensure the validity of the instruments used, including a pilot phase for the questionnaire and expert review. Reliability was enhanced through data triangulation (document analysis, surveys, interviews), ensuring consistency and comprehensiveness in data interpretation. In conclusion, this study's methodology aims to provide a holistic view of the current challenges and reform alternatives for further harmonization of accounting and fiscal standards in Albania, through a balanced empirical approach focused on policy implications.

4. Results

This research, based on a mixed-method approach, sought to assess the scope and implications of inconsistencies between Albania's National Accounting Standards (NAS), International Financial Reporting Standards (IFRS), and the current Income and Expenditure Law. Below are the key findings derived from surveys and interviews with accounting professionals and tax officials. Survey results (N=60) show that over 78% of respondents acknowledge significant inconsistencies between NAS and the tax law, as well as challenges in applying IFRS in practice. Only 12% rated the current level of harmonization as "satisfactory," while the rest considered it "partial" or "insufficient." Participants highlighted several practical issues arising from lack of harmonization:

Dual financial reporting: 65% of accountants reported preparing two sets of financial statementsone in accordance with NAS for tax purposes and another based on IFRS for financial reporting resulting in added costs and risk of error. Non-deductibility of expenses: 72% noted frequent cases where expenses accepted under accounting standards are rejected by tax authorities, leading to higher tax liabilities. Legal uncertainty: 60% of interviewees emphasized that frequent regulatory changes and inconsistent interpretations create an unstable business environment and reduce trust in the tax system. Regulatory improvement: There is a strong need for alignment between accounting standards and tax regulations to eliminate dual reporting. Institutional collaboration: The National Accounting Council, Ministry of Finance, and General Directorate of Taxation must work in synergy to coordinate reforms. Capacity building: Ongoing training and awareness programs are necessary for accountants and tax officials to implement standards consistently. A majority of respondents (58%) supported the replacement of NAS with IFRS for all entities, arguing that this would enhance transparency, comparability, and access to finance. However, 42% expressed concerns about implementation costs and the lack of local expertise, particularly among small and medium enterprises.

Table 1

Comparison Area	Income and Expenditure Law	IFRS / NAS
Revenue recognition principle	Revenue is recognized when the tax liability aris	R is recognized when earned and measurable
Valuation of fixed assets	Based on the fiscal value of the asset	Based on fair value or historical cost
Expense recognition	Recognized only when tax-deductible	Recognized according to the matching principle
Depreciation	Fixed rates according to tax tables	Straight-line or other suitable methods
Tax deductibility of expenses	Only listed deductible expenses are recognized	Not necessarily linked to tax recognition
Matching principle	Not consistently applied	Strictly applied for accurate reporting
Disclosure requirements	Minimal disclosure requirements	Detailed disclosure required
Unearned revenues	Taxed when realized	Recognized as a liability in the balance sheet
Tax savings	Can be carried forward to future years	Recognized in the period they arise
Criteria for recognizing provisions	Recognized only if foreseen by law	Recognized when a probable obligation exists

The results clearly show a significant gap between Albania's accounting and tax frameworks. This gap creates challenges for practitioners, increases business uncertainty, and affects the quality of financial reporting. Therefore, harmonization is not only a technical necessity but a strategic imperative for enhancing financial governance and supporting sustainable economic development.

5. Discussion

The findings of this study highlight a complex reality regarding efforts to harmonize the accounting and tax frameworks in Albania. The following discussion aims to analyze these results more deeply in both theoretical and practical contexts, comparing them with existing literature and international experiences. One of the most significant findings is the existence of structural discrepancies between National Accounting Standards (NAS), IFRS, and the tax legislation. This result aligns with Nobes and Parker (2016), who emphasize that such discrepancies generate additional costs, uncertainties, and distort the objectives of financial reporting. The practice of preparing dual financial statements—one in accordance with NAS for tax purposes and another in IFRS for financial reporting—adds administrative burdens and increases the risk of errors. This is especially problematic for SMEs with limited resources. This finding supports the argument made by Lamb, Nobes, and Roberts (1998), who contend that transition economies face great challenges in applying dual standards without effective institutional harmonization. Despite the willingness of entities to implement IFRS, especially those seeking transparency and access to international markets, the lack of professional training and technical support makes implementation difficult. According to Alexander and Nobes (2020), the application of IFRS requires a strong support structure, including specialized training and technical assistance for reporting entities—elements that are consistently underdeveloped in Albania. Ambiguities stemming from the mismatch between the accounting and tax frameworks negatively affect financial governance and the business environment. For example, the non-recognition of certain accounting expenses by tax authorities exposes businesses to unexpected tax liabilities. This phenomenon has also been observed by Pacter (2015), who argues that incoherence between accounting standards and tax law increases informality and discourages legal compliance. The results suggest that harmonizing accounting and tax laws is not only a technical necessity but a strategic priority for financial stability and international economic integration. According to Barth, Landsman, and Lang (2008), countries that align their regulations with IFRS improve the quality of financial reporting and attract foreign investment. Furthermore, participants in this study recognize the benefits of harmonization, yet they express concerns about the associated implementation costs. This finding reflects the experience of other countries in the region, such as North Macedonia and Serbia, which have encountered similar challenges on their path toward IFRS harmonization. To address the identified challenges, it is essential that relevant institutions—Ministry of Finance, National Accounting Council, and General Directorate of Taxation—create a sustainable coordination mechanism for reforming standards and tax legislation. The study supports recommendations for a joint interpretive guide and the development of continuous professional training modules for accountants and tax inspectors.

6. Conclusion

In summary, the data from this study clearly indicate that the harmonization between NAS, IFRS, and the Income and Expenditure Law is essential to enhance transparency, efficiency, and coherence in Albania's accounting and tax systems. Although the challenges are significant, the long-term benefits of a harmonized system are undeniable and should be prioritized in Albania's economic and financial reform agenda. Empirical data and theoretical analysis converge on a clear conclusion: the lack of harmonization constitutes a significant barrier to financial development, efficient corporate governance, and fiscal compliance The findings reveal that dualism between the accounting framework and the tax system is a central issue creating uncertainty for reporting entities and professionals. While NAS provides a basic framework for financial statement preparation, IFRS requires a more sophisticated approach focused on transparency and international comparability. Conversely, the tax legislation aligns with neither framework comprehensively, compelling entities to adopt distinct practices for financial reporting and tax declaration. This reinforces the findings of authors like Nobes & Parker (2016) and Lamb et al. (1998), who argue that discrepancies between accounting standards and tax laws damage reporting quality and encourage informality. The lack of harmonization has structural implications for the quality of fiscal and accounting policymaking. Responsible institutions—including the Ministry of Finance, National

Accounting Council, and Tax Authority—often operate in a fragmented manner, without a unified vision to standardize practices and provide clear guidance. As a result, businesses face legal uncertainty and rising compliance costs. Economically, this implies reduced reliability of financial information, hampering domestic and foreign investment and weakening the tax system's revenue-collecting capacity. In line with international experiences and existing literature (Barth et al., 2008; Pacter, 2015), one of the most significant conclusions is the necessity for a coordinated institutional approach to reform the accounting and tax systems in Albania. This involves:

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Influencer Marketing for Promoting New Tourist Destinations: The Case of Albania

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Abstract
Digital marketing is seen as a very efficient instrument for the promotion of new tourist destinations. However, as marketing strategies increasingly focus on consumer engagement and storytelling, measuring the success of simultaneous promotional campaigns becomes more complex. Over the past two years, Albania has been ranked first in Europe by the UN World Tourism Organization for the highest growth in international tourist flows post-pandemic. As a country with a relatively undeveloped tourism tradition, public tourism institutions and private agencies often face challenges in identifying the most effective strategies for marketing tourist destinations. But, a significant portion of this success is attributed to social media content, which has drawn visitors from new markets.

This study investigates the effect of influencer-driven content on Dutch audience promoting Albania as a new destination and observing essential campaign KPIs. That's why the problem of measuring - how viral an influencer post about Albania is related to the actual number of Dutch coming to Albania - is going to be tackled in this study. The study examines the impact of influencer-driven content on Dutch travel to Albania as a new destination by analyzing important campaign KPIs.

Data from the Instagram influencer campaign is cross-referenced with the trend of Dutch visitors in recent years, demonstrating the important role influencer marketing plays in raising awareness and encouraging travel to Albania, offering insightful information to both public and private tourist organizations looking to increase their marketing initiatives.

Keywords: tourism marketing, digital marketing, influencer marketing, sustainable tourism destinations.
JEL Codes: L83, M31, Z32, O35, C83

1. Introduction

The age of digital has radically shifted tourism marketing from traditional mass to personal and direct consumer encounters. In this sense, social media—and particularly influencer marketing—has recently become a vital element in branding strategies for tourists. Influencer marketing is a powerful — and relatively less expensive way for countries like Albania, which have previously had little exposure in global tourist markets, to gain visibility and attention as a travel destination. Recognized as opinion leaders, the influencers are able to increase the influence of the information they receive and transmit to others. (Jalilvand, 2017)

Albania has quickly become a surprise package on the Mediterranean tourist map, with increasing interest from international visitors. For the first time, Albania was included in international tourism reports. In UN Tourism Barometer, the country was ranked first in Europe for the recovery of tourist flows in 2024 after pandemic (UN Tourism, 2025) and this demonstrated an important achievement in the development of tourism. This expansion is a manifestation of the relative increase in significance of tourism in the national economy, as tourism contributed 24.6% to the Albanian GDP in 2024 according to the report of World Tourism and Travecl Council (WTTC, 2024). According to the Ministry of Tourism and Enviroment of Albania, the public institution who is dealing with the international promotion of the country, one of the main drivers of this momentum has been the successful leverage of digital tools, and social media / eWOM in particular, which has helped strengthen Albania's visibility and attractiveness to the international travelers.

However, actually the country lacks a proper marketing and digital marketing strategy. The various campaigns that have been undertaken have been separate initiatives by public institutions such as the Tourism Board, or spontaneous by private operators themselves. Despite the increasing significance of digital tools in tourism promotion, there is a distinctive void with respect to the effectiveness of using social media marketing for boosting Albania's tourism industry.

Accordingly, the present study examines the Dutch tourism market performance in Albania till the year 2024, with an emphasis to the "It's Albania" campaign launched in 2022 aiming to focus Dutch tourists through the influencer-based content and cooperating with the social media. This campaign utilized the social network Instagram and it can serve as an case study to be followed by a suitable strategy on digital channels. Furthermore, finding positive instances in this perspective has a triple value: opportunities for improving marketing campaigns for public institutions, private ones and opportunities for deeper academic exploration.

2. Literature review

Social media contributes to travelers' perception forming as it encourages active participation in an act of trivia dispersion and enables to converse with tourists or to share information indeed in real time. In place of the passive, consuming 'audiences' of traditional media, social media sites together have rendered audiences more as active participants creating, engaging and sharing views and opinions about places, services and experiences.

In this transforming landscape, influencers have become central players of digital communication, bearing central features of what scholars have labelled as features of digital power: the power to influence others online, the power to access a wide-scale digital reach and the power to be taken seriously on many other user groups. Among the different platforms, Instagram is one of the most powerful, characterized by its extremely visual format and its massive engagement rate (Sukunesan, 2020).

Specifically, Instagram travel influencers have been acknowledged as agents of great power affecting destination image and travel motivation (Kilipiri et al., 2023). Their own curated content and storytelling capacity play an important role on users' destination choices, especially in what is known as "Insta-tourism"—a latest trend for which users use Instagram in their travel decision-making process (El Tayeb, 2021).

User-generated content such as images are becoming increasingly important in the realm of social-media engagement, and researchers have stressed the importance of examining geotemporal metadata associated with such content. The content on Instagram is divided into two main factors by Tariq (2022): (a) geographic and temporal information, and (b) visual features of photos or videos. His research highlights the importance of geolocation data in increasing the exposure, and hence the promotional impact of social media posts. With GPS technology being incorporated into mobile devices, geo-tagged data becomes ubiquitous, and platforms like Instagram become valuable sources of analyzing tourists' behavior and destination popularity (Chen et al., 2020). Users can share their travel activities in the company of their social networks (for example, check-ins and geo-tagged recommendation) which help to digital mapping their personal travel tendency. This parasocial relationship between content creator and consumer is ignored in some analyses of social media, which exclusively process geographic metadata and refuse to acknowledge that the most important location data is relational, i.e. that which propels user interaction. This multimodal interaction of both spatial information and perceived authenticity is a key driver in the construction of destination image and traveler decision making within the context of influencer marketing. (Kilipiri et al., 2023)

Influencer marketing through platforms like Instagram has become a highly effective and cost-efficient strategy for promoting travel destinations (Abbasi et al., 2015; Kilipiri et al., 2023). While follower count remains a visible measure of an influencer's reach, metrics such as likes, comments, and shares provide a more nuanced understanding of how deeply influencers resonate with their audiences (Sobczyk, 2023). This evolution in evaluating influence has given rise to a new category of digital opinion leaders—particularly Instagram travel influencers—who significantly shape individuals' perceptions and preferences regarding travel destinations (Kilipiri et al., 2023). One prominent outcome of this shift is the rise of "Insta-tourism," a growing trend in which carefully curated social media content plays a central role in destination selection, especially among younger demographics (El Tayeb, 2021).

3. Methodology

This study uses mixed-methods approach to assess the impact of influencer marketing on tourism promotion in Albania, with a particular focus on the Dutch market. It integrates social media performance data, official tourism statistics, and insights from a structured online survey. Noting that there is a lack of direct official data on visitor satisfaction in Albania, this research mixes primary and secondary data to reach some conclusions .

Key data sources include campaign data for an Instagram campaign (reach, engagement, saves, comments) "It's Albania" with "Saltinourhair" influencer account, official statistics on tourist arrivals and data from 1,400 Europeans (including 101 Dutch) who participated in broader survey on social media impact in promoting Albania as a touristic destination.

4. Results

Albania is increasingly becoming a tourism hot-spot and in recent years has seen a large increase in the number of foreign visitors. Tendencies are also confirmed by the data published by UN Tourism for 2023 and 2024. Based on official data from the Ministry of Tourism and Environment of Albania and from INSTAT, the Albanian Institute of Statistics, most of the foreign visitors are from other countries in the Balkans, specifically Kosovo, North Macedonia, Greece, and Montenegro. New tourist groups are on the rise, particularly in the last two years. The following table shows the ten fastest growing countries in terms of the year on year increase in international tourist arrivals for 2024 relative to 2023.

International visitors in Albania			
	2023	**2024**	**Growth**
INDIA	10,241	23,182	126.4%
CHINA	12,833	26,562	107.0%
FRANCE	126,692	218,828	72.7%
TURKEY	199,634	333,194	66.9%
NETHERLANDS	74,843	124,303	66.1%
SWEDEN	56,976	80,146	40.7%
ENGLAND	237,132	325,519	37.3%
ROMANIA	67,221	92,256	37.2%
POLAND	232,970	314,721	35.1%
ITALY	950,955	1,251,243	31.6%

Table 14 International visitors in Albania

The Dutch market is new and unexplored for Albania in the field of tourism. Dutch tourists have never been main group of tourists for the country. But we see this sharp increasing trend in the last couple of years. According to official data of the Ministry of Tourism and Environment of Albania (2024) the number of Dutch citizen visiting Albania marked an increase from 2017 up to 35,943 in 2018 an increase of 12% compared to the previous year. But 2024 was a game changer with tourists from the Netherlands at 124,303 which was a 66.1% rise from 2023. This growth – attributed in part to the rising popularity of visits to Albania among Dutch tourists.

Dutch visitors	35,943	40,797	5,001	18,281	55,587	74,843	**124,303**
Growth	12%	14%	-88%	266%	204%	35%	**66.1%**

Table 15 Dutch visitors in Albania from 2018 to 2024

Since, according to official information, there has been no other campaign dedicated to increasing Dutch visitors to Albania, credit for this increase can be attribute to the heightened online promotion and an official campaign led by the Ministry of Tourism and Environment and Vodafone Albania.

In 2022, the Ministry of Tourism and Environment of Albania partnered with Vodafone Albania to launch a digital campaign aimed at increasing awareness and interest in Albanian tourism, with a particular focus on Dutch and European travelers. The initiative leveraged the popularity of social media influencers, particularly the renowned Dutch travel bloggers "Saltinourhair", to highlight the country's natural beauty, diverse cuisine, and lesser-known destinations.

The campaign adopted a multi-platform digital strategy focused on three core audience segments such as Dutch tourists, first-time visitors to Albania and broader European travelers. On the other hand, key touchpoints included Instagram storytelling and curated content by "Saltinourhair", and national influencers and Vodafone Albania brand ambassadors.

Primary objectives included:

- Enhancing visibility of Albania's attractions from north to south.
- Promoting Vodafone's Tourist Pack through influencer content, including daily.
- Instagram Stories, feed posts, highlights, and a final video reel.
- Creating lasting value via blog posts featuring suggested itineraries.

This campaign achieved remarkable success, with:

- A reach of approximately 19 million users (compared to a target of 11 million).
- Over 850,000 likes, 105,000 saves, and 9,000 comments on Albania-related posts.
- Albania-themed content becoming the best-performing material on Saltinourhair's platform in 2022.

The promotional video "It's Albania" also received organic amplification from leading global travel blogs and pages, contributing to millions of additional views and strengthening Albania's visibility as a must-visit destination.

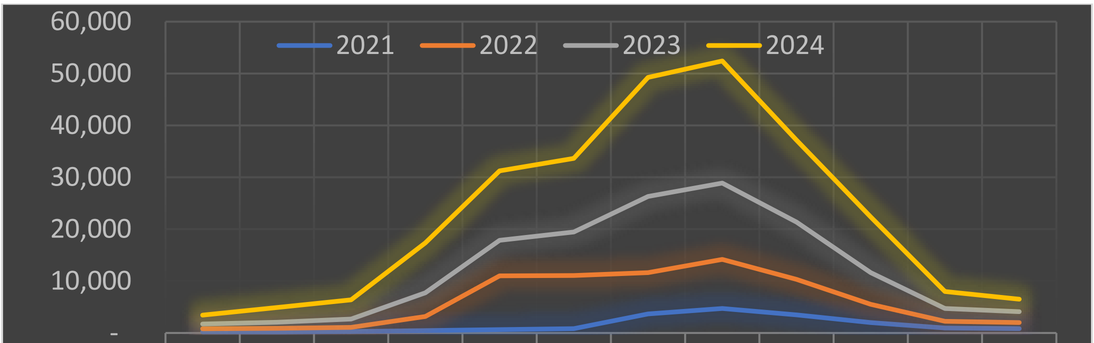
Instagram Account	Followers	Views	Likes
@bestvacations	5.2 million	2.3 million	93 thousand
@map_of_Europe	2.1 million	450 thousand	14k thousand

@travellingthroughtheworld	2.7 million	450 thousand	14k thousand
@vacations	4 million	1 million	45k thousand

Table 16 Engagement data for the "It's Albania" campaign on other Instagram pages.

This information has been combined to analyse the trend of the number of Dutch tourist arrivals in 2021–2024 in order to follow the patterns of the evolution of the tourism flows and to establish the peak months of interest.

The fact that Dutch tourists like to visit Albania in high summer is clear from the dataset. However the trajectory is different in subsequent years; visitors from the Netherlands do not see an increase until April in 2022. This timing also matches when digital influencer-based promotional content is released, largely themed around visits to the beach and summer travel adventures. The influencer-generated content — which promotes the country's Mediterranean climate and its "sun and sand" tourism, selling Albania as a spring-summer destination months before the traditional high season — is very much a part of the marketing push. It seems that this early visibility in the season had a key role in the expansion of the tourism calendar and the arrival of Dutch tourists in an earlier period of the year.



	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2024	1,71	2,83	3,71	9,60	13,3	14,2	22,9	23,5	15,8	10,7	3,31	2466
2023	920	1,21	1,59	4,58	6,86	8,39	14,7	14,7	11,0	6,07	2,45	2064
2022	561	686	852	2,67	10,3	10,2	7,92	9,45	6,86	3,53	1,27	1204
2021	245	188	247	471	674	830	3,67	4,71	3,47	1,99	966	803

Table 17 Dutch tourist flows to Albania from 2021 to 2024, month by month. Data from MoTE, processed by authors.

As part of a broader research study exploring the role of social media in shaping perceptions of Albania as a tourist destination, a sample of 1,400 European respondents was surveyed using the platforms Qualtrics and Prolific. 101 Dutch tourists were part of this survey, to study the regional variances of the social media influence.

According to the data gathered from the Dutch respondents, the most influential sources that have influenced the perception of these respondents about Albania as a tourist destination are social media and word of mouth.
Next up, the respondents list online travel resources like blogs and vlogs. Traditional channels, such as TV ads, television programs and news or online news stories, are less influential. At the very bottom of the list, we find travel agencies, considered more like travel logistics operators than destination promoters. Travel agencies are perceived as less credible sources of authentic destination insight compared to peer-driven content. This reflects how online advances are making trusted peer and user generated content more trusted compared to traditional travel authorities.

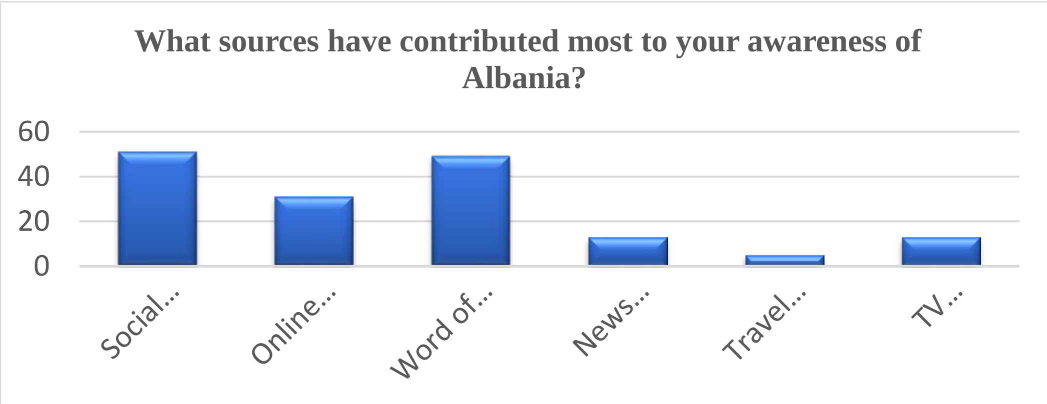


Table 18 Sources from which Dutch tourists have learned about Albania. Data collected and processed by the authors.

Among social media platforms, Instagram results the most powerful in influencing travel for the Europeans and for Dutch tourists. This segment of the population, with its predominant leisure travelers (being that this is one demographic that is solely affects leisure travel) generally indicates a strong preference for visually stimulating and engaging content when researching potential destinations. Instagram's visual and dynamic system, including features like Stories, Reels, and curated photo posts, is especially conducive to captivating and emotionally engaging travel narratives. These factors help potential visitors imagine themselves in the location or destination, encouraging aspirational connections that shape the decision-making process. YouTube, on the other hand is the next most influential, delivering detailed, informative long-form content like destination features and travel guides. These results are particularly valuable since Instagram is the platform where the "It's Albania" promotional campaign was promoted.
These findings underscore Instagram's central role in the digital tourism marketing landscape and reinforce its value as a strategic medium for destination promotion campaigns such as "It's Albania." Through Instagram, tourism boards, international hotel brands or travel agencies can effectively capture the attention of target audiences, communicate brand narratives, and

influence decision-making processes in a way that aligns with current travel consumption behaviors.

The platform's ability to blend entertainment with informative content makes it uniquely positioned to inspire travel intentions and convert digital impressions into real-world tourism. As such, the correlation between Instagram content and increased interest in emerging destinations like Albania highlights the importance of sustained investment in visual, influencer-driven marketing strategies—especially when targeting young, tech-savvy, and experience-driven travelers across Europe.

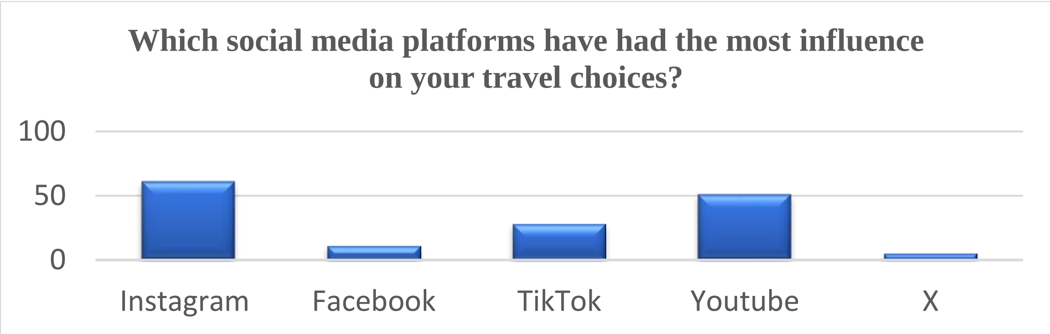


Table 19 Most influential social media platforms by Dutch respondents. Data collected and processed by the authors.

Taken together, these results illustrate the strategic importance of visually focused social media platforms in tourism promotions targeting Europeans, particularly Dutch tourists.

5. Conclusion

An correlation is there, particularly between the discrete advertising actions of Instagram influencers and increased flows of tourists in countries that don't seem to be established until then, such as the case of Albania. Dutch tourists in particular did, which and their (summer-peak) arrivals match the moment when videos and posts of influencers in campaigns like "It's Albania" were made. Undoubtedly, the ease of access facilitated by geographical proximity, combined with the availability of low-cost travel options, has significantly contributed to the stimulation of this tourism growth.

With the posting high-quality visual content and with the highest engaging rate, Instagram has been recognized as the most powerful social media that shape the images and preferences of travelers. With an emphasis on visual storytelling, an increasing number of influencers can now transform the country's natural beauty, historical gems and lesser-known hotspots into captivating traveler experiences, making it more appealing to prospective visitors. In this way, the campaign is an example of how digital storytelling might have meaningful effects on travel-choice motivations and the motivations for travelling to a particular destination.

This is also very welcome news for not only private tour operators but also public-sector bodies that are engaged in the marketing of Albania as a tourism destination. By understanding how influencer marketing resonates with global audiences, in particular among younger travelers or holidaymakers, stakeholders can more effectively develop targeted marketing campaigns.

The results for this analysis should be considered with caution, however, as it has some limitation. It is focused on a single campaign, on one platform such as Instagram, and from one source market such as the Netherlands. To offer a stronger and generalizable estimate of the effect of influencer marketing on tourism, and as, according to the above a gap in the research exists, this research represents a first step on analysis of similar campaigns on different social media, at varied target audience and geographical bases for a new touristic destination such as Albania, which is testing a new kind of promotion in the perspective of increasing the tourism bubble at a time, diversifying the tourism markets, transitioning into a year-round and promoting itself as a sustainable tourism destination.

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Green Economy and sustainable development new trend of the EU states- legal and economic aspects

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Abstract

Sustainable development is the present and the future of the state and interstate policies. Over the last three decades, state and international organizations have made significant progress in seizing the opportunities for sustainable development, given the challenges of climate change, the limited carrying capacity of the Earth, and degrading ecosystems to protect the Earth and the ecosystem. In December 2019, the European Commission issued the European Green Deal communication which set out the growth strategy for the EU, considering its commitment to tackling climate and environmental challenges, and transforming it into a modern, resource-efficient, and competitive economy.

All the states of the EU will organize to achieve the goals for a sustainable Europe and the World. In this paper the qualitative method will be used to study and compare the legislation of the EU and the strategies of the member states towards sustainable development. The economies of states stimulate overconsumption, degrade environmental bonds, and destroy natural wealth. These problems are solved by having a new economic vision at the global level and which provides prosperity for everyone within the ecological limits of the planet, and should help in sustainable development.

Key words: green economy, the harmonization of the law, the trend of the EU
JEL classification: (K2, P2)

We don't inherit the Earth, we borrow it from our children
Chief Seatle

1. Introduction

Sustainable development is the present and the future of the state and interstate policies. States must realize the priorities of the present and build a trajectory into the future where sustainable development should be the basis of national and international policy agendas. Humanity must take care today more than ever for the life and development of future generations without destroying the earth, but preserving and maintaining it. The last three decades state and international organizations have been made significant progress to seize the opportunities of sustainable development in view of the challenges of climate change, the limited carrying capacity of the Earth, and degrading ecosystems, in order to protect the Earth and the ecosystem. In 2015, the UN General Assembly agreed on Sustainable Development Goals to guide their forward-looking Agenda 2030. Sustainable development emphasizes the enhancement of environmental, social and economic resources, with all three of them being critical to meet the needs of current and future generations. Sustainability remains the vital long-term goal, but the Green Economy is describing a pathway to sustainable development. To put emphasis on the importance of including social aspects, the concept of the Green Economy has evolved and many organizations now refer to an inclusive “Green Economy”.

But despite the concept's penetration into many segments of society and the rise of environmental policies throughout the world, the impact on global environmental trends has been limited. Bottlenecks in the way sustainable development has been approached in practice with a focus on environmental protection and negative externalities provide a basis for understanding the evolution of the Green Economy concept. In the aftermath of the last world economic crisis, the Green Economy gained attention as a concept that could overcome the connotation of environmental protection as a cost factor slowing down economic development and bring the environment and the economy into a positive relationship, in which the environment becomes an opportunity rather than a constraint, and a new driving force for economic development. Sustainability remains the vital long-term goal, but the Green Economy is describing a pathway to sustainable development. To put emphasis on the importance of including social aspects, the concept of the Green Economy has evolved and many organizations now refer to an inclusive Green Economy. As a key feature, the Green Economy promotes investments in specific areas also broadly referred to as green sectors which either restore and maintain natural resources or increase efficiency in their use.

In December 2019, the European Commission issued European Green Deal communication which sets out the growth strategy for the European Union, taking into account its commitment to tackle climate and environmental challenges, and transform it into a modern, resource-efficient and competitive economy. The European Green Deal for the European Union and its citizens renews the Commission's commitment to tackling climate and environmental challenges. The Green Deal is an integral part of this Commission's strategy to implement the United Nations 2030 Agenda and the Sustainable Development Goals, which will accelerate and support the necessary transition across all sectors. The implementation of the Green Deal will be achieved by action by the EU and all other non-EU countries. The Green Deal aims to make the EU climate-neutral by 2050, boost the economy through green technology, create sustainable industry and transport, and cut pollution. The intention is to turn climate and environmental challenges into opportunities which will make the transition to the EU's green economy just and inclusive for all those states and the European citizens. Jendrośka, Reese, and Squintani (2022) argue that the European Green Deal represents a significant evolution in EU environmental law, but highlight the need for deeper legal reforms to ensure its effectiveness. The authors conclude that the European Green Deal represents a significant step towards integrating sustainability into EU law. By aligning economic activities with environmental objectives, the Green Deal aims to create a legal framework that supports sustainable development across member states.

The challenges facing EU Member States to make their transition towards a green and climate-neutral economy are immense, especially for those that depend on fossil fuels and carbon-intensive industries. All the state of EU will organize to achieve the goals that for a sustainability Europe and World. The development of the green economy and the achievement of green development is not only about achieving numbers on paper, but about the significant improvement of living conditions for all citizens.

This paper has included both methods. The qualitative method was used to study and compare the legislation of the EU and the strategies of the member states towards sustainable development. A review of the literature has helped us to see what the future and trend of the EU to do Green Economy for the sustainable development. Quantitative methodology was applied by analyzing and grouping data from EU institutions and public bodies of EU member states and EU.

Study hypothesis:Today, the economies of states stimulate overconsumption, degrade environmental bonds and destroy natural wealth, this is the way our economies have evolved to function. These problems are solved by having a new economic vision at the global level and the Vision for a green economy is one that provides prosperity for everyone within the ecological limits of the planet and should help in sustainable development.

2. Green Economy and sustainable development on EU

The green economy and sustainable development go hand in hand in national and international policies today in every country or group of countries. The green economy aims to protect the economy and promote economic growth while ensuring environmental sustainability, social equity and resource efficiency in support of its development. The green economy contributes to sustainable development, particularly in the context of climate change, biodiversity loss and environmental degradation. The EU has determined that the implementation of the green economy is supported by legal instruments such as the European Green Deal, the EU Climate Law and the Taxonomy Regulation. The Green Deal aims to create a legal framework that supports sustainable development in all member states but according to Jendrośka, Reese, and Squintani (2022) it presents challenges in implementation, namely the need for harmonised regulations across different legal systems within the EU and the complexity of implementing sustainability standards in a uniform manner.

Sustainable development, as defined in the Brundtland Report, emphasizes meeting the needs of the present without compromising the ability of future generations to meet their own needs a well-established principle in the EU. Strategies and legal acts are designed to reduce emissions and protect ecosystems on the one hand, but also to direct investments in sustainable sectors. In the evolution of the economy, economists recognize that the transition to a green economy can stimulate new sectors such as renewable energy, clean technology and sustainable agriculture in order to reduce the long-term costs associated with environmental degradation and health impacts. In social development in a human society, the implementation of green policies reduces inequality by creating green jobs, improving public health and ensuring equal access to clean resources. On the other hand, achieving a green economy brings challenges that require the involvement and interaction of public institutions, citizens and businesses and enterprises in a horizontal and vertical manner. Jendrośka, Reese, and Squintani (2022) emphasize the importance of public involvement in the transition to sustainability. They argue that effective public participation is essential for the legitimacy and success of Green Deal initiatives.

In reality, the green economy and sustainable development are not abstract strategies, but practical strategies that are implemented to ensure the long-term sustainability of our societies and economies to preserve this ecosystem and this planet. Achieving sustainable development through the green economy is directly linked to the legal basis, inclusive governance and sustainable investments in each country. Inclusive governance is achieved through legal and institutional reforms. The authors suggest that achieving the Green Deal objectives may require reforms to existing legal and institutional frameworks, including increasing the capacity of EU institutions to implement sustainability laws and ensuring that legal instruments are adaptable to evolving environmental challenges. Achieving and moving towards the green economy has been in the attention of policy makers at the national or global level. All EU countries are developing strategies, policies and programs of the green economy, having it as the main priority for the development of their society. Climatic, technological, biological, chemical and other studies have predicted that in the near and not distant years the world population will have great losses related to climate change, loss of biodiversity, insufficient resources for future generations, economic breakdown global, disruption of the food chain and others. All these require the design of international and not only national strategies.

Development of the 'green' economy influences development of society. The philosophy of the 'green' economy is aimed at contributing to enhancing the well-being of the population due to conservation of the environment and rational use of natural resources. 'Green' economy is environmental philosophy (Ehresman & Okereke,2015). As one of the components of sustainable development, 'green' economy influences provision of social justice and responsibility, a decrease in social inequality and layering of the society, a fair access to the limited natural resources.

The sociology of the 'green' economy includes such key features as global transformation to sustainable development, well-being of the population, rational use of resources, social progress, balance between individual and social responsibility. Formation of individual and

collective population awareness of the environmental protection is essential for 'green' development (Jackson, 2011).
The challenges facing EU Member States to make their transition towards a green and climate-neutral economy are immense, especially for those that depend on fossil fuels and carbon-intensive industries. All the state of EU will organize to achieve the goals that for a sustainability Europe and World. To assess the performance of states in implementing the green economy and achieving sustainable development, it is necessary to assess in each EU country what are the concrete measures, policies implemented and applicable law. Using OECD indicators to assess the relationship between sustainable development and the green economy in all EU member states, the authors (Cheba & Szopik-Depczyńska, 2020) conducted a study using a taxonomic measure of development based on the Weber median to assess the performance of EU countries in four main dimensions: environmental and resource productivity, natural asset base, environmental dimension of quality of life and economic opportunities and policy responses.
Their study accurately highlighted that:
-Different performance emerged between member states.
The analysis reveals significant disparities in the performance of EU countries in relation to the green economy. While some countries show strong results in all four dimensions, others lag behind, showing uneven progress in the adoption of green economic practices.
-The impact of national strategies on achieving sustainable development. Countries that have integrated sustainable development objectives into their national strategies tend to achieve better results on green growth indicators. This underlines the importance of aligning national policies with EU sustainability objectives to foster a cohesive approach to green economic development.
-The need for improved policy coordination among EU countries. Such harmonisation could facilitate the sharing of best practices and ensure more uniform progress towards sustainability objectives across the region.
Economies are essentially a collection of rules and norms that reward certain behaviors and punish others. Today, the economies of our countries stimulate overconsumption, degrade environmental bonds and destroy natural wealth. But this is not inevitable it is simply the way our economies have evolved to function. To solve these problems, a new global economic vision is required. The vision for a green economy is one that provides prosperity for all within the ecological limits of the planet. It follows five key principles, each of which draws on important principles of international politics, which together can guide economic reform in different contexts.

- The well-being principle: a green economy enables all people to create and enjoy prosperity.
- The principle of fairness: the green economy promotes equity within and between generations.
- The principle of planetary boundaries: the green economy protects, restores and invests in nature.

- The principle of efficiency and sufficiency: the green economy is oriented to support sustainable consumption and production. An inclusive green economy is low-carbon, resource-conserving, diversified. It includes new models of economic development that address the challenge of creating prosperity within planetary boundaries.
- The principle of good governance: the green economy is led by integrated, accountable and resilient institutions. An inclusive green economy is evidence-based – its norms and institutions are interdisciplinary, using sound science and economics together with local knowledge to design adaptive strategies.

The green economy is the type of economy that aims to reduce environmental risks, it focuses on economic development, sustainable development without harming the environment. Through the theories of the green economy, it is intended to improve production processes and consumption practices, it is intended to reduce the consumption of resources and reduce the waste generated.

The green economy offers a macro-economic approach to sustainable economic growth with a central focus on investment, employment and skills. Many countries in the world today have drafted macroeconomic policies in support of the green economy. In many EU countries, techniques of "Green Management" or otherwise green management are being applied. The European Union has created strategies and practices such as the "European Green Deal", the green agreement which focuses on improving the well-being of future generations. The concept of green management today has attracted the attention of not only businesses but also individuals. Green management is a new management strategy that aims to minimize processes that damage the environment. Businesses have an important role in minimizing negative impacts on the environment. Businesses that follow green management strategies have some common characteristics such as: use natural gas for fuel, recycle biodegradable waste, have a minimal use of plastic materials, use recyclable packaging materials, recyclable paper, use recyclable water. It is important to understand the importance of green management why this practice should be used first because being "green" helps to conserve natural resources, reduce environmental degradation, save scarce resources for the next generation, also green management or the economy of Greenery helps in reducing health disorders. There are two ways to go in line with the green management strategy: firstly by following the practice of recovery, recycling, reuse and secondly by reducing pollution. One of the benefits of green management is the minimization of pollution. Governments of developed countries lobby a lot and finance companies that apply green management or green economy, since companies and businesses are considered the biggest polluters of the environment, but obviously individuals can also contribute to minimizing pollution or can follow green management strategies. Many businesses today in the world train their staff and direct them to be "green".

The concept of the green economy is an inseparable part of the international agenda, but the trend of the EU countries are businesses that follow green management strategies, where there are government subsidies or grants that support these practices. Businesses and public institutions should also have their role in adapting and using green economy practices.

Although the involvement of public and private actors helps to achieve a green economy and sustainable development, it faces several obstacles and challenges. These are challenges related to policy coherence, financial constraints and the need for improved innovation capacities with significant investments in innovation and eco-innovation (Neagu, 2019). These investments are essential for the development of new technologies and processes that contribute to environmental sustainability and economic growth.

3. EU legal framework for the green economy

The legal framework for the green economy in the European Union is comprehensive for achieving sustainable development. The legal framework is under development and involves the EU institutions as well as the institutions of the EU Member States. The EU legal framework for sustainable development and achieving a green economy includes regulations, directives, strategies and financing mechanisms that guide Member States, private individuals, industries and other stakeholders towards a greener economy.

A complete picture of the EU legal framework for the green economy includes:

- European Green Deal (2019)-Foundational strategy for transitioning to a sustainable, climate-neutral economy by 2050. It serves as the political and policy framework, shaping much of the legislative output of every member state of the EU. The deal encompasses energy, agriculture, transportation, industry, and biodiversity, with the main objective of achieving sustainable development.
- Climate Law (Regulation (EU) 2021/1119). It legally binds the EU to become climate-neutral by 2050. It includes an intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030 (compared to 1990 levels) and also establishes mechanisms for progress tracking and policy adjustment.
- Fit for 55 Package (2021–ongoing).A legislative package to implement the EU Climate Law and Green Deal. It includes the Revision of the EU Emissions Trading System (ETS). It includes the Effort Sharing Regulation for emissions outside the ETS (e.g., transport, buildings), the Carbon Border Adjustment Mechanism, the Renewable Energy Directive binding targets for renewables, the Energy Efficiency Directive, and regulation on Land Use, Land Use Change and Forestry.
- Circular Economy Action Plan (2020). It is a Legislative and policy roadmap for waste reduction, product lifecycle extension, and sustainable product design. This action plan is supported by the Ecodesign for Sustainable Products Regulation, the Waste Framework Directive and Battery Regulation, and Packaging Waste Regulation.
- Taxonomy Regulation (Regulation (EU) 2020/852). This creates a classification system for environmentally sustainable economic activities. It also affects investments, finance, and reporting, central to sustainable finance. This regulation is aligned with the EU Sustainable Finance Disclosure Regulation.
- Common Agricultural Policy (CAP) – It has the objective that the Green Architecture Integrates eco-schemes and conditionality to support environmental and climate goals in farming.

- Biodiversity Strategy for 2030 as a Part of the Green Deal, aiming to restore ecosystems and promote green infrastructure and nature-based solutions.
- REPowerEU Plan- Legal and strategic package (2022) to reduce dependence on Russian fossil fuels and accelerate clean energy deployment.

The European Green Deal primarily promotes economic growth rather than a deep ecological transition and reflects continuity with previous EU sustainability strategies, rather than a transformative break from them (Hereu-Morales, Segarra, & Valderrama, 2024). Key sustainability challenges such as resource depletion, biodiversity loss and planetary boundaries are not sufficiently addressed within the agreement. Therefore, strengthening structures to prevent environmental degradation is required. A meaningful shift towards sustainability requires repositioning environmental objectives over economic imperatives by changing the beneficiary ratio.

The Green Deal promotes Responsible Economic Growth (Verschuuren, 2023). Sustainable economic growth is now aligned with the conservation of natural resources, improved living standards, worker protection, consumer awareness, and biodiversity conservation. This suggests that environmental protection can drive more responsible economic growth.

4. Conclusions

Sustainable development has become a pressing global priority, requiring balanced integration of environmental, social, and economic goals. The Green Economy offers a practical path toward sustainability by promoting investments that restore ecosystems, increase efficiency, and ensure social inclusion. Despite increased awareness and policy initiatives, real impact remains limited due to systemic economic and governance challenges. The European Green Deal is a significant step toward transforming the EU into a climate-neutral and resource-efficient economy, but it requires deeper legal reforms and coordinated efforts across member states. A successful green transition must go beyond numbers to improve quality of life for all, ensuring prosperity within the planet's ecological limits.

The green economy and sustainable development are now integral to national and international policy agendas. They are not abstract concepts, but essential frameworks for addressing the global environmental, economic, and social crises facing humanity. The green economy seeks to harmonize economic growth with environmental protection and social equity, and is increasingly seen as a strategic pathway to achieving the Sustainable Development Goals. Legal instruments like the European Green Deal, the EU Climate Law, and the Taxonomy Regulation form the foundation of the EU’s efforts to promote this transformation, though challenges remain in their consistent implementation across member states.

Sustainable development requires a shift in how societies produce, consume, and manage natural resources. The green economy enables this transition by promoting investments in renewable energy, sustainable agriculture, and clean technologies. It also supports job creation, reduces inequalities, and improves public health. However, the transition demands coordinated efforts from governments, businesses, and civil society, as well as legal and institutional reforms to ensure inclusive governance and public engagement.

Despite significant progress in policy design, disparities persist among EU countries in terms of performance and integration of green strategies. Studies show that aligning national policies with EU goals and enhancing coordination can lead to more consistent progress. Moreover, the principles of fairness, planetary boundaries, efficiency, and good governance must guide economic reforms to ensure sustainability within ecological limits.

Businesses and institutions play a key role in advancing green practices through green management strategies that reduce environmental impact and promote sustainable resource use. Yet, overcoming financial, technological, and policy barriers is crucial to scaling these efforts. Innovation, supported by public and private investment, remains vital for building a resilient and inclusive green economy.

Ultimately, the green economy is not a parallel alternative but a necessary evolution of current systems. It represents a vision of prosperity that respects environmental limits and prioritizes the well-being of all people, now and in the future. For this vision to be realized, sustained commitment, effective implementation, and widespread collaboration are essential across all sectors of society.

The European Union's legal framework for the green economy is comprehensive and evolving, aiming to support the transition toward sustainable development. Through key instruments such as the European Green Deal, the EU Climate Law, the Fit for 55 package, and the Taxonomy Regulation, the EU has laid out a structured legal and policy pathway toward climate neutrality and environmental resilience. These laws guide not only EU institutions but also member states, industries, and individuals toward a greener, more sustainable economy.

While the Green Deal promotes responsible economic growth, critics note that it reflects more of a continuation than a transformation, with key environmental challenges like biodiversity loss and planetary boundaries needing stronger attention. For a truly sustainable future, environmental priorities must be placed above economic imperatives. Nevertheless, the EU's legal framework demonstrates a strong commitment to aligning growth with ecological and social well-being, making it a crucial foundation for sustainable development across Europe.

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The Role of Renewable Energy in Shaping Income (In)Equality Dynamics in Southeast European Countries

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Abstract
This study employs annual time series data from 2000 to 2022 to examine the correlation between renewable energy usage and inequality of income in Albania, Serbia, Croatia, Bulgaria, and Romania. These countries are economies situated in Southeastern Europe and have seen specific occurrences that constitute them particularly significant for the examination of economic expansion and stagnation periods. The ARDL limits test methodology is a suitable way for analyzing the energy-inequality relationship in countries facing both random shocks (outliers) and persistent shocks (structural breaks), which we utilize in our analyses.

Inequality has been associated with health and wellbeing, economic growth, and the environment, among other factors. The social advantages and favorable externalities of mitigating income disparity may facilitate the acceleration of renewable energy adoption; therefore, it is crucial to empirically validate the correlation between inequality and renewable energy to inform policy decisions.

The GINI coefficient serves as the dependent variable in our estimated model. The chosen independent variables are renewable energy consumption per capita, gross domestic product per capita, real gross fixed capital creation, exports, imports, and the political instability index, among others. The initial empirical results offer evidence supporting the energy-led growth hypotheses in the selected countries. Our analysis indicates that political instability impedes economic growth and development in certain countries. This discovery aligns with our previous assumptions.

Key words: Renewable energy, Income inequality, Southeastern European countries.
JEL classification: Q42, D63, P48.

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1. Introduction

In the fields of economics and sustainability studies, one of the most important topics to discuss is the connection between energy and economic growth. Renewable energy is a key factor in economic expansion, which is related to the process of industrialization, which in turn leads to increased agricultural production and efficiency, as well as increased water use (Acaravci & Ozturk, 2010; Stern, 2011; (Kalaj & Mema, 2015)Merko et al., 2020; Triantafyllidou et al., 2023).

The transportation and mobility of commercial commodities, as well as the movement of people and products, are all included in this concept. There is a connection between energy in general and the environment since climate change is a factor that is contributing to the transition to methods of energy production that are more environmentally friendly and renewable (Apergis & Tang, 2013; Alper, 2016; Acheampong et al., 2018; Merko & Kalaj, 2025).

An extensive corpus of research has been conducted to examine the correlation between income inequality and the consumption of renewable energy. Due to the persistent significance of renewable energy, numerous research has concentrated on the determinants influencing the adoption of renewable energy sources. The emphasis on income inequality is significant, as it has been associated with several outcomes that can affect renewable energy (Bozoklu & Yilanci, 2013; Kalaj & Merko, 2020; Chen et al., 2020).

2. Literature review

The renewable energy is commonly defined as energy generated from solar, wind, geothermal, tide and wave, wood, waste and biomass. Compared to conventional energy, renewable energy is clean, safe and endless. The empirical findings show that renewable energy is crucial for economic growth and economic growth stimulates the use of more renewable energy sources (Heerink et al., 2001; Apergis & Danuletiu, 2014). However, it has been noted that that an increase in income inequality can affect all parts of society to have a shortsighted overview. The long-term effects of economic activities such as consumption cannot be enough taken into consideration (Berthe & Elie, 2015).

The effect of income inequality on renewable energy consumption is studied in 43 developed and developing countries during time period 2000-2015. In order to avoid the omitted variable problem; economic, environmental and institutional variables such as GDP per capita, corruption, CO_2 emissions and trade openness are included in the model. The results show that the decline in income inequality will increase renewable energy consumption. Corruption control and raise CO_2 emissions will increase also renewable energy consumption. Variables such as economic growth and trade openness have no important effect on renewable energy consumption (Uzar, 2020).

Topcu and Tugcu (2020) examined the effect of renewable energy consumption on income inequality in a panel group of developed economies over the period 1990–2014. They showed that an increase in renewable energy consumption leads to a decrease in income inequality. In other words, using of renewable energy sources will also play an important role in reducing income inequality.

Income inequality has a positive and important impact on consumption-based carbon dioxide emissions. Variables like GDP per capita, renewable energy, and economic complexity reduce pollution. It is also shown that the interaction term of inequality and renewable energy

decreases emissions. Socioeconomic indicators, such as economic complexity and income inequality with the interaction of renewable energy, are important factors in improving air quality (Ulucak et al., 2023).
We will analyze this relationship in the following sections of the paper since we have found that there is potential for additional research on the link between inequality of income and the utilization of renewable energy in countries that are located in Southeast Europe.

3. Research Methodology

The countries of Albania, Serbia, Croatia, Bulgaria, and Romania are included in the panel that we utilize in this paper. In this study, the years from 2000 to 2022 are included. The data that we use comes from three different sources: World Development Indicators, the International Labour Organization, and Transparency International. Table 1 provides a brief description of the variables, in addition to the sources from which they were obtained.

Table 1: Description of variables

Dependent Variable	**Source**	**Description**
GINI Index	WB	The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.
Explanatory variables		**Description**
GDP per capita	WB	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population.
Political stability	IMF	Political Stability and Absence of Violence/Terrorism: Estimate
Unemployment rate	ILO	Unemployment refers to the share of the labor force that is without work but available for and seeking employment.
Openness	WB	Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product.
Renewable energy	WDI	Renewable energy consumption is the share of renewable energy in total final energy consumption.

The present study examines a dynamic panel data model, which includes at least one lagged dependent variable. We utilize the Arellano and Bond (1991) generalized method of moments (GMM) technique to estimate the correlation between GINI and Reneweable energy. We employ a two-step technique due to the tendency of the one-way fixed effect model of Dynamic panel data to produce correlation between regressors and the error. In practice, we define the functional form of the equations for GINI and Renewable energy in the following way:

$$\mathrm{GINI}_{i,t} = \beta_0 + \beta_1 \mathrm{GINI}_{i,t-1} + \beta_2 \mathrm{REN}_{i,t} + \gamma X_{i,t} + \mu_{i,t} \qquad (1)$$

where:

GINI i,t is gini index used to measure the income inequality,
Ren i,t is renewable energy consumption as a share of total energy,
Xi,t is vector of variables including GDP per capita growth, consumer price index, unemployment rate, openness to trade etc.

In order to address our research inquiry regarding the correlation between inequality of income and renewables, we adopted the Dynamic Panel Data (DPD) model. These models incorporate one or more lagged dependent variables, enabling the representation of a partial adjustment mechanism (Blundell, et al., 2001; Bun & Windmeijer, 2010).
Arellano and Bond (1991) proposed a Generalized Method of Moments estimator that regards the model as a set of equations, with each equation corresponding to a particular period of time. The equations differ primarily in their sets of instrument/moment conditions. The exogenous and preset variables in initial differences are instrumented using appropriate lags of their own levels. The instrument matrix can include strictly exogenous regressors and other instruments in the standard instrumental variables' manner, where each instrument is represented by one column and is expressed as first differences.

4. Results

Empirical results are summarized in Tables 2 and 3. The initial table presents the overall sample estimates, whereas the subsequent table delineates the data by country.Table 2 illustrates a positive correlation between income inequality and its prior level. The Sargan (1975) test fails to provide evidence for rejecting the null hypothesis regarding the validity of the over-identifying restrictions. The instruments used in the analysis are valid and uncorrelated with the error term, while the excluded instruments have been correctly removed from the estimated equations

Table 2: System dynamic panel-data estimation, whole sample

Gini index	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
L. Gini index	.605	.068	8.84	0	.471	.739	***
GDP per capita	-.042	.024	-1.72	.085	-.089	.006	*
Political stability	-.009	.013	-0.69	.489	-.036	.017	

Unemployment rate	.173	.036	4.75	0	.102	.245	***
Openness	.031	.013	2.39	.017	.005	.056	**
Renewable energy	-.033	.049	-0.67	.501	-.128	.063	
Constant	10.257	2.874	3.57	0	4.624	15.89	***

Mean dependent var	35.837	SD dependent var	3.665
Number of obs	110	Chi-square	342.460

*** p<.01, ** p<.05, * p<.1

Furthermore, the income inequality does not appear to be influenced by the levels of political stability index and renewable energy across the entire sample. Nevertheless, having the presence of a negative coefficient for the renewable energy is crucial since it indicates that an increase in the use of alternative energy contributes to a decrease in income inequality.

Table 3: System dynamic panel-data estimation, by country

	(1)	(2)	(3)	(4)	(5)
Income Inequality	Albania	Serbia	Croatia	Bulgaria	Romania
L. Gini index	-.2	.021**	.186	.561**	.802***
	(.314)	(.01)	(.343)	(.281)	(.244)
GDP per capita	-.005	.003*	-.16**	-.005	-.025
	(.149)	(.002)	(.066)	(.065)	(.046)
Political stability	-.159	-.002***	-.128**	.028	.011
	(.108)	(.001)	(.061)	(.032)	(.056)
Unemployment rate	.556**	-.004**	-.021	.057	-.175
	(.255)	(.002)	(.092)	(.106)	(.295)
Openness	.087	-.003***	.107**	-.015	-.019
	(.081)	(.001)	(.052)	(.023)	(.062)
Renewable energy	-.577**	.01*	.033	.006	-.411*
	(.285)	(.005)	(.136)	(.071)	(.224)
_cons	21.238	34.603***	40.106*	12.003	28.907*
	(17.256)	(.492)	(21.937)	(7.958)	(15.339)
Observations	22	22	22	22	22
Pseudo R^2	.32	.26	.31	.28	.41
Wald chi2	33.76	83.16	19.36	34.31	67.79

Based on the country-specific regression results, interesting findings can be noticed. The findings regarding the yearly growth of per capita GDP remain appropriate to both Croatia and Romania. In the cases of Serbia and Croatia, an increase in the levels of political stability is indicative of an improvement in income inequality, as indicated by theory and earlier empirical findings (Policardo & Carrera, 2018; Badur et al., 2023). This is not statistically significant in the remaining countries included in our investigation.

Empirical results show that in Albania and Romania, the increased use of renewable energy contributes to equality, according to by the regression coefficients in Table 3. However, this does not appear to be the case for the rest of the countries in the sample.

5. Conclusion

This study conducts an investigation into the theory that the use of renewable energy sources is a factor that contributes to economic equality. The findings of this research provide evidence to support the hypothesis in certain countries. The period from the year 2000 to the year 2022 is included by the panel data that we used for Southeast European countries. The results of the research we conducted indicate that the rise in the perception of renewable energy sources within a sample of countries is the cause of an increase in economic equality.

The results show that the overall sample's trade openness, unemployment, and GDP per capita growth all contribute to rising income disparity. This conclusion pertains to the current state of unemployment, which impacts the less fortunate segments of the population. Additionally, trade openness is implemented in a way that does not equally contribute to population growth everywhere.

The cases of Albania and Romania suggest that the utilization of renewable resources contributes to the observed income equality. The findings do not provide a definitive answer for the remaining countries in our study. The results offer important recommendations for policymakers.

Equitable income distribution and environmental quality, which are both essential elements of sustainable development objectives, can be accomplished together.

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Adapting the EU "Farm to Fork" Strategy to Albania: Opportunities and Challenges for Sustainable Agricultural Transformation

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Abstract

The European Union's "From Farm to Fork" strategy, a central pillar of the European Green Deal, seeks to reshape the EU food system into one that is fair, healthy, and environmentally sustainable. Spanning the entire food chain—from production to consumption—it incorporates environmental, social, and economic objectives to promote sustainability as a competitive advantage. This paper explores the multifaceted challenges in implementing the strategy, including economic burdens, social equity, political feasibility, and environmental constraints. Furthermore, it assesses the broader global implications, especially for non-EU countries, with a particular focus on Albania. By analyzing Albania's "Agriculture, Rural Development, and Fisheries Strategy 2021–2027", the study outlines pathways for harmonizing national agricultural policy with the EU's sustainability agenda. Emphasis is placed on the potential benefits for small-scale producers, who stand to gain from improved access to sustainable practices, market opportunities, and fair value chains. The findings underline the importance of strategic alignment, institutional capacity building, and stakeholder involvement in successfully adapting the "Farm to Fork" strategy to Albania's agricultural context.

Keywords: Farm to Fork Strategy, Sustainable Agriculture, Food Systems, Agricultural Policy
JEL Codes: Q18, Q01, F13, O13

1. Introduction

In recent years, the transformation of agri-food systems has emerged as a top priority in global, regional, and national policy agendas. The European Union (EU), recognizing the interdependence of health, environment, and the economy, launched the European Green Deal as a blueprint for sustainable growth. At the heart of this Green Deal lies the 'Farm to Fork' Strategy—an ambitious roadmap aiming to ensure fair, healthy, and environmentally sustainable food systems. It spans the entire value chain, seeking to reduce the environmental and climate footprint of food production while promoting food security, animal welfare, and equitable access to nutritious food.

The 'Farm to Fork' Strategy is particularly relevant for candidate countries like Albania, which are working to align domestic policies and practices with EU norms as part of the accession process. Agriculture in Albania plays a vital role in rural livelihoods and contributes significantly to employment and food supply chains. However, it also faces multiple challenges: land fragmentation, weak infrastructure, low levels of mechanization, and limited access to sustainable technologies. Against this backdrop, adapting the EU's strategy poses both an opportunity and a complex task. Albania must not only adopt the principles and regulatory frameworks of the EU but also address capacity gaps, social equity concerns, and long-term environmental risks.

This paper investigates how Albania can effectively align its agricultural and food policies with the EU's sustainability goals. It provides a contextual analysis of Albania's Agriculture, Rural Development, and Fisheries Strategy (2021–2027), examining the compatibility of its objectives with those outlined in the EU's 'Farm to Fork' framework. Furthermore, the study evaluates institutional readiness, funding mechanisms, and stakeholder inclusion, with particular attention to small-scale producers. The findings are intended to support policymakers, practitioners, and researchers in identifying practical pathways for transforming Albania's agri-food system in line with EU priorities.

2. Literature Review

The 'Farm to Fork' strategy has attracted extensive scholarly interest as a transformative framework guiding the EU's transition to a climate-neutral and resilient food system. Scholars such as Lang et al. (2009) and Allen & Prosperi (2016) laid early groundwork by articulating the systemic nature of food challenges—emphasizing the interconnectedness of agriculture, health, and environmental sustainability. More recently, studies by Fresco et al. (2021) and Pe'er et al. (2020) have examined the strategy's operational feasibility and its alignment with the Common Agricultural Policy (CAP), drawing attention to trade-offs between environmental goals and economic viability.

Matthews (2020) emphasized the need for coherence across EU instruments, warning that the Farm to Fork objectives may risk dilution without binding commitments or coordinated implementation. Mie et al. (2020) analyzed the health impacts of organic and sustainable diets advocated under the strategy, finding substantial evidence for their benefits, but also noting significant barriers to widespread adoption—particularly among small-scale farmers.

In the context of non-EU countries and accession candidates, the literature highlights an additional layer of complexity. According to Bogdanov (2020) and Volk et al. (2021), Western Balkan states, including Albania, face structural and institutional gaps that hinder full alignment with EU agri-environmental policy. These include limited absorption capacity for EU funds, insufficient institutional coordination, and lack of data and monitoring systems. Recent FAO (2022) reports underline the vulnerability of Albania's food systems to climate change and market disruptions, noting that sustainability reforms require both top-down regulation and bottom-up innovation.

Despite these challenges, comparative policy reviews show promising trends. Serbia and North Macedonia, for example, have launched targeted reforms to align their pesticide use regulations, organic farming support, and agri-food certification systems with EU standards. These cases provide potential learning models for Albania. Yet, there is a paucity of empirical studies assessing how specific instruments of the 'Farm to Fork' strategy—such as fair value chains, sustainable labeling, or food loss reduction—can be localized in countries outside the EU. This paper seeks to fill that gap by situating Albania within the broader regional and policy transformation narrative.

3. Methodology

This study adopts a qualitative case study methodology complemented by document analysis, expert consultation, and comparative policy assessment. The objective is to evaluate Albania's institutional readiness, policy coherence, and capacity to adopt the EU 'Farm to Fork' strategy within its domestic context. Given the policy-oriented nature of this research, the methodological framework focuses on three main components:

First, a detailed review of EU documents related to the 'Farm to Fork' strategy and the European Green Deal was conducted to extract priority objectives, benchmarks, and indicators. Second, Albania’s 'Agriculture, Rural Development, and Fisheries Strategy 2021–2027' was analyzed for consistency with EU standards. Third, qualitative insights were collected from existing FAO, Eurostat, and INSTAT data to contextualize Albania’s agri-food transformation trajectory. The analysis includes a SWOT framework to map Albania’s structural strengths and weaknesses, institutional constraints, and strategic opportunities in adapting the EU framework.

Additionally, a comparative alignment table was created to visualize policy gaps between Albania and the EU's key sustainability indicators—particularly in areas like pesticide use reduction, organic farming promotion, and food waste mitigation. This triangulated approach strengthens the analytical validity of the study by combining normative policy benchmarks with real-world national data.
To complement the qualitative review, we applied a mixed-methods approach including semi-structured interviews with five national policy stakeholders and two independent agricultural economists. These interviews focused on implementation barriers, policy gaps, and the administrative experience with IPARD support programs. Additionally, we reviewed monitoring reports from the Ministry of Agriculture, EU Progress Reports (2021–2023), and technical evaluations by the World Bank and FAO. To contextualize Albania’s policy alignment, we constructed a policy alignment matrix assessing progress across the Farm to Fork strategy's thematic areas (e.g., pesticide use, soil health, waste reduction, rural development) relative to five selected EU member states and two Western Balkan neighbors.

The triangulation of these data sources provided a robust framework for identifying convergence zones, policy inertia, and institutional readiness indicators. All qualitative responses were coded using thematic analysis, while document review results were categorized according to compliance and adaptation levels. The combination of these tools ensures a holistic view of Albania's positioning in the European sustainability framework.

4. Analysis

The analysis begins by mapping the strategic objectives of the 'Farm to Fork' strategy against Albania's current agricultural policy. The EU strategy prioritizes reduction of pesticide use, sustainable food production, enhanced animal welfare, and fair economic returns across the value chain. Albania's national strategy reflects parallel goals but lacks binding environmental targets and robust enforcement mechanisms. The SWOT analysis reveals strengths in agricultural diversity and EU approximation commitments, but weaknesses such as fragmented land ownership, poor irrigation, and weak extension services. The comparative matrix highlights partial alignment, with gaps in areas such as digitalization of farms, traceability systems, and public-private coordination.

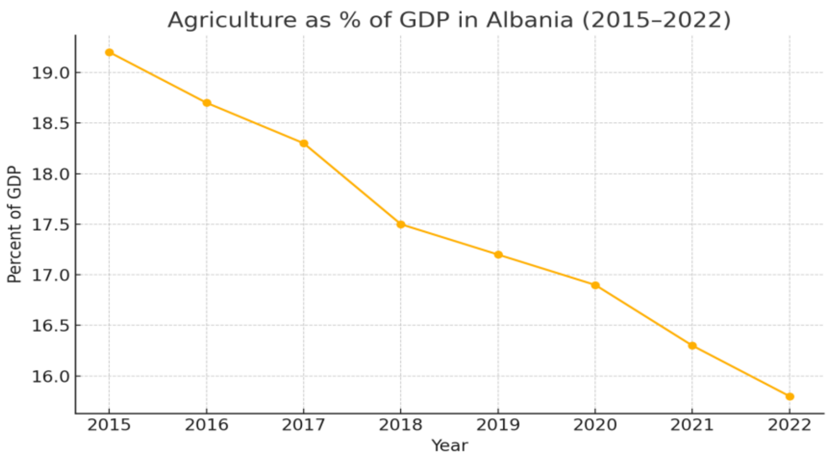

Figure 1. Agriculture as % of GDP in Albania (2015–2022)

This figure illustrates the declining contribution of agriculture to Albania's GDP, reflecting structural shifts and productivity challenges within the sector.

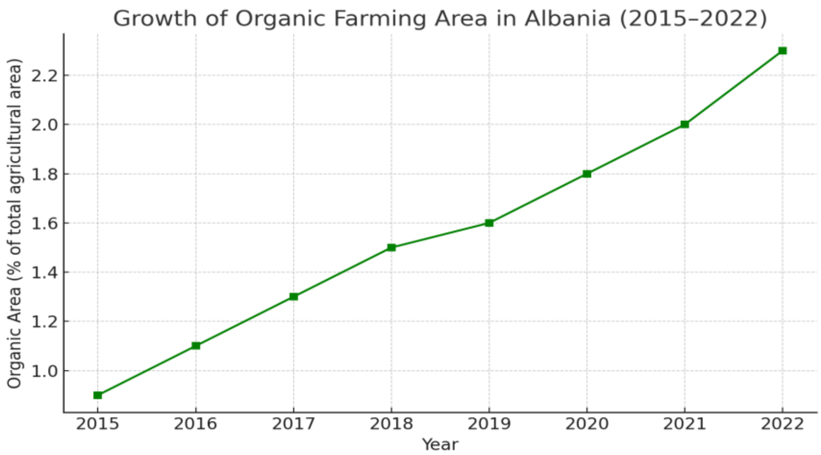

Figure 2. Growth of Organic Farming Area in Albania (2015–2022)

This figure shows the modest yet steady increase in organic farming, an essential pillar of the Farm to Fork strategy's sustainability goals.

The analysis highlights substantial potential for Albania to converge with the EU's agri-food sustainability framework but also exposes systemic challenges. The declining contribution of agriculture to GDP from 19.2% in 2015 to 15.8% in 2022 reflects structural transition but also rural vulnerabilities. Organic agriculture has grown modestly, indicating increased sustainability awareness.

Further analysis reveals that Albania’s IPARD program absorption remains limited due to administrative complexity and lack of awareness among rural beneficiaries. Institutional fragmentation also hinders coordination between ministries, municipalities, and producer associations. Nevertheless, stakeholder interviews (FAO, 2023) suggest increasing demand for sustainability training, especially among younger farmers.

5. Results and Discussion

The results demonstrate a mixed landscape of institutional readiness. On the positive side, Albania’s strategic documents reflect growing convergence with EU priorities. The 2021–2027 agricultural strategy explicitly references sustainable development, modernization of farms, and digital monitoring. However, practical implementation remains weak. For example, pesticide regulation is outdated, and national organic standards are only partially harmonized with EU guidelines.

One critical issue is the accessibility of EU funds. While Albania is eligible for IPARD III, disbursement has been slow, and many local actors lack the capacity to apply for or manage these funds. This represents a key bottleneck in translating strategic intentions into measurable sustainability outcomes. Furthermore, the analysis underscores the importance of expanding traceability, labelling systems, and consumer education to align with EU’s vision of responsible consumption and fair food systems.

Further findings suggest that one of the most underutilized channels of EU support is technical training and advisory services. Interviews confirm that farmers and small processors lack

access to tailored knowledge on certification, regenerative practices, and compliance with traceability systems. Policy makers cited the need to integrate Farm to Fork principles directly into school curricula and national research funding priorities. In addition, gender equity in access to grants and land ownership is not currently a focus in the strategy, despite its importance for inclusive sustainability.
The regional context also matters: compared to North Macedonia, Albania has lagged in piloting pesticide-free zones or rolling out climate-smart agriculture pilots. However, Albania has outperformed Serbia in enforcing animal welfare protocols and is seen as a regional leader in integrating food safety labs into agricultural policy. Similarly, Greece has implemented decentralized advisory services for organic farming certification. Albania could benefit from adopting a peer-learning model by collaborating with neighboring countries through regional knowledge-sharing platforms and joint sustainability pilots. These findings support the argument that a more tailored, sector-specific approach—rather than a generic alignment process—will be essential to make the Farm to Fork strategy truly operational in Albania. To support sustainable transformation, Albania should consider incorporating innovative financing instruments such as green bonds, results-based payments, and blended finance schemes. These mechanisms can attract private investment while tying funding to measurable sustainability outcomes. IPARD disbursement protocols should also be redesigned to favor applicants proposing regenerative, climate-smart, or biodiversity-enhancing practices.

6. Conclusions and Policy Recommendations

This study provides a comprehensive overview of how Albania can adapt and internalize the EU's 'Farm to Fork' strategy to modernize its agricultural sector while advancing sustainability. Although policy convergence has begun, much remains to be done in terms of implementation, monitoring, and stakeholder empowerment. Key recommendations include:

- Develop a national roadmap for full alignment with EU sustainability indicator
- Create technical support units for small holders to access IPARD and implement best practices.
- Reform pesticide regulations and harmonize organic certification standards with the EU.
- Expand agri-digital tools and traceability systems.
- Promote inter-ministerial task forces for sustainability policy coherence.
- Launch consumer awareness campaigns to support sustainable consumption patterns

In conclusion, Albania's agricultural transition is not only feasible but strategically vital for EU integration and long-term food system resilience. With the right investments and governance reforms, the 'Farm to Fork' vision can be meaningfully localized to support inclusive, competitive, and sustainable development.In the medium term, Albania should prioritize policy coherence by linking rural development objectives with climate action and public health initiatives. Scenario analysis suggests that without accelerated investment and governance reform, the country may meet only 50% of EU sustainability benchmarks by 2030. Conversely, if properly guided, Albania could serve as a regional model for "Farm to Fork" adaptation by leveraging local innovation and diaspora investment.Policymakers must also consider the role of consumer behavior. Evidence shows that awareness of sustainability standards is low, and labeling schemes are poorly understood. Effective communication campaigns that promote local, certified, and environmentally responsible food could create bottom-up demand for reform. Finally, regular monitoring using EU-aligned KPIs and the introduction of performance-based grants would boost transparency and trust in the transition process.Active participation of civil society organizations, farmer cooperatives, and grassroots networks can amplify the impact of Farm to Fork reforms. Community-led food initiatives, participatory policy forums, and multi-stakeholder roundtables will ensure that reform is inclusive, transparent, and responsive to local needs. Promoting local food festivals, sustainability labeling campaigns, and school garden programs can further anchor sustainable practices in public consciousness.

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The Life Insurance Market in Albania: An Overview of Developments and Perspectives

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Abstract

This article analyzes the life insurance market in Albania, assessing its historical development, current level of progress and future prospects. Although the Albanian life insurance sector remains at a relatively early stage of maturity, it has exhibited consistent growth in recent years. Drawing on available data and prevailing market trends, the study identifies key drivers behind this development, including increased consumer awareness, improving macroeconomic conditions and the diversification of insurance products offered by both domestic and international firms.

The paper also sheds light on the challenges hindering the full development of the market. Among these are low levels of financial literacy and entrenched cultural preferences, that favor traditional savings over formal insurance mechanisms. Nevertheless, the study highlights substantial growth opportunities, particularly in the areas of digitalization and the personalization of insurance offerings, tailored to evolving consumer needs.

In conclusion, the study argues that while the life insurance market in Albania is still emerging, it possesses significant growth potential in the future, especially if insurance companies and regulatory institutions collaborate to address existing challenges and promote broader adoption of life insurance products.

Key words: consumer awareness, insurance companies, life insurance, regulatory institutions.
JEL classification: D11, D14, G22, G28

1. Introduction

In recent years, the insurance market in Albania has experienced slow yet steady development, particularly following the country's transition to a market-oriented economy in 1991 and the subsequent liberalization of private sectors. Insurance has gradually become an increasingly important component of financial security for both individuals and businesses. Nevertheless, there remains considerable room for further growth and development within the sector. According to data from the Albanian Financial Supervisory Authority (AFSA), the insurance market is predominantly composed of non life insurance, which accounts for over 90% of total written premiums. In contrast, life insurance remains an underutilized product, despite having recorded modest growth in recent years.

Life insurance represents one of the most essential pillars of the insurance sector, offering financial protection to an individual's dependents in the event of loss of life, Heo (2020). Nonetheless, in Albania, the development of this segment of the insurance market has lagged behind other lines of insurance, most notably motor and health insurance.

However, many insurance companies have begun to introduce new and tailored life insurance products, designed to meet the specific needs of the Albanian market. Concurrently, there have been efforts to raise public awareness regarding the importance of life insurance, particularly among individuals with dependents such as children and family members, who may be financially impacted in the event of a loss of income due to an unforeseen tragedy.

2. Literature Review

The life insurance industry is essential for economic development, as it facilitates long-term savings, promotes capital market development and ensures financial security. Life insurance encompasses two principal components: capital accumulation and financial protection. The capital accumulation aspect, manifested through savings and investment-oriented policies, enables policyholders to steadily build wealth over time. Through consistent premium contributions, individuals invest in these plans, with insurers typically allocating the collected funds to generate returns. Upon reaching predefined milestones, such as policy maturity or retirement, policyholders are granted access to the accumulated capital, often enhanced by accrued interest or investment gains. This type of policy facilitates strategic financial planning, allowing individuals to allocate resources toward long-term goals, including funding education, purchasing a home, or securing retirement income.

Simultaneously, life insurance serves a critical function in safeguarding the financial well-being of individuals and their dependents, offering essential protection against unforeseen life events, Zinyoro&Aziakpono (2023).

Several studies have explored various facets of life insurance. Some studies focus on the association between life insurance and macroeconomic variables, noting a close interaction between the two, Horvey & Odei-Mensah (2024). The International Association of Insurance Supervisors (IAIS), highlighted in their 2023 Global Insurance Market Report, that interest rate, liquidity and credit risks in a challenging macroeconomic environment, are significant factors affecting the life insurance sector. Other studies, highlight the increasing competition in the insurance sector and emphasize the importance of efficient service delivery to policyholders, for expanding insurance coverage and market share. Some researchers found that service quality is a key influencing factor in the insurance market, suggesting that companies focusing on service excellence can gain a competitive advantage, J.D.Power (2023). Service quality has a significant impact on customer satisfaction. Studies have shown that various service quality factors, such as agent performance, functional services and the overall organization, directly influence the overall level of consumer satisfaction. Hien (2023), evaluated the impact of service quality variables on customer satisfaction, regarding life insurance claim settlement services, finding that factors like employee empathy, significantly affect customer satisfaction. Mugesh et.al (2023), in their study assessed customer satisfaction related with life insurance service quality, revealing that issues like slow service and complicated procedures, negatively impact the customer experience. Furthermore, some studies concluded that proficiency, physical and ethical perfection and functionality, significantly impact the overall service quality of life insurance. Deloitte's 2023 Life Insurance and Annuity Product Development Study, found that product development is core to insurers' growth strategies, with a focus on aligning product attributes with customer needs, to drive success in the insurance market. The 2023 Global Insurance Market Report by The International Association of Insurance Supervisors (IAIS), discussed structural shifts in the life insurance sector, including changes in product offerings to meet evolving consumer demands, highlighting the importance of product features in policy selection.

3. The Evolution of Insurance in Albania: A Historical Overview

The history of insurance in Albania reflects the country's broader socio-economic and political transformations throughout the 20th century. Initially introduced in the 1930s, the concept of insurance gained traction primarily among entrepreneurs and business owners in major urban centers such as Vlorë, Durrës and Tirana. During this period of economic growth, several Italian insurers began operations in Albania, offering life and property insurance tailored to the needs of a burgeoning commercial class. Life insurance, in particular, became a common safeguard for businessmen engaged in regional trade.

This promising trajectory was abruptly disrupted by the onset of the Second World War, which brought political and economic instability. The situation further deteriorated following the establishment of the communist regime, which fundamentally altered the legal and economic foundations necessary for insurance. The 1976 Constitution abolished private property rights, effectively eliminating demand for insurance services. What little remained of the sector, administered through the Institute of Savings Banks, was eventually phased out under the collectivist policies of the time.

A revival of the insurance industry began in the early 1990s, following the fall of communism and Albania's shift toward a market-based economy. The state-owned Insurance Institute resumed its operations, offering life and non-life products. As the financial sector liberalized and private enterprises emerged, the insurance market expanded, aligning itself with international standards and practices. This period marked a renewed emphasis on risk management and financial security, signaling the reestablishment of insurance as an essential pillar of Albania's economic infrastructure.

4. Discussion. Insights into Albania's Life Insurance Sector.

Life insurance, as a vital component of the financial system, functions both as a mechanism of social protection and as a tool for economic development, by fostering long-term savings and capital market growth, Moreno et.al (2020). In Albania, however, life insurance remains underdeveloped, with significantly lower penetration and density, compared to regional and

European benchmarks. According to data from the Albanian Financial Supervisory Authority, the volume of life insurance premiums has shown a consistent upward trend, although it still represents a relatively small share of the overall insurance market (approximately 9%). Several insurance companies currently operate in the Albanian market, offering various life insurance products. These companies provide a broad range of life insurance services, in order to diverse customer needs, designed to meet both individual and corporate coverage requirements. These products include:

- ✓ Return of premium life insurance, which provide coverage for a specified term and at the end of the period, the policyholder receives a refund of the premiums paid, provided no claim has been made
- ✓ Investment linked life insurance, which combine life insurance coverage with the opportunity to invest in financial markets, offering both protection and potential financial returns
- ✓ Group life insurance, typically offered by employers as part of employee benefits packages. These policies provide life insurance coverage to a group of employees under a single contract.

The insurance market in Albania is supervised by the Albanian Financial Supervisory Authority (AFSA), which oversees that insurance companies, operate in compliance with established laws and regulations. AFSA also promotes transparency and the protection of consumer rights, playing a key role in fostering trust and stability within the insurance sector.

Albania ranks among the countries with the lowest expenditure on insurance, dedicating only around 1% of its Gross Domestic Product to insurance services. Despite recent efforts to promote life insurance in Albania, several structural and socio-economic challenges continue to hinder its development and broader adoption, such as:

- ✓ Limited Public Awareness: A significant segment of the population does not view life insurance as a necessary financial safeguard, or a viable long-term investment tool. This general lack of awareness, diminishes demand and undermines the perceived utility of life insurance products.
- ✓ Income Constraints and Persistent Unemployment: The relatively low average income levels, combined with ongoing challenges in the labor market, constrain individuals' capacity to commit to regular premium payments. These financial limitations directly affect participation rates in the life insurance sector.
- ✓ Low Institutional Trust: The legacy of Albania's centralized economic past, compounded by widespread financial illiteracy, has contributed to a prevailing distrust toward financial institutions. This skepticism poses a considerable barrier to the acceptance and expansion of life insurance services.
- ✓ Underdeveloped Capital Markets: Life insurance is inherently linked to long-term investment strategies; however, the limited scope and maturity of Albania's capital markets restrict the availability of stable and attractive investment vehicles. This underdevelopment impedes the creation and sustainability of competitive, diversified life insurance products.

Although the figures show a year-on-year increase, Albania continues to rank last in the region and in Europe in terms of insurance density. According to economic experts, this is due to a deeply rooted mentality that the state should be responsible for addressing every problem. Albania constitutes a relatively small insurance market, characterized above all by a markedly low level of voluntary insurance culture. A more detailed analysis of the market structure, reveals that it is predominantly composed of mandatory insurance products. These are primarily concentrated in compulsory motor insurance, particularly third-party liability coverage. Furthermore, a significant share of the market consists of insurance policies required for vehicles operating outside the country, such as those covered under the Green Card system. Furthermore, the life insurance segment is predominantly comprised of debtor's life insurance, which accounted for 71% of the total in 2023. This type of insurance is mandatorily, required by banks as a condition for granting individual loans, serving as a guarantee for loan repayment.

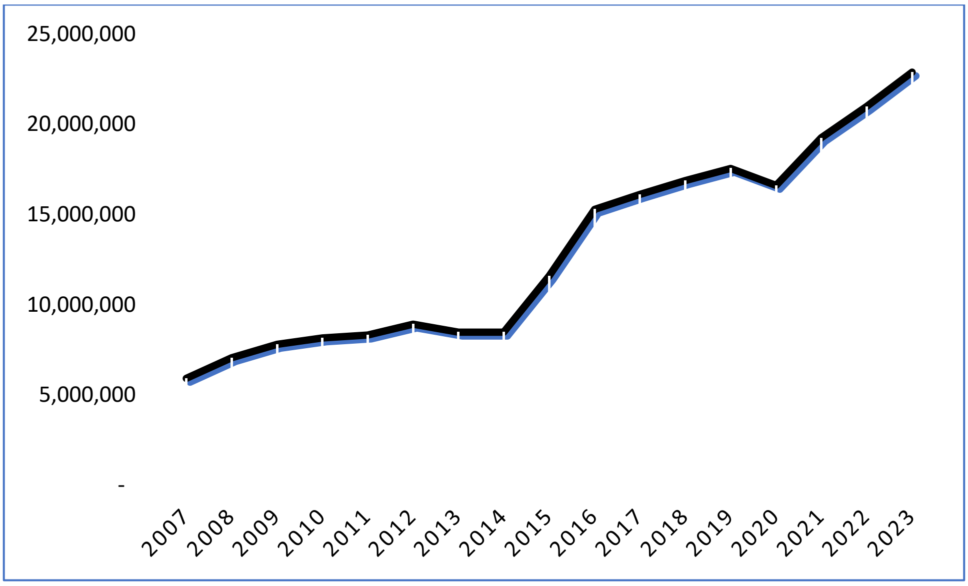

Figure 1: Trend of gross written premium, 2007-2023 (000 ALL)
Source: Albanian Financial Supervisory Authority, author's calculation

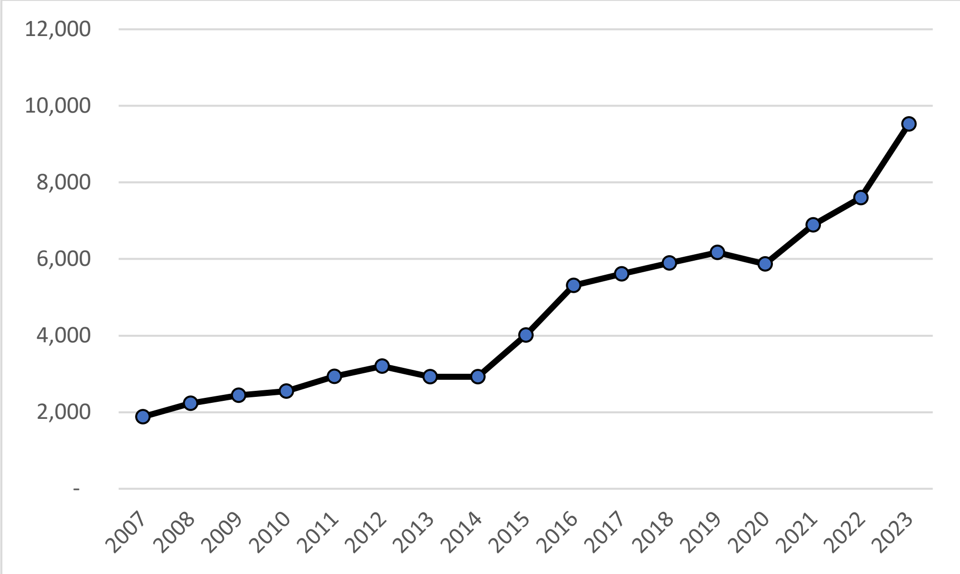

Figure 2: Trend of premium per capita, 2007-2023 (ALL)
Source: Albanian Financial Supervisory Authority, author's calculation

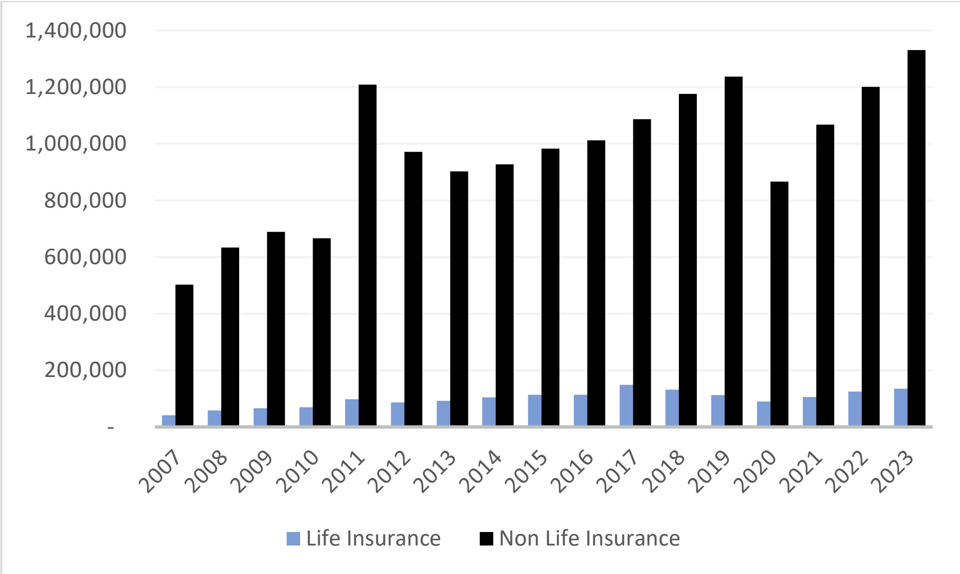

Figure 3: Trend of the number of insurance contracts 2007–2023
Source: Albanian Financial Supervisory Authority, author's calculation

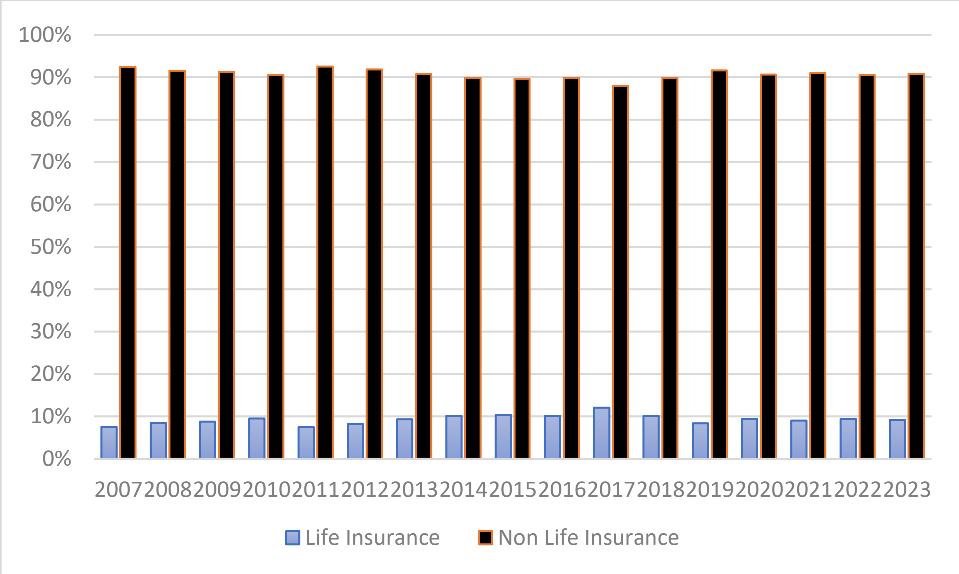

Figure 4: Share of Insurance Contracts (%), 2007–2023
Source: Albanian Financial Supervisory Authority, author's calculation

The graphs illustrate a long-term, steady growth trend, with some minor fluctuations. Following 2015, there is a notable and more dynamic increase, marking a significant leap in the volume of insurance premiums. Although the premium per capita has experienced a substantial growth reaching 9,526 ALL in 2023, it remains the lowest in both the region and Europe. The results highlight a structural imbalance in the market: the Albanian insurance sector is heavily skewed, relying almost exclusively on non life insurance. Nevertheless, there is a gradual increase in both public awareness and economic capacity to purchase life insurance in Albania. However, given that the insurance penetration rate remains low (approximately 1% of GDP), this suggests that a considerable untapped potential still exists within this segment. The graphs confirm that the Albanian insurance market is still developing, characterized by a dominance of non life products and a slowly growing life insurance segment.

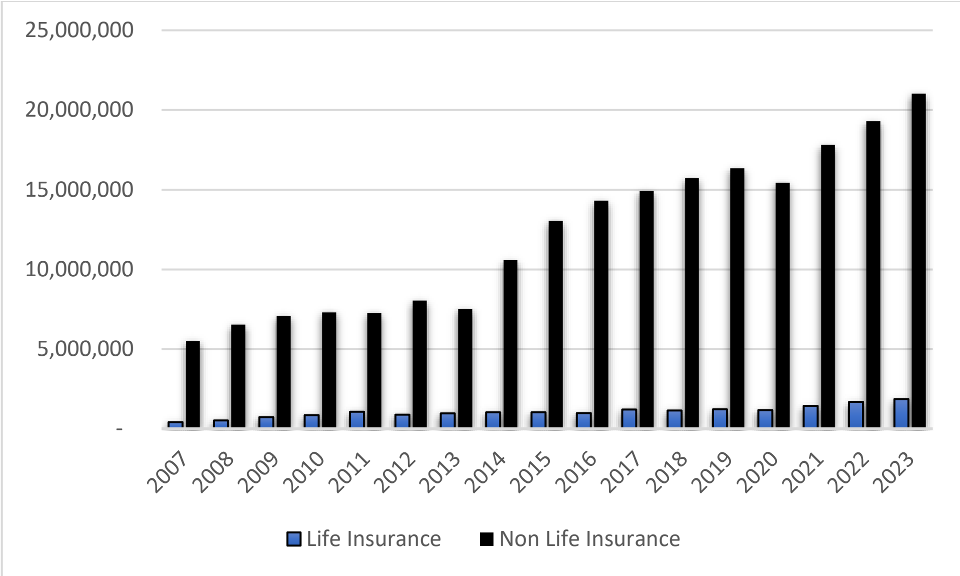

Figure 5: Trend of Insurance Contract Value 2007–2023, (000) ALL
Source: Albanian Financial Supervisory Authority, author's calculation

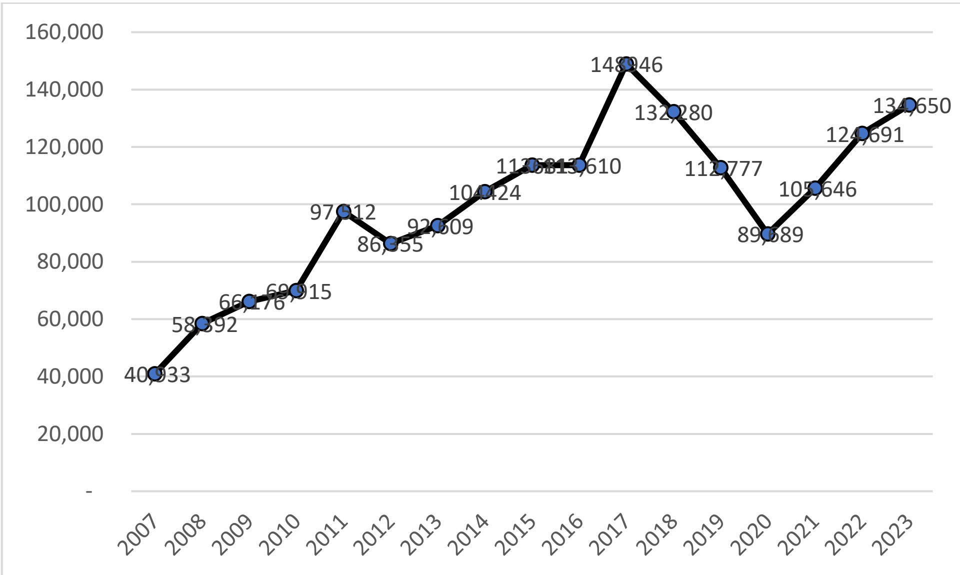

Figure 6: Trend of the number of life insurance contracts 2007–2023
Source: Albanian Financial Supervisory Authority, author's calculation

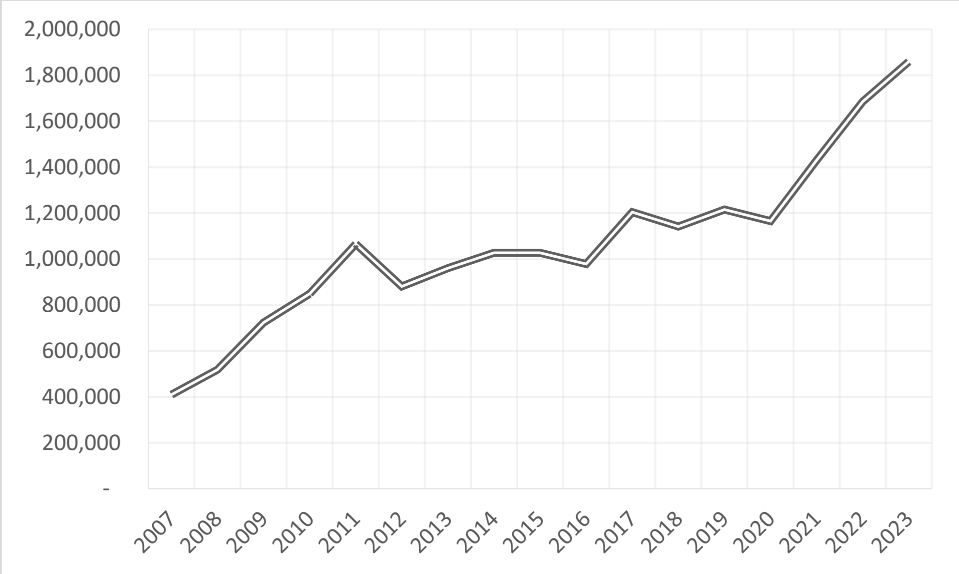

Figure 7: Trend of life insurance contract value, 2007-2023 (000 ALL)
Source: Albanian Financial Supervisory Authority, author's calculation

5. Conclusions

The insurance market in Albania has continued to develop, yet it remains in a phase of consolidation and consumer education. It is still sensitive to economic fluctuations and political changes; however, there is a general trend toward growth and the diversification of insurance products. With increasing awareness of the importance of life and health insurance, there is a significant potential for expansion in these market segments.

Many insurance companies are investing in consumer education and information campaigns to help individuals better understand the importance of financial protection and the potential benefits of insurance coverage. Some companies have also invested in enhancing online services and providing opportunities for customers to purchase and manage insurance policies through digital platforms.

Despite the current challenges, Albania's insurance market holds significant growth potential. While the motor and health insurance sectors are relatively more developed, life insurance remains an underexplored segment. There is a clear opportunity for expansion in this area, especially by focusing on:

- ✓ Financial Education and Awareness Campaigns: There is a significant opportunity to increase financial literacy through education campaigns. Raising awareness about the importance of life insurance, health insurance and other insurance products could drive demand, especially as individuals become more aware of the benefits of financial protection.
- ✓ Product Innovation and Diversification: Expanding the range of insurance products to meet the diverse needs of the Albanian population could provide growth opportunities. Offering more tailored products, such as health insurance with preventive care, or life insurance plans with flexible premiums, could appeal to a broader demographic.

- ✓ Technology and Digital Platforms: The digital transformation of the insurance industry presents a huge opportunity. It has begun but at a slower and prudent pace. By offering digital platforms for purchasing, managing, and tracking insurance policies, companies can cater to the growing trend of online services. Mobile applications or web based platforms could improve accessibility and convenience for consumers.
- ✓ Corporate Insurance Solutions: Many businesses in Albania could benefit from group life, health, or liability insurance. Expanding insurance offerings to the corporate sector, could help diversify the market and increase penetration, especially as Albanian companies look to provide more benefits to their employees.
- ✓ Microinsurance Products: Given the lower income levels and economic challenges faced by a significant portion of the population, microinsurance products could be a potential opportunity. These products are designed to offer basic coverage at an affordable cost, targeting low income groups and individuals who may not traditionally access insurance.
- ✓ Government Partnerships: Collaborating with the government to promote compulsory health or life insurance for specific groups, such as low income families or pensioners, could help broaden market penetration. Government backed insurance schemes could also help instill trust in the sector.
- ✓ Targeted Marketing to Younger Demographics: Younger generations in Albania are more likely to be open to modern insurance solutions, including digital insurance products. Marketing campaigns targeted at millennials and Gen Z, with messaging that focuses on long-term financial security and investment in health, could help grow the market.
- ✓ Cross-Border Insurance Products: Given Albania's proximity to the Europian Union and the increasing movement of people within the region, there is an opportunity to introduce insurance products that are recognized across borders, such as travel insurance, cross-border health insurance, or products tailored to the Albanian diaspora.

These opportunities could help expand the market, increase consumer engagement and promote a broader understanding of the value of insurance products in Albania. Nevertheless, with the rise in financial literacy and the increasing involvement of banks and digital platforms in the distribution of insurance products, life insurance is expected to play a more prominent role in the Albanian financial system. In the context of Albania, the further development of this sector has the potential to enhance private savings and decrease reliance on public pension schemes. With the right strategies in place, the Albanian insurance market especially the life insurance segment, could see a diversification of offerings, a broader consumer base and a stronger more resilient sector, that contributes significantly to the country's economic growth.

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Exploring Key Job Preferences in the Banking Sector: Insights into Employee Priorities for Enhancing Job Satisfaction and Retention

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Abstract

Employee satisfaction is vital to retention and productivity, especially in the banking sector, where competitive work environments hinder sustained employee engagement. Comprehending the elements that influence job satisfaction and unhappiness is crucial for firms seeking to enhance employee well-being and minimize turnover.
This study examines the primary job preferences of banking sector employees to ascertain the most esteemed elements of their work environment. It aims to determine the elements that positively impact job satisfaction and those that result in discontent, offering practical insights for employers to improve retention efforts.
A quantitative research methodology was utilized, employing a structured questionnaire to gather information derived from a representative sample of 91 employees in the banking sector. To determine their significance, participants evaluated ten employment-related characteristics, such as compensation, job stability, work-life equilibrium, professional growth, and managerial effectiveness. The study applies statistical analysis to identify trends and gender-based variations in job preferences.
The findings reveal that salary is the most crucial factor influencing job satisfaction across all respondents. However, gender differences emerge, with female employees prioritizing benefits and job security, whereas male employees place greater emphasis on career advancement. Other significant factors include working conditions and company culture. These insights highlight the diverse expectations among banking employees, emphasizing the need for tailored HR strategies to enhance job satisfaction and employee retention.

Keywords: job satisfaction, banking sector, job preferences, workplace motivation, human resource management
JEL Code: M50, J24, M12

1. Introduction

Significant transformations in the previous two years have compelled the business sector to restructure organizations for enhanced agility and rapid adaptation to thrive in a progressively dynamic landscape (De Smet & Aghina, 2015). These modifications reflect the ongoing advancement of technology, swiftly changing stakeholder expectations, a competitive personnel market, and fluctuating career needs (Aghina, et al., 2018).

When a corporation seeks to enhance employee performance, managers must address the question, “What type of motivator would elevate employee performance?" Also, Ulrich and Brockbank (2005, p. 207) articulate the significance of human capital: "Human capital consists of intangibles that embody value stemming from internal firm decisions and the valuation of those decisions by investors, rather than from physical assets." Based on the information shown in Figure 1, DiVanna and Rogers (2005, p. 19) provide an explanation of the idea of human capital structure.

Figure 1. Human capital structure
Source: Di Vanna and Rogers (2005)

Today's managers still struggle with having a motivated staff because they frequently believe that all their workers have similar needs and wants, and that if they are addressed, they will be happy and involved at work (Daya, 2015). It is essential to acknowledge that individuals' needs, aspirations, and objectives vary, leading to distinct behaviors in pursuit of their goals or fulfillment of their requirements (Wyk, 2011). An organization's ability to motivate diverse generations is vital for its sustained success (Gill, 2010) (Herley, 2009).

This article aims to understand key job satisfaction factors—understanding what contributes to job satisfaction, such as salary, work-life balance, job security, company culture, or career development opportunities—and determine disliked aspects—pinpointing what makes a job undesirable, such as long hours, lack of career growth, poor management, or stressful environments. By understanding job preferences, companies can make better hiring decisions and improve employee satisfaction. A survey with a representative sample of employees from the banking sector has been conducted. Data is gathered by utilizing a structured questionnaire. This paper is as follows: The literature review is in Section 2. Section 3 presents results and analysis. This research closes with results, implications, and limitations.

2. Literature Review

Preferences for job attributes should be separated from "job satisfaction," as well as the associated ideas of "worker well-being" and "job quality" (or the quality of professional life).

While job attribute preference studies look at employee expectations, job satisfaction studies look at employee experiences, even though both employ comparable job aspects, including fair compensation, job security, and decent working circumstances (Clark, 1996) (Rose, 2003) (Rose, 2005). Considering the different kinds of jobs people have helped us think about job values in a more complete way, considering both internal and external factors. Some external perks of a job are pay, security, status, leadership, respect, link, and effect. Some internal work motivations are pride in one's job, accomplishments, personal happiness, fun, self-worth, a sense of belonging, and the desire to make a difference in the world. The main elements that affect work satisfaction are delineated below.

- Advancement (opportunity for promotion)—According to Callanan and Greenhaus (2008), employees should have a fair opportunity to advance in the company or get comprehensive experience in several functional areas for growth. Greenhaus et al. (1990) define promotion prospects as a manager's evaluation of an employee's possibilities for advancement within the firm.
- **company (getting a job with a company you're happy to work for)—**According to Berton, Ewing, and Hah (2005), organizational attractiveness is defined as "the perceived benefits that a potential employee sees in working for a particular organization," which include perceived economic value, interest value, social value, development value, and employment value (Jiang & Iles, 2011). Although prior research has demonstrated that businesses must project an image that aligns with their objectives—that is, the internal and external components of the brand must be consistent—international perspectives on employer branding have been lacking.
- **co-workers (Friends at work who are nice, agreeable, and good to work with)** Better relationships with coworkers, which we define as confident, likable, and cooperative relationships between colleagues of similar status, can reduce stress, contribute to the experience of positive mental states at work, and increase job satisfaction (Ehrhardt & Ragins, 2018) (Sias, 2005) (Khoa & Nguyen, 2018). Perceptions that "are psychologically meaningful molar descriptions that people can agree to characterize a system's practices and procedures" are what Schneider (1975) defines as a work atmosphere.
- **hours (good time to start and end the workday, good number of hours per day or week, work during the day or night, etc.)** - According to the data currently available, employees who have some degree of control over their work schedules and location (Hammer, Thompson, & Burke, 2014) (Halpern, 2005) report feeling more engaged and satisfied with their jobs, which in turn enhances their health and well-being (Hammer, Thompson, & Burke, 2014) (Halpern, 2005). More engaged and productive employees are advantageous to employers as well (Halpern, 2005) (Hill, Hawkins, Ferris, & Weitzman, 2001) (Eaton, 2003).
- pay (large income during the year)—Although the relationship between income and happiness has received a lot of attention in psychology (Diener & Seligman, Beyond Money: Toward an Economy of Well-Being, 2004) (Diener, Suh, Lucas, & Smith, 1999), the relationship between pay level and job satisfaction has received less attention in

organizational psychology. According to certain research, work satisfaction and salary level exhibit positive, significant associations (Beutell & Wittig-Berman, 1999) (Sanchez & Brock, 1996).

- **security (having steady work, not being laid off, and knowing you can keep your job)**—According to Meltz (1989), job security is staying with the same business without losing seniority, pay, pension rights, or other perks. Employment insecurity, or an employee's negative reaction to employment changes, is another perspective on job security and its reciprocal (Stack, 2013).
- **supervisor (a good boss who is considerate and fair)**—Leadership behaviors like fair treatment and feedback affect employees' performance, self-perceptions, and well-being (Gerstner & Day, 1997). Fair treatment gives workers "control, belonging, self-esteem, and meaningful existence" (Cropanzano, Byrne, Bobocel, & Rupp, 2001).
- **type of work (work that is interesting and well-liked by you)**— Due to changes in career characteristics and personal work values, Hall (1996), Patton and McMahan (1999, p. 182), and Sutton (2002), and others advise employers and employees to stay abreast of changing work requirements, new skill development areas, and individual work preferences. Employers want to know what motivates their workers and create work environments that boost productivity (Konrad, Ritchie, Lieb, & Corrigall, 2000).
- **working conditions (comfortable and clean, absence of noise, heat, cold, odors, etc.) -** A positive work environment can help a business make wise decisions, which will increase employee job satisfaction (Dejendran & Farid, 2016). According to Dejandran and Farid (Dejendran & Farid, 2016), the impact of environmental influences on decision-making processes is especially significant when considering the objectives of the business. Given these factors, the capacity to regulate adverse environmental conditions and capitalize on favorable ones is a vital workplace capability for consistent decision-making and increased performance (Chong , Aslani, & Chen, 2013).

Individual factors like compensation, benefits, education, familial background, work environment, employer reputation, job security, and attitudes affect career options, as do external factors like the labor market and economic conditions (Tanova, Karataş-Özkan, & İnal, 2008).

3. Research Methodology

To gather information on the factors that individuals consider important when evaluating a job as “good” or “bad,” a survey was conducted with a representative sample of 91 banking sector employees. These insights help understand employees’ needs, values, and motivations in the workplace. A structured questionnaire was designed based on the studies of Jurgensen (1978) which evaluated job preferences. Modern classifications of intrinsic and extrinsic work factors include ten elements: advancement (opportunity for promotion); benefits (vacation, sick leave, pension, insurance, etc.); company (employment by a company that instills pride); co-workers (pleasant, agreeable, and competent colleagues); hours (favorable starting and ending times, appropriate daily or weekly hours, day or night shifts, etc.); pay (substantial annual income); security (continuous employment, no layoffs, job retention); supervisor (considerate and fair); work (interesting and personally gratifying); working conditions (comfortable, clean, devoid of noise, temperature extremes, and scents). Ranking criteria ranged from 1 (most important) to 10 (least important).

4. Results and discussion

As shown in Table 1, 54 % of the respondents were female, and only 46 % were male. The majority (71%) have a master's degree, 17 % have a bachelor's degree, and 9 % have a PhD.

Table 1. Description of the study sample

Variable	**N**	**%**
Gender		
Females	49	54 %
Males	42	46 %
Education		
Bachelor's degree	16	17 %
Master's degree	66	74 %
PhD	9	9 %
Total	**91**	**100 %**

Source: Own calculations

Table 2 describes the overall job preferences, and we identify **pay** as the most crucial factor. Salary is a vital aspect of employment since it affects employee motivation and performance (Darmawan, 2021). Research indicates that compensation serves as a significant general motivator, and managers may underestimate its importance (Rynes, Gerhart, & Minette, 2004). Nonetheless, when other factors increase in importance over time, monetary value tends to diminish (McLean, Smits, & Tanner, 1996). Various factors, including communication, career advancement, acknowledgment, incentivizing compensation, stability, and organizational environment, significantly influence work satisfaction (Secară, 2014). Pay is crucial in the workplace since it motivates individuals, impacts job satisfaction, and affects competitiveness in the labor market (Darmawan, 2021) (Rynes, Gerhart, & Minette, 2004) (McLean, Smits, & Tanner, 1996) (Secară, 2014) (Gishkayeva, Aziyeva, & Abubakarov, 2019).

Table 2. Job Preferences

Variable	**Rank**
Pay	1
Security	2
Working conditions	3

Company	4
Type of work	5
Hours	6
Benefits	7
Supervisor	8
Advancement	9
Co-workers	10

Source: Own calculations

Every company must ask and answer questions to foster a winning atmosphere in which people identify with the organization and its culture. In addition, Williams (2000, p. 13) raises numerous pertinent points, including, “Why would brilliant individuals desire to join a certain organization? What do they want in return from the organization? How do employees see the organization/company? How do they see workers at work? What is culture, and what are its values? However, it helps companies recruit the finest and most qualified applicants, put them in the proper places, nurture high engagement, boost employee productivity, retain top performers, build career pathways, and promote workers (Dhanabhakyam & Kokilambal, 2014).

According to Kim (2008), one of the essential concerns in the personnel process is, "What type of employees does the organization truly need?” “Is the organization looking for someone with specific knowledge, skills, and general competence?” "What do they consider as strengths and weaknesses?" A strong fit between a candidate and a position, which is a critical component in the total employment process, achieves a balance between organizational needs and individual qualifications in the recruiting and selection process (Kim, 2008). Salary plays a crucial role in influencing job satisfaction among employees. Research indicates that salary, along with factors like occupational health and safety, work satisfaction, and organizational commitment, significantly impacts job satisfaction levels (Syardiansah, Lubis, & Harahap, 2022) (Indrasari, Raditya, Haryati, & Yunus, 2018). Table 3 displays job preferences based on gender for a clearer understanding.

Table 3. Job Preferences based on gender

Gender	**Variable**	**Rank**
Female	Pay	1
	Benefits	2
	Security	3
	Type of work	4
	Company	5
	Working conditions	6
	Hours	7
	Supervisor	8
	Co-workers	9

	Advancement	10
Male	Pay	1
	Security	2
	Advancement	3
	Hours	4
	Working conditions	5
	Supervisor	6
	Co-workers	7
	Company	8
	Type of work	9
	Benefits	10

Source: Own calculations

Human resource management is the hardest part of any business since individuals have different requirements and habits that must be managed to help the company grow (Joseph B. O., 2015). Work results are mostly determined by comparing an individual's contribution and efforts against those of others (Robert & Angelo, 2007).

4. Conclusions

This article aimed to examine the primary job preferences of banking sector employees to ascertain the most esteemed elements of their work environment. To answer this question, data was reported from a dataset of 91 banking sector employees. It was revealed that the issue of job satisfaction is multimodal, implying that employees regard both internal and extrinsic job assessments as influencing their attitudes and eventual retention. Salary was shown to rank first among both male and female respondents, confirming its importance as a significant motivator and source of competition for any corporation. However, gender-based issues emerged as well, with female employees prioritizing perks and job stability while male employees were more concerned with growth prospects and work schedule flexibility.

As a result, these data show that one strategy cannot be applied to all examples of employee happiness. HR practitioners and organizational managers should embrace varied, gender-based approaches to HR that recognize the many diversities in employee beliefs and expectations. If these distinctions are taken into consideration, such employers must establish a work environment that is both inclusive and welcoming, therefore increasing engagement and minimizing turnover rates.

The current study also shows that non-monetary elements such as working environment, business image, and management conduct are still important predictors of job satisfaction. The interconnectedness of these several sets of criteria shows the necessity for a comprehensive strategy for employee well-being that balances monetary rewards with career growth, a richer workplace culture, and supportive leadership. As a result, the current study has managerial implications for HR practitioners in the banking industry who want to match organizational procedures with employee preferences. It supports frequent monitoring of employee requirements and adapting responses to motivation and satisfaction. Future studies should examine increasing the sample size and geographic scope for more generalizability, as well as undertaking longitudinal studies to capture the higher dynamics of work satisfaction over time.

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Dimensions of Circular Economy Implementation in Albanian Companies: An Empirical Study by Enterprise Size

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Abstract:

Albanian companies implement Circular Economy (CE) practices in their operations but the impact on their performance remains unknown. Researchers gathered information through a 32-question survey which participants used a Likert scale to rate their responses. The obtained data reached excellent reliability according to the analysis (Cronbach's Alpha = 0.971). The research analysis transformed the CE items into two main factors: Internal CE Practices and Circular Recovery & Impact which accounted for 75.32% of total variance. The statistical analysis through ANOVA and Tukey HSD tests proved that internal CE practices varied significantly between company sizes because micro and medium enterprises performed better than small businesses. However, no significant differences were found for Circular Recovery & Impact. According to the study, small businesses encounter more obstacles when they try to put CE strategies into effect. The research results present essential knowledge to policymakers and sustainability professionals who need to develop specific support programs for small companies that will boost CE implementation in Albanian business operations for sustainable growth.

Keywords: Circular Economy, Firm Size, Factor Analysis
Jel Code: Q56, L25, M14, O13, C38

1. Introduction

Countries worldwide are now pursuing circular economy (CE) implementation as their top development priority since the beginning of the past decade. While developed nations extensively implement circular economy principles by minimizing resource usage and enhancing recycling and reuse capabilities and waste elimination strategies, Albania and other emerging markets face restricted and unequal progress. The Albanian business environment consists mainly of numerous micro and small businesses that experience difficulties in implementing new sustainability practices because they lack financial resources and governmental rewards and institutional backing (Koteshwar.Ch, 2024).

Albania's circular economy remains a developing concept at present. The country's national strategies now include green growth and environmental sustainability yet companies have not yet fully implemented circular practices. Organizations in Albania show growing institutional recognition of the circular economy because of international partnerships and EU compatibility while there is still limited research about how Albanian companies implement CE principles (ASET). Research has not conducted systematic studies on how firm size affects the adoption of CE strategies despite international evidence showing that organizational structure and resources are vital for successful CE implementation. The Albanian circular economy remains in its infancy stage. Although national strategies now include green growth and environmental sustainability, companies in Albania have not yet fully implemented circular practices. The country's institutional awareness of CE continues to expand through international partnerships and EU policies while research about how Albanian companies understand and apply circular economy principles remains scarce (ASET). Few studies have systematically analyzed the impact of firm size on the adoption of CE strategies, despite evidence from other countries suggesting (Blasi et al., 2018).

The study investigates how circular economy practices between different-sized Albanian companies differ by examining micro, small and medium enterprises. The study examines CE implementation together with business performance through validated statistical analysis to generate recommendations for customized policies and business development programs. The economy of our country depends heavily on its small and medium-sized enterprises because they constitute 99.8 percent of all active businesses in Albania according to 2022 statistics. During the year 2022, SMEs employed 82.1 percent of Albania's workforce which increased from 81.6 percent in 2021. During the year 2022, SMEs generated 80.1 percent of the nation's total revenue which increased from 79.0 percent in 2021. The year 2022 saw SMEs invest 75.6 percent of total funds which increased from 76.4 percent in 2021. During 2022, SMEs generated 78.4 percent of the country's total value which increased from 76.1 percent in 2021. (INSTAT, 2022). By improving the financial performance of SMEs through circular economy practices, it can help improving the economic and environmental sustainability, helping to reduce the negative impact on the environment and make smarter use of natural resources (P. Lacy, 2016), (Prendi, Murrja, & Elezi, 2023)

Small businesses in the form of micro-enterprises constitute 93.2 percent of all companies while employing 36.9 percent of the workforce and producing 22.9 percent of the national value added. Small enterprises represent 5.4 percent of all businesses yet they provide employment for 21.4 percent of the workforce while producing 27.0 percent of the value added. The distribution includes medium enterprises that make up 1.2 percent of enterprises which employ 23.3 percent of workers and produce 26.2 percent of value added. (INSTAT, 2021)

The leading source of revenue for 85% of Albanian small and medium-sized enterprises (SMEs) comes from service-based activities while 39.2% operate in the commercial sector followed by 16.4% who focus on accommodation and food services mainly due to the expanding tourism sector. The industry sector provides jobs for 13% of SMEs through their work in manufacturing alongside mining and quarrying and construction operations according to data (INSTAT, 2023). Organic garbage comprised 58.1% of the total municipal waste produced in Albania during 2022 while plastic waste accounted for 9.2% and paper waste represented 8.9% (EEA, 2022).

The Association of Recyclers of Albania oversees the operation of 30 private recycling businesses which control the recycling procedures. The industry investment market value stands at approximately EUR 230 million. These businesses collectively process over 500 000 tons annually which exceeds the national recyclable waste generation. The businesses report that they operate at 25% capacity because of material shortages and therefore recycle only 10% of the total municipal waste stream according to the Ministry_of_Tourism_and_Environment 2020 report.

Aim:

To evaluate how Circular Economy (CE) practices are implemented in Albanian companies and assess their impact on business performance, with a focus on identifying differences based on company size.

Specific objective

To test the reliability of a CE-focused questionnaire using Cronbach's Alpha.

To identify the main components of CE practices through Exploratory Factor Analysis (EFA).

To examine how CE practices are implemented in micro, small, and medium-sized businesses.

To explore which dimensions of CE (internal practices vs. recovery and impact) show significant variation across firm sizes.

To provide recommendations for targeted support and policy strategies to enhance CE adoption, especially in small enterprises.

Research Questions:

RQ1: What are the underlying dimensions of CE practices implemented by companies?

RQ2: Do companies differ in the implementation of internal CE practices based on their size (micro, small, medium)?

RQ3: Are there statistically significant differences in circular recovery and business impact strategies among companies of different sizes?

2. Literature

The Circular Economy (CE) operates as a revolutionary business model that transforms linear supply chains into self-sustaining systems through optimized resource utilization, material recycling and waste reduction methods. (Konietzko.J et al., 2020) CE strategies include recycling and eco-design and circular supply chains which combine to lower environmental harm and boost economic value. Research papers have examined how Circular Economy practices affect organizational success. Through a systematic literature review (Nosková.M., 2024) discovered that CE practices lead to better financial and non-financial performance

indicators which can be evaluated through the Balanced Scorecard. The absence of a standard CE definition creates obstacles for the establishment of uniform performance metrics.
Vietnamese construction companies improve their financial results through corporate environmental (CE) practices which benefit from innovation when organizations reach a certain size. The study establishes that various organizational traits determine the outcomes of corporate environmental initiatives. The researchers highlighted the necessity of transforming traditional business approaches to implement CE principles. The authors recommend organizations to establish continuous strategic processes that connect their internal operations to circular economy objectives. Developing nations lack sufficient data on corporate environmental practices because scarce research exists about this topic specifically in Albania. The absence of research demonstrates a requirement to perform case studies which examine how CE implementation differs across

3. Methodology

The research conducted in this study analyzed the way 82 Albanian companies implemented Circular Economy (CE) practices through a quantitative survey. The researchers used a structured questionnaire with 32 items which participants rated on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Researchers split these items into distinct sections that evaluated how companies implemented internal CE practices and circular recovery strategies. The internal consistency of the questionnaire was assessed through the calculation of Cronbach's Alpha (α). This statistic measures how well a group of items performs at evaluating a single unidimensional latent construct. (Tavakol, 2011)

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where:
N = number of items
$\bar{c}$ = average inter-item covariance
$\bar{v}$ = average variance
In this study, **Cronbach's Alpha = 0.971**, indicating **excellent reliability** (Nunnally, 1994)
To uncover latent structures among the CE-related items, **Exploratory Factor Analysis (EFA)** using **Principal Component Analysis (PCA)** was conducted. EFA is useful for reducing a large set of variables into fewer interpretable factors (Hair.J et al., 2010).

ANOVA and Post Hoc Tests

To examine whether CE practices differed by **firm size** (micro, small, medium), a **one-way**

$$F = \frac{MS_{between}}{MS_{within}} = \frac{SS_{between}/df_{between}}{SS_{within}/df_{within}}$$

ANOVA was used.
Where:
SS = Sum of Squares

MS= Mean Square
df = degrees of freedom
If the **p-value < 0.05**, it indicates statistically significant differences.

4. Analyses

Cronbach's Alpha Result

This evaluation aims to measure the questionnaire reliability for assessing the implementation of Circular Economy (CE) practices and their impact on Albanian company performance. The questionnaire consists of 32 items which respondents evaluate through a 5-point Likert scale that ranges from "Strongly disagree" to "Strongly agree."

Table1: Reliability Statistics

Cronbach's Alpha	N of Items
.971	32

Source: Author calculation

The value of 0.971 for Cronbach's Alpha indicates an excellent level of internal consistency within the 32 items. The results show that all analyzed items demonstrate high mutual consistency in measuring the same basic concept which covers circular economy practices alongside their business operational consequences.

Factorial Analysis (EFA)

We conducted factor analysis to distill the ten Circular Economy items into relevant components which capture specific CE practice dimensions in organizations. Our objective involves revealing how these items naturally combine into groups that account for the differences between dataset elements. The 10-item list serves as the basis for factor analysis which aims to identify distinctive dimensions of Circular Economy practices within business organizations. Factor analysis enables researchers to detect patterns about how these items combine to explain the variation

Table2: Total Variance Explained

Component	% of Variance	Cumulative %
1	59.59%	59.59%
2	15.73%	75.32%

Source: Author calculation

The combination of Component 1 and Component 2 provides a high explanation of 75.32% for the total variance which represents a very strong predictive power. The two components (or latent factors) extract most of the information from the original 10 CE-related items.

Component 1 – Internal CE Operations (Production & Environmental Standards) The first component measures how companies apply circular economy principles in their daily production operations and their procurement processes and energy management and waste reduction practices. The component describes the following elements: This component includes:

- **The company regularly applies environmental criteria in purchasing and selecting suppliers** (.914)
- To cut down on the amount of energy, water, or raw materials used in the design and production of its goods, the corporation has set environmental standards. (.944)
- **The company regularly uses ingredients or raw materials in the production of its products that are biodegradable** (.706)
- **The ingredients or raw materials used in the production of products are reused, recycled or remanufactured** (.873)
- The business frequently recovers and utilizes trash using renewable energy (.662).
- **The company regularly uses several treatments (filtration, etc.) to expand the use of industrial resources such as oils, acids, lubricants, etc.** (.432)
- **Implementing CE practices for your company is very important** (.593)

Component 2 – Circular Recovery and Resource Extension

This factor groups practices related to **post-consumption recovery, circular business models, and extended resource use**, including job growth as a result of CE.

This component include:

- **The company regularly recovers products that its customers no longer use** (.833)
- **The company regularly sells industrial waste and materials that it no longer uses (chemicals, oils, packaging, plastics, etc.)** (.913)
- **After applying for CE, the company has increased the number of employees** (.712)
- **The company regularly uses several treatments (filtration, etc.) to expand the use of industrial resources such as oils, acids, lubricants, etc.** (.695)
- **The company regularly uses renewable energy for waste recovery and utilization** (.571)

Certain items such as renewable energy along with industrial treatments demonstrate moderate loading on both components which indicates their dual function in enhancing internal operations as well as supporting circular economy initiatives. The analysis confirms the existence of two factors in the model: Internal Sustainability Practices together with Circular Recovery & Business Impact. These components establish practical frameworks that businesses can use to assess and boost their Circular Economy implementation. The clear separation between operational efficiency (component 1) and post-use circularity/business benefits (component 2) aligns well with CE theory and can guide targeted

Group Comparison Analysis of Circular Economy Practices

Do companies of different categories significantly differ in their perceptions and implementation of Internal Circular Economy (CE) Practices and Circular Recovery & Impact strategies?

Table3: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
REGR factor score 1 for analysis 1	Between Groups	19.04	2	9.52	12.138	0
	Within Groups	61.96	79	0.784		
	Total	81	81			
REGR factor score 2 for analysis 1	Between Groups	5.383	2	2.691	2.812	0.066
	Within Groups	75.617	79	0.957		
	Total	81	81			

Source: Author calculation

The research shows that different groups show distinct perspectives and practices when using internal circular economy methods. A Post Hoc Test examines the specific groups that demonstrate differences. Research indicates that there exist some group variations in Circular Recovery and Resource Impact but statistical data fails to validate these differences as meaningful.

Post Hoc Test. To further explore the significant differences found in the ANOVA for **Factor 1: Internal CE Practices**, a **Tukey HSD post hoc test** was conducted. The analysis compares the mean scores of internal circular economy (CE) practices across companies of different sizes: **micro**, **small**, and **medium**.

Table4: Summary Table: Tukey HSD Results

Comparison	Mean Difference (I-J)	Sig.	Interpretation
Micro vs Small	0.905	0.003	Small businesses scored significantly lower than micro firms.
Micro vs Medium	-0.297	0.401	Not significant. No difference between micro and medium firms.

Small vs Medium	-1.202	<.001	Medium firms scored significantly higher than small firms.

Source: Author calculation

Micro enterprises reported significantly higher internal CE practices compared to small businesses. Medium-sized enterprises also scored significantly higher than small businesses. No statistically significant difference was found between micro and medium firms. These findings suggest that small companies may face more challenges in implementing internal CE practices compared to both micro and medium enterprises.

5. Conclusion

This study is aimed at gathering quantitative evidence about the use of the Circular Economy (CE) and people's attitude towards these practices for businesses in Albania, emphasizing the firm size as a likely moderator. The research instrument relied on a dependable scale (Cronbach's Alpha = .971) and pinpointed a two-dimensional structure comprising Internal CE Practices and Circular Recovery & Impact. The identified factors correspond to the core and after-use stages of circularity thus providing an extensive examination of CE involvement.

The results show that there are significant differences in the extent of environmental practices among different firm sizes. To be more specific, micro and medium-sized companies reveal greater commitment to sustainable procurement, product eco-design, renewable energy use and waste management inside the company than small ones. This trend reveals that although micro-enterprises might be able to leverage organizational agility and lower structural complexity, and medium-sized firms might benefit from resource endowments and institutional capacities that are relatively superior, small enterprises may face serious barriers in terms of financial, human, and technical resources, which prevent them from effectively implementing CE.

On the other hand, no statistically significant difference was found across firm sizes in the Circular Recovery & Impact dimension, with the marginal p-value of (.066) indicating the presence of a kind of consistency or a very limited extent of post-consumer circularity practices in the whole sample. This implies that while the activities of the internal CE may be definitely influenced by firm-specific capabilities, however, the external recovery such as the product take-back scheme, the reuse of waste materials, and the employment effect are still the core part of the shared problems in different organizational scales.

Moreover, this study's findings present that the role of organizational capacity, resource availability, and institutional support structures in the process of environmental innovation and CE adoption being either enablers or barriers are prominent and accord with the extant literature. That is why the results highlight the importance of the differentiated and size-sensitive policy interventions. Moreover, small enterprises may well be the main beneficiaries of the assistance that is directly targeted at overcoming adoption barriers for instance, through capacity-building programs, subsidies, technology transfer mechanisms, and getting access to the specialized consultancy services.

While this investigation contributes to the emerging body of knowledge on CE implementation in emerging economies, it also opens avenues for further inquiry. Future research should consider longitudinal designs to capture dynamic changes over time, sector-specific analyses to uncover industry-related variations, and qualitative case studies to gain deeper insights into the organizational drivers, managerial attitudes, and systemic obstacles influencing CE practices.

Overall, the empirical insights generated by this study offer a valuable evidence base for policymakers, economic development practitioners, and sustainability consultants aiming to design more nuanced, inclusive, and effective strategies to advance circular economy principles within Albania's evolving business landscape.

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The impact of psychological factors on the entrepreneurial activities

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Abstract

Based on psycho-social aspects of the workplace, industrialized nations' organizations give management significant attention. For this reason, in recent years, the public and private sectors of Albania are paying attention to consolidating and establishing a peaceful work environment, including motivating strategies, conflict management, stress in workplaces, and incentive programs in order to raise performance in the organization. Organizational behavior and working conditions present challenges for everyone involved in them as well. The aim of this study is to highlight the need for psycho-social elements as a means of improving performance and fostering a favorable working environment. Although entrepreneurs in Albania do not pay attention to good management, recently we have noticed that Albanian companies are at such a stage that they either have to self-qualify (which means the conversion of owners into managers), or entrust the management of their activity to professional individuals.
The simplest elements of management are thus applied in Albania. The achievements of an enterprise reflect all these operations, such as efficient use of human resources, non-optimal expenditure of different physical resources, pointless and useless consumption of the element in time, ineffective communication, all of which sum up to a term: a decrease in performance.

Keywords: organization, motivation, stress, conflict, incentive
JEL Codes: M12, M14, M54, O15, D23

1. Introduction

An individual is nothing without motivation since, without it, they would never be conscientious in society, at business, or anywhere else. Over time, leaders and managers have consistently struggled to inspire others to perform their jobs more effectively. Modern markets are quite competitive, hence any company, regardless of size, has difficulties keeping staff members. This is why a close relationship between the company and staff members is vital. A company's ability to reach its aims mostly depends on its human resources, or staff. Every organization and entity wants to be successful and to show long-term sustainable development. Few companies think that their staff members are the major assets capable of guiding the company toward long-term success.

Purpose of the Study

This paper aims to investigate the psycho-social elements influencing the organization's condition for development and hence raising satisfaction among workers.

The study's objectives

-To assess the elements that provide the greatest incentive for employees;
- To determine the value of reward systems inside the company.
- To investigate organizational conflict.
- To understand the importance of stress management.
- To establish a link between performance and reward practices.

Research Questions

• What is the impact of psycho-social factors in the organization?
• How is the relationship between work motivation and external needs, such as working conditions, payment/benefits for the work done, and interpersonal relationships, created?

Hypothesis

Because they affect employee motivation and organizational performance, psycho-social elements are rather significant for an organization.

2. Literature review

Inspired by the work of Perry and Wise (1990), who initially defined Public Service Motivation (PSM) as "an individual's predisposition to respond to motives grounded primarily or uniquely in public institutions and organizations," the theoretical basis for this study is based on. Later definitions of PSM by Brewer and Selden (1998) were "the motivating force that drives individuals to perform meaningful public service," while Rainey and Steinbauer (1999) suggested it is "a general altruistic motivation to serve the interests of a community of people, the state, the nation, or mankind."
According to Vandenabeele (2007), PSM is "beliefs, values, and attitudes that go beyond self-interest or organizational interest and relate to the interest of a larger political entity, motivating individuals to act accordingly wherever appropriate." Despite these differences, PSM studies usually center on the reasons behind the behavior of people who help others and want to change society (Perry & Hondeghem, 2008).
Perry and Wise (1990) first proposed PSM as related to three categories of motives: rational, normative, and affective. People who have logical reasons for public service are drawn to public service or public organizations either out of personal interest or in order to support public policies connected to that interest (Brewer et al., 2000; Bright, 2005). Those with normative motives are motivated to public service or public organizations for ethical grounds, such the chance to assist in efforts for social justice and the common good (Bright, 2005; Perry & Wise,

1990). People driven by emotions find public service or public organizations appealing for emotional reasons, including patriotism or a need to serve others. Bright, 2005; Perry & Wise, 1990.

In his research questions, Bright (2005), in a study of Public Service Motivation (PSM) among public employees, examined whether there is a relationship between PSM and certain demographic characteristics such as gender, age, and education level, and whether the type of desired job is linked to PSM levels. Individuals with high PSM are usually women, hold leadership positions, and are highly educated (Bright, 2005).

Human resources are the most important factor that brings a competitive advantage by contributing their knowledge and skills to the organization. This resource can be retained within the organization and optimally utilized through inspiration by applying various strategies. Among these strategies, reward is a key factor. The reward system encourages employees to give their maximum effort towards the corporate strategy. A compensation system helps improve organizational performance and also fulfills other objectives such as legal compliance, labor cost control, perceived fairness among employees, and improved employee performance to achieve high levels of productivity and customer satisfaction.

Castaing, S. (2006) argues that there should be an effective reward system to maintain high performance in the organization, and the reward should be connected to productivity. Reward management processes involve the design, implementation, and maintenance of reward systems aimed at improving organizational, team, and individual performance. On the other hand, performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). He further explained that this is a way to achieve better results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements.

The tools used to improve performance should include the reward system, job design, leadership, and training. These tools should be properly planned to enhance performance, resulting in the achievement of organizational goals. Performance management should be based on management by agreement or contract, not by command. It also emphasizes that administration should be designed to achieve both individual and organizational objectives. Therefore, the researcher aims to focus on the reward system as a tool to inspire employees to improve performance. Rewards are an ever-present and always debated feature of organizational life.

Kellough, E. K., & Selden, S. L. (1997) state that reward is an important part of the feedback cycle in performance management. Rewards can be broadly categorized into two groups: intrinsic rewards and extrinsic rewards. Extrinsic rewards are usually financial or tangible incentives. They are called extrinsic because they are external to the employee’s work, and the organization controls their size and whether they are granted. According to Kellough and Selden (1997), psychic rewards are intrinsic because they are self-generated.

Intrinsic rewards imply self-generated support that comes from within an individual and drives the person in a predetermined direction. Intrinsic rewards are related to work and include recognition, opportunities to use one's skills, interesting tasks, career advancement, challenging jobs and achievements, participation in decision-making, and development opportunities. Generally, organizations focus more on extrinsic rewards than intrinsic ones, but both are equally important for enhancing employee performance.

Little, R. A., & Rubin, D. B. (1987) defined intrinsic rewards as rewards within the job itself, such as satisfaction from the supervisor and autonomy, whereas extrinsic rewards are tangible incentives such as pay, bonuses, and promotions. External reward is a compensation that occurs outside the employee, whereas internal reward means something that is generated within the individual. When extrinsic and intrinsic rewards are used in the workplace to improve performance, extrinsic rewards encourage better performance, while intrinsic rewards promote the development of self-motivated individuals for higher performance.

3. Research Methodology

This study is descriptive in nature. It is characterized by a non-superficial approach to the subject matter and includes a series of practical analyses that are easily understandable to everyone. In this study, information was collected from various publications by authors. From a qualitative perspective, it can be said that a substantial and meaningful body of information was successfully gathered regarding this field of study.

Initially, the structure of the information needed for this study was designed, and then research was conducted using key terms such as organization, motivation, stress, conflict, and reward. Most of the information was obtained from publications, books, and various studies.

The purpose of designing the questionnaire was to discover how psycho-social factors affect the organization. Based on the nature of the information sought, the type of questionnaire was determined.

The questionnaire was constructed with a structure that included introductory questions, qualifying questions, guiding questions, and purpose-specific questions. It was composed of both closed and open-ended questions, including single-choice questions, Likert scale items, and multiple-choice questions.

The questionnaire was subjected to a preliminary test under real research conditions. It was distributed to employees of various organizations in Durrës. A total of 100 questionnaires were completed. Of these, 97% were usable, while the remaining 3% were considered invalid—2% were incomplete, and 1% contained contradictory answers.

The selection of respondents was done randomly, and the questionnaires were completed through direct contact with the participants.

The questionnaire was addressed to employees of the following institutions:

- Tax Directorate
- Durrës Municipality
- General Directorate of Railways
- Durrës Port Authority
- Delta
- Kastrati

- Edas Projekt

Limitations of the Study

This topic faced several obstacles and challenges, such as:

- The lack of national studies in this field, the absence of information sources on unresolved issues related to the standardization of statistical data on the impact of reward schemes as motivational strategies for public administration employees.
- Bureaucratic barriers in obtaining the necessary information from various institutions.
- Difficulty in obtaining complete and accurate information from the field during direct monitoring.
- The wide geographical scope of the study limited the possibility of direct information collection.

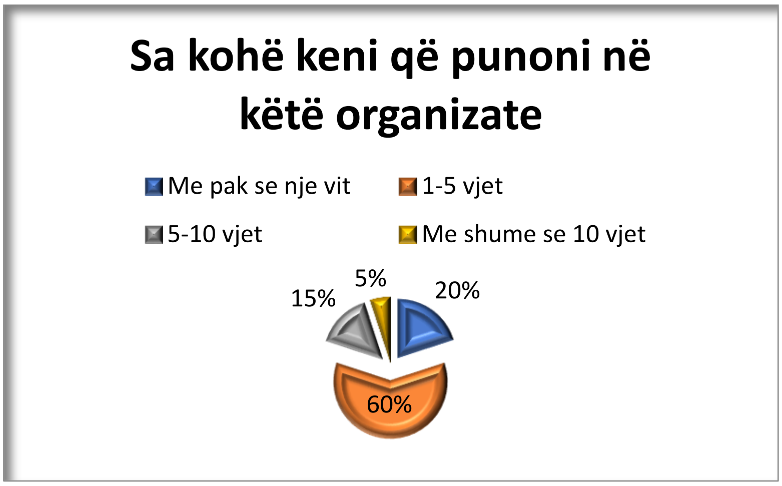
Contribution of the Study

Nowadays, it is clearly known that the level of employee motivation within organizations is low, and this highlights the great need to design major strategies for employee motivation, paying special attention to reward schemes. These reasons make this study highly relevant and of great interest in the present day, with the aim of suggesting successful strategies for motivating employees within organizations.

This study will serve as a contribution to employees, students, and also to the developers of motivational strategies within organizations. Furthermore, it will be a modest contribution to young researchers who wish to delve deeper into this field.

4. Analysis of the Results

Graph 1: Duration at a Workplace

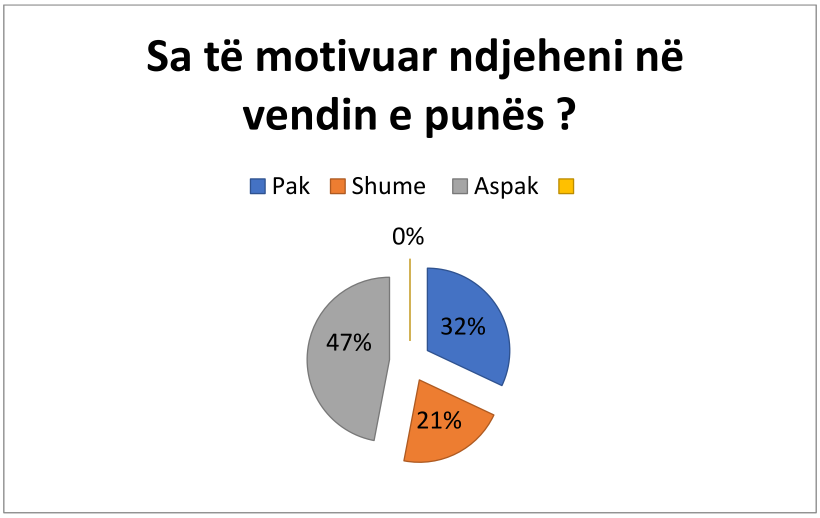


As we can see from the data in the above graph, 60% of the respondents stated that they have been working in the same organization for 1–5 years. Meanwhile, 20% of them reported having worked in the same organization for 5–10 years. From this data, we can conclude that employees tend to change jobs frequently. The respondents expressed that the main reason for leaving their job is political reasons.

Graph 2: How Satisfied Employees Are with Their Workplace

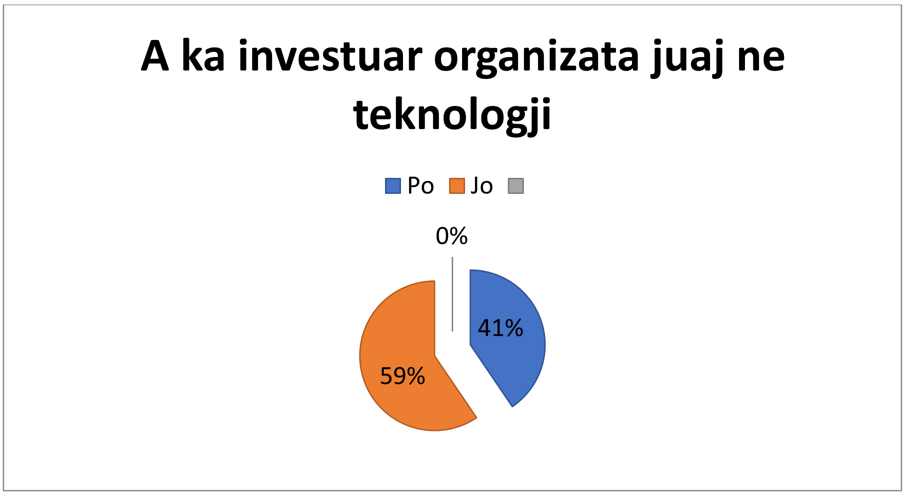
Around 70% of the respondents answered the question about satisfaction with the organization by stating that they feel dissatisfied. Only 10% of the respondents expressed that they are satisfied. Referring to this data, we can clearly see that employees have complaints regarding how they are treated. Therefore, managers should undertake strategies to improve this situation, as the majority of employees feel stressed and undervalued.

Graph 3: How Motivated Employees Feel in the Workplace



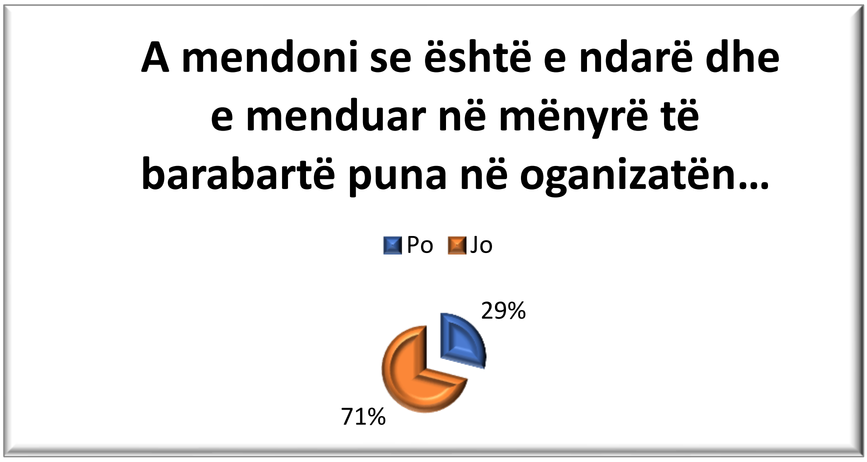
From the results of the respondents, we conclude that employees in organizations are demotivated, as 47% of the respondents stated that they are not motivated, 32% answered that they are slightly motivated, and the remaining 21% said they feel motivated. They expressed that they not only work during official working hours but also beyond them. Moreover, for the work done outside official hours, they receive neither financial incentives nor moral recognition.

Graph 4: How Much Organizations Invest in Technology



According to the results of the questionnaire, 59% of respondents stated that the organization they work for has invested in technology. The development of technology and market demands have made it necessary to adapt to this technological trend. Meanwhile, 41% responded that their organization has not recently made technological investments due to a lack of funding.

Graph 5: Equal Distribution of Work



Graph 5 reflects the questionnaire results regarding the equal distribution of work within an organization. According to the respondents' answers, around 71% believe that work is not distributed equally compared to other employees. This indicates disparities among them, creating an unfair and discriminatory environment. Most employees who report feeling inequality among colleagues have been involved in conflicts within the organization precisely for this reason.

Graph 6: Organizational Structure – Performance

Around 64% of the interviewees state that the organizational structure has an impact on improving performance. About 17% disagree that the structure of their organization affects performance. Approximately 19% are unsure whether the organizational structure influences performance, as they find it difficult to measure performance.

5. Conclusions and Recommendations

Leaders of Albanian organizations should develop a stronger sense of understanding toward the people who work for them, to comprehend their staff's feelings, needs, and expectations. A genuine concern for people and their well-being goes hand-in-hand with encouraging them to achieve good results.

Leaders of Albanian organizations should view performance management as a pathway to achieving the organization’s objectives, not just as an isolated process.

Leaders must understand that performance management is essentially a motivation system for employees and their supervisors, but at the same time, it serves as a control mechanism at all hierarchical levels—provided it is properly implemented and supported

Managerial selection should be handled with thorough understanding and maintained with great care and attention. This will not only significantly improve the work and performance of any organization but will also reduce resource demands—something that only a skilled and professional manager can achieve efficiently.

Through appropriate motivation, the goal is to reach increasingly ambitious objectives and maintain high morale among employees.

Performance evaluation is not a cost but an investment, which domestic companies targeting the Albanian market need to recognize.

It is important to emphasize that creating a successful performance-based reward strategy requires establishing a balance between pay management processes and procedures. It is essential to consider the internal structure of work and the contribution each employee makes through their work toward achieving the organization's objectives.
Another important aspect of rewarding is the compensation of managers, who play a vital role in achieving organizational goals, especially since their performance is measurable.

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Dynamics of Trade, Tourism, and Economic Activity: A Study of European Countries

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Abstract

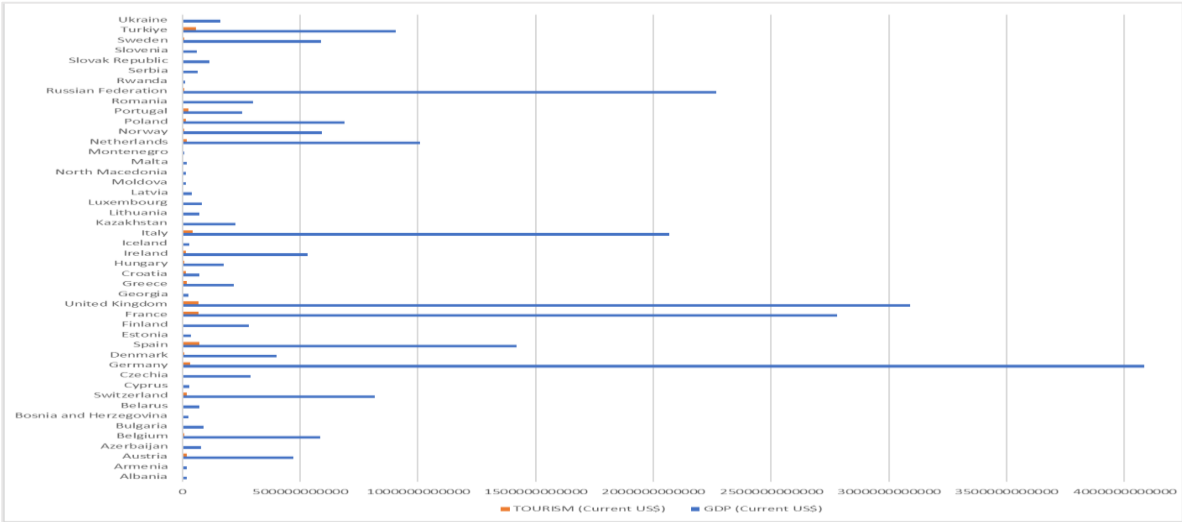
This paper analyzes the dynamics of trade, tourism, and economic activity, as well as the factors that contribute to the development of these dynamics in European countries. The study aims to investigate the relationship between tourism, economic activity, trade, and several other factors that influence trade and economic activity, such as capital and logistics. This implies that the model used represents a "system of relationships", and when the focus of the study is on modeling a complex causal system, the use of structural equation modeling is very valuable. For this reason, this study uses structural equation modeling. The data for the variables used in the study pertains to European countries and is organized in cross-section. In the conclusion, we will see that the development of tourism would stimulate the economic activity of countries. The paper also highlights the importance of initiatives to improve infrastructure and capital in countries as factors that positively impact trade by promoting the development of economic activity.

Keywords: Structural Equation Modeling, Tourism, Logistics, Trade, Economic Activity.
JEL Classifications: B49, F41, F43

1. Introduction

There have been many studies that have analyzed the relationship between economic growth and tourism. In 2020, a significant positive relationship between tourism development and economic growth was the main finding in a study including European countries. Increased tourism activity tends to contribute to higher GDP levels (Cavallo, A., & Galli, A., 2020). If we study the data on economic activity (GDP) and Tourism for European countries, we can observe that there is a positive relationship. Countries with high levels of tourism also tend to have high levels of GDP. Figure 1 presents the data for European countries regarding tourism and GDP for the year 2022.

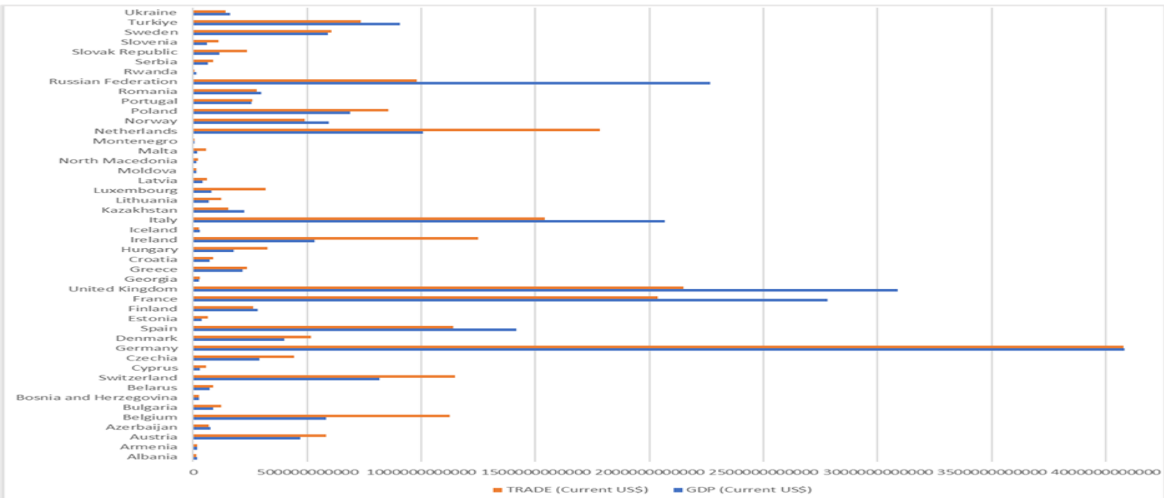
Figure 1: European Countries GDP and Tourism



Source: Author's processing, data from World Bank

Many other studies have examined the impact that Trade has on GDP. In the study "Does Trade Cause Growth?" by Jeffrey A. Frankel and David Romer (1999), the authors use cross-country data to examine the relationship between trade openness and economic growth. They found a strong, positive correlation between trade openness and economic growth. Even when observing the data on economic activity (GDP) and trade for European countries, a positive relationship can be seen. Figure 2 presents the data for European countries regarding Trade and GDP for the year 2022.

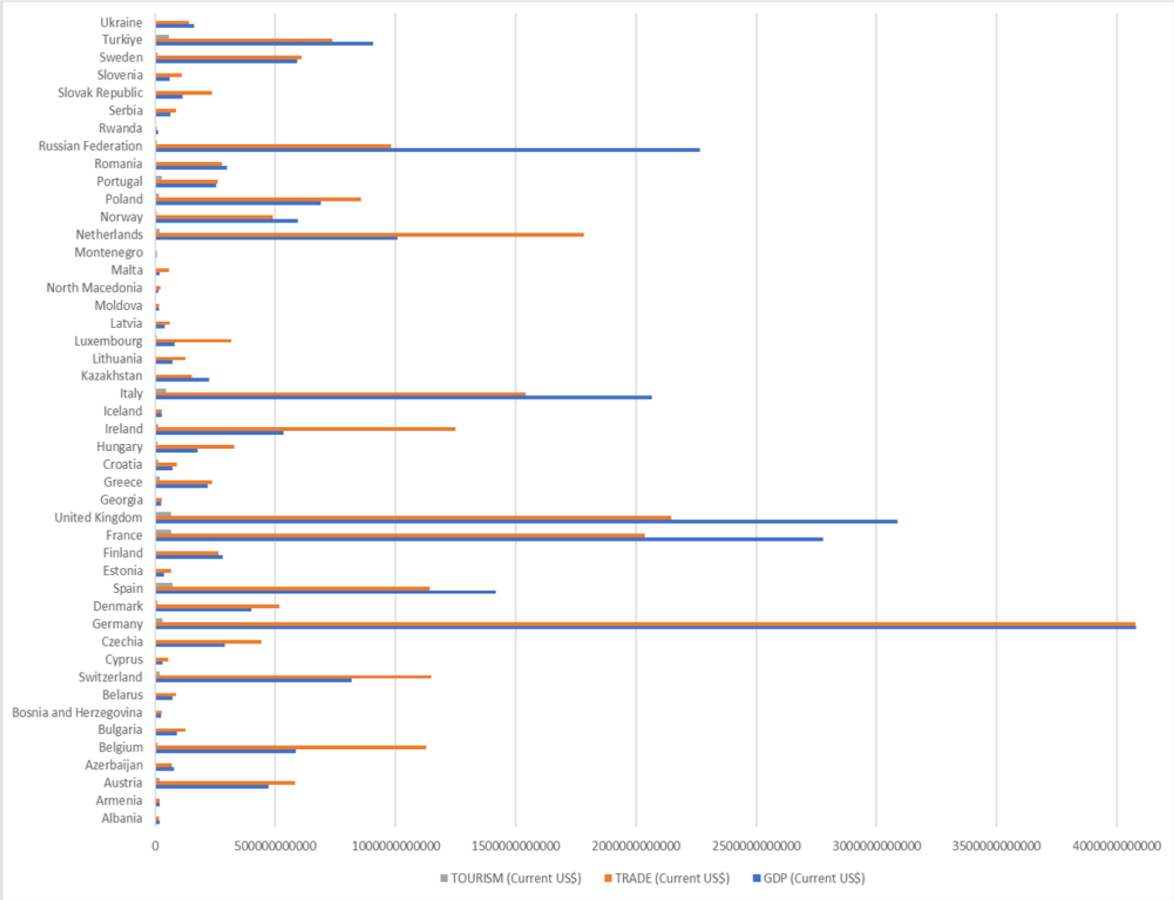
Figure 2: European Countries GDP and Trade



Source: Author's processing, data from World Bank

Measuring the effect that a country's Tourism and a country's Trade can have on GDP would be of great value for policy suggestions. Figure 3 summarizes the data of European countries for 2022 regarding Tourism, Trade, and GDP. As a conclusion, we investigate in this paper how Tourism, Trade and some of its factors, are linked to GDP.

Figure 3: European Countries European Countries GDP, Tourism and Trade



Source: Author's processing, data from World Bank

2. Methodology

The main objective of the study is to assess the impact of Tourism and Trade on (GDP). This study also aims to evaluate the impact of factors affecting a country's Trade, such as Gross Capital Formation and Logistics.

Thus, the purpose of this paper is to explore the complex relationships between Tourism, Trade, and its influencing factors - specifically Gross Capital Formation (GCF), and Logistics Performance, and how these elements collectively impact GDP in European countries.

As stated above, the interest of this study represents a "system of relationships", some independent variables and some dependent variables as well. When researchers aim to model a complex causal system with queries that qualify as a "system" of relationships, structural equation modeling (SEM) proves to be very useful. For this reason, SEM is used in this study.

Initially, the diagram of the structural equation is modeled according to the purposes of the study and the model is further evaluated and analyzed.
Data from forty-six European countries for 2022 were used for each of the six variables, organized in a cross-sectional. The countries under consideration are: Albania, Armenia, Austria, Azerbaijan, Belgium, Bulgaria, Bosnia and Herzegovina, Belarus, Switzerland, Cyprus, Czechia, Germany, Denmark, Spain, Estonia, Finland, France, United Kingdom, Georgia, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Kazakhstan, Lithuania, Luxembourg, Latvia, Moldova, North Macedonia, Malta, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Rwanda, Serbia, Slovak Republic, Slovenia, Sweden, Turkey, Ukraine. Data for countries with missing information were excluded.

Table 1: Sources of data used in the model

Definition	Variable	Measure	Source
Total Tourism Expenditure	Tourism	(Current US$)	UNWTO https://www.unwto.org/
Economic Activity	GDP	(Current US$)	The World Bank https://data.worldbank.org/
Exports and Imports	Trade	(Current US$)	The World Bank https://data.worldbank.org/
Gross Capital Formation	GCF	(Current US$)	The World Bank https://data.worldbank.org/
Logistics Performance Index	Logistics	Index	The World Bank https://lpi.worldbank.org/

Source: Author's illustrations

a. Model construction

After reviewing the supporting literature and describing all variables designed for use in the model, as well as the relationships between them, the general functional form of the model is presented, and the model is graphically constructed. The equation of the model is:

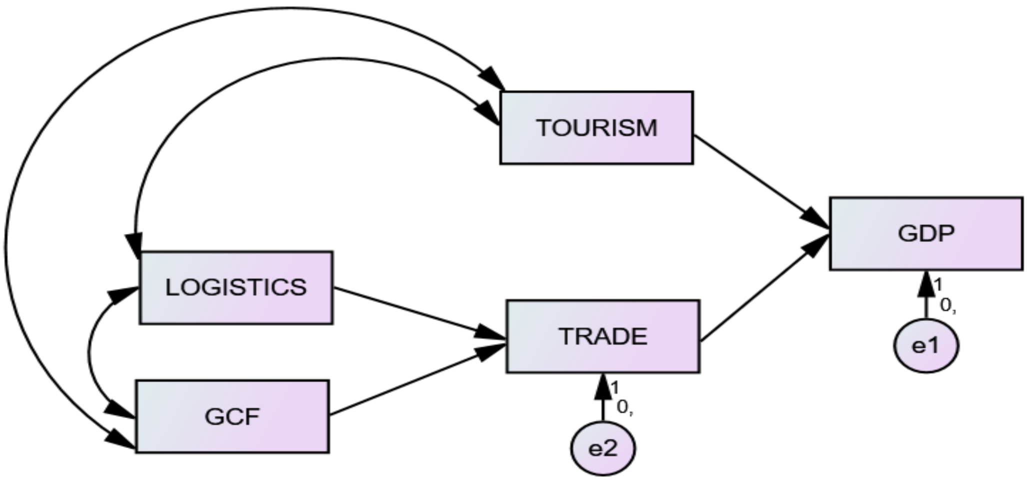
$$\mathrm{GDP_i}^{9} = \mathrm{f}\left\{\mathrm{Tourism}^{10}{}_{\mathrm{i}}\mathrm{Trade_i}^{11}\left[(\mathrm{GCF})_{\mathrm{i}}{}^{12}\,(\mathrm{Logistics_i})^{13}\right]\right\} \tag{1}$$

The model diagram is presented in Figure 4. This model will be analyzed, and after evaluating the relationships between variables, their significance, and the overall fit of the model, a decision will be made regarding its appropriateness or potential modifications. The structuring of the model (including the construction of the diagram and measurements) is carried out using AMOS software. In Figure 4, the variables are represented within boxes,

[9] GDP - Dependent variable of independent variables Trade and Tourism
[10] Tourism - Independent variable
[11] Trade - Dependent variable of independent variables Logistics and GCF
[12] GCF - Independent variable
[13] Logistics - Independent variable

totaling five variables. Single-headed arrows indicate causal relationships, pointing from independent variables to dependent variables. Double-headed arrows indicate covariances between variables. There are four one-way relationships that illustrate the effects of the independent variables on the dependent variables, as well as two error terms associated with the dependent variables. The model employs the variables described above, using cross-sectional data from 46 European countries for the year 2022.

Figure 4: Diagram of structural equation modeling



Source: Author's processing generated through AMOS software

b. Evaluation methods

Normality tests: Structural equation modeling requires data normalization. Data normalization was done with SPSS software.

Model Fit: Once the model structure is built, it is essential to assess the Model Fit. It refers to how well a proposed model represents the data collected. This section covers the most widely reported fit indices, as below:

Fit	**Indices**	**Acceptable value of fit**
Absolute model fit	Chi-Square χ^2; DF; p-value Indicates whether there is a significant difference between the observation and the expectation	Not too great and not too far from DF, p-value > 0.05
	RMSEA - Root Mean Square Error of Approximation	< 0.08 (Kumar, 2015)

	GFI - Goodness of Fit Index	>0.9 (Byrne, 1994)
Incremental model fit	AGFI- Adjusted Goodness of Fit	>0.9 (Byrne, 1994)
	CFI - Comparative Fit Index	>0.9 (Byrne, 1994)
	NFI - Normed Fit Index	>0.9 (Byrne, 1994)
	TLI - Tucker Lewis Index	>0.9 (Byrne, 1994)
Parsimonious model fit	χ^2/DF - Chi-Square/Degree of freedom	<5 (Schumacher & Lomax, 2004)

In Structural Equation Modeling (SEM), there is no strict rule for how many fit indices need to be met for a model to be considered a good fit. When the model does not fit well but the values from the fit indices are close to those required for acceptance, modification indices can be used. The model may need to be modified to improve its fit, and the modification indices indicate potential changes that can be made. In AMOS, modification indices are concerned with adding additional covariances within a construct's indicators or relationship paths between constructs (Collier, 2020).

3. Analysis of results

a. Key Model Results for 2022 Data

Model Fit

To assess the model fit, eight indices are analyzed. The first column of Table 3 presents the eight indicators evaluated for model fit. The second column shows the acceptable values for each indicator for the model to be considered fit. The third and fourth columns present the results: the resulting value of each indicator and the conclusion regarding whether each indicator indicates fitness or unfitness.

Table 2: Model Fit Indices

Indices	Acceptable value of fit	Result value	Conclusion
Chi-Square χ^2; DF; p-value	Not too great and not too far from DF, p-value > 0.05	76.652; 3; .000	Unfit
RMSEA	< 0.08	.739	Unfit
GFI	>0.9	.375	Unfit
AGFI	>0.9	.818	Unfit
CFI	>0.9	.815	Unfit
NFI	>0.9	.812	Unfit
TLI	>0.9	.384	Unfit

χ^2/DF	<5	25.551	Unfit

Source: Author's processing generated through AMOS software

The results indicate that the model is not fit; however, the resulting values of the indicators are close to the threshold for acceptance. We can consult the modification indices, which indicate the parameters that should be added to the model to improve its fit. Table 3 presents the data suggested by the modification indices, illustrating the correlations that can be assessed between variables or between variables and error terms.

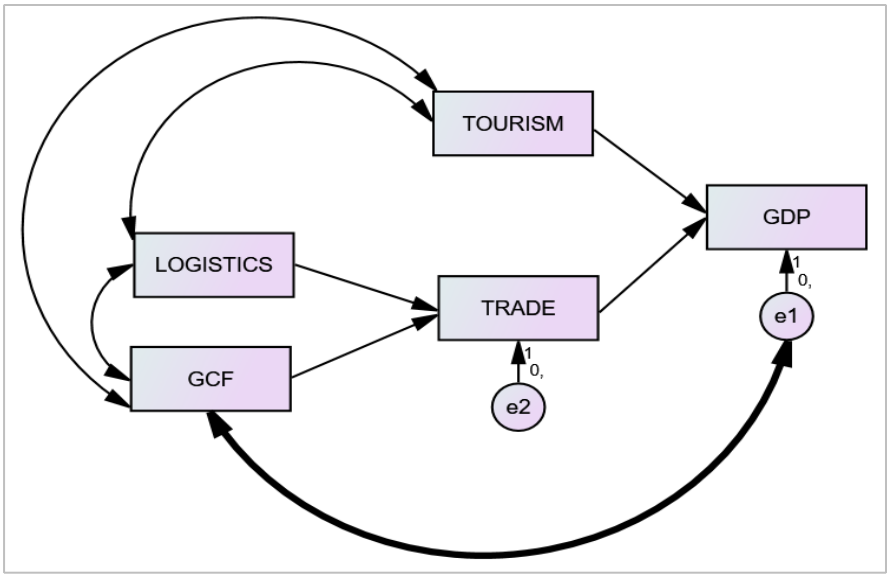
Table 3: Modification Indices

	M.I.	Par Change
e1 <--> GCF	11.644	.192
e1 <--> e2	17.436	-.099

Source: AMOS software

The suggested correlations include the addition of the covariances e1- GCF. Once this covariance is added to the model (as shown in Figure 5), the model fit is retested.

Figure 5: Diagram of structural equation modeling, covariance e1-GCF is added



Source: Author's processing generated through AMOS software

The results are presented in Table 4. Notably, the eight indicators indicate fit. This means there are no significant differences between the observed and expected values, allowing us to proceed with the other estimates.

Table 4: Model Fit Indices, after covariance e1-GCF is added

Indices	Acceptable value of fit	Result value	Result
Chi-Square χ^2; DF; p-value	Not too great and not too far from DF, p-value > 0.05	18; 2; .712	Fit
RMSEA	< 0.08	.000	Fit
GFI	>0.9	.992	Fit
AGFI	>0.9	1.003	Fit
CFI	>0.9	1.000	Fit
NFI	>0.9	.998	Fit
TLI	>0.9	1.017	Fit
χ^2/DF	<5	.340	Fit

Source: Author's processing generated through AMOS software

Regression Weights

In this section, the regression weights will be estimated. This analysis helps determine whether the independent variables explain the dependent variable and their significance in explaining the dependent variable. Table 5 presents the results. All independent variables are found to be explanatory and important for their respective dependent variables, as their p-values are less than 0.05.

Table 5: Regression Weights Estimates

			Estimate	S.E.	C.R.	P	Label
TRADE	<---	GCF	.839	.043	19.598	***	par_3
TRADE	<---	LOGISTICS	1.411	.452	3.120	.002	par_4
GDP	<---	TRADE	.271	.066	4.082	***	par_1
GDP	<---	TOURISM	.741	.102	7.265	***	par_2

Source: Author's processing generated through AMOS software

Squared Multiple Correlations

The squared multiple correlation is a measure of how well a given variable can be predicted by a set of other variables. The multiple correlation coefficient is used to assess the quality of prediction of the dependent variable based on the independent variables. It can also be interpreted as the percentage of variance in the dependent variable explained by the independent variables (Abdi, 2007). A high value of the multiple correlation coefficient indicates better predictability. This paper's model includes two dependent variables: GDP and Trade, for which the multiple correlation coefficients will be estimated. From the results of this test, we will assess whether:

- GDP is well explained by Trade and Tourism.
- Trade is well explained by GCF and Logistics.
-

Table 6: The estimates of Squared Multiple Correlations

	Estimate
TRADE	.940
GDP	.802

Source: Author's processing generated through AMOS software

The multiple correlation coefficient for GDP is 0.802, suggesting that Tourism and Trade explain GDP quite effectively, with 80.2 percent of the variance in the GDP variable accounted for by these two factors.

For Trade, the multiple correlation coefficient is 0.940, meaning that 94 percent of the variance in Trade is explained by GCF and Logistics in this model.

4. Conclusion

The study concludes that both tourism and trade significantly contribute to the economic activity of European countries, as evidenced by the strong positive relationships observed between these factors and GDP. Specifically, it was found that tourism expenditures and trade activities are important predictors of GDP.

The analysis indicates that gross capital formation (GCF) and logistics performance are critical factors influencing trade. The results demonstrate that these variables explain a substantial portion of the variance in trade, highlighting their role in enhancing economic activity.

The regression analyses showed that all independent variables (tourism, trade, GCF, and logistics) were statistically significant in explaining their respective dependent variables, reinforcing the importance of these factors in economic modeling.

The findings suggest that initiatives aimed at improving infrastructure and capital investment in countries can positively impact trade and tourism, subsequently stimulating economic growth. Policymakers should consider these factors when designing strategies to boost economic activity.

Appendix

Data 2022

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The Effect of Labor Shortages on Performance Management Systems in the Albanian Labor Market

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Abstract

The labor shortage in Albania is quickly emerging as a significant challenge for the workforce. The substantial emigration of Albanians seeking opportunities in developed European countries has exacerbated this issue. Factors such as low wages, a lack of motivation, and various structural deficiencies within the labor market have also contributed to the growing crisis. Companies are not only struggling to attract new talent but also face the considerable challenge of retaining their existing employees. A robust performance management system is crucial for cultivating employee loyalty and satisfaction. However, many of these systems currently lack effectiveness and flexibility, leading to increased dissatisfaction among staff. This paper aims to explore the intricacies of the labor shortage and its significant impact on performance management systems. By gathering data through questionnaires and interviews across various sectors, we will employ qualitative analyses to uncover meaningful insights. Our research suggests that companies facing labor shortages experience enhanced efficiency and adaptability in their performance management systems, enabling them to respond more quickly to the constantly evolving market conditions. This adaptability is not only beneficial but essential for thriving in today's economic environment. Furthermore, throughout this paper, artificial intelligence techniques were carefully applied to systematically organize the overall structure and refine the relevant methodologies, ensuring clarity and coherence in the presentation of ideas.

Key words: labor shortage, performance management system, labor market, human resource management.
JEL classification: J2, J3, J4

1. Introduction

Labor shortages in Albania have increasingly become a critical concern, exacerbated by high emigration rates and insufficient workforce development strategies. According to the National Institute of Statistics (INSTAT) data from 2023, over 1.4 million Albanians have emigrated since the 1990s, with a pronounced trend among young individuals and skilled professionals seeking improved opportunities abroad. This ongoing pattern has significant ramifications for local businesses, which face the challenge of a diminishing labor pool. In response to the evolving labor market conditions, numerous Albanian companies are making modifications to their Human Resources practices to address persistent staffing shortages. This includes implementing flexible working arrangements, such as telecommuting options and adaptable hours, that align with the changing preferences of the workforce. Moreover, organizations are critically reassessing their performance management systems to ensure they are congruent with current workforce expectations. However, it is essential to note that these adaptations have often been reactive, which may undermine the efficacy of existing performance management frameworks. The substantial employee turnover, primarily driven by ongoing emigration, poses significant obstacles to businesses, resulting in diminished productivity and escalating operational costs. Consequently, companies are experiencing heightened difficulty in maintaining robust performance standards and profitability within this challenging labor market context. To alleviate these difficulties, a growing number of Albanian enterprises are exploring the hiring of foreign workers, particularly for positions that require lower skill levels and are difficult to fill locally. While this strategy may offer immediate relief, it raises critical questions regarding the sustainability of reliance on external labor sources and the potential implications for workforce integration and organizational culture. Furthermore, the establishment of comprehensive employee development policies is indicative of an organization's commitment to enhancing the skills and competencies of its workforce. Such initiatives not only aim to maximize employee contributions but also provide opportunities for personal and professional advancement, as highlighted by Armstrong (2010).

Additionally, motivation is recognized as a pivotal factor influencing performance (Boekaerts, 2007), particularly during periods of rising absenteeism. In such instances, targeted incentive policies may be essential in sustaining employee engagement and productivity. Given the complexities inherent in the current labor market landscape, companies must formulate and enact robust policies that encompass key areas such as staff training and development, competitive salary adjustments, enhancements to working conditions, and the design of flexible job roles. Therefore, this study will focus on three primary areas: (a) the implications of labor shortages for business operations and long-term growth, (b) the impact of these shortages on employee performance, and (c) the strategic measures necessary for effectively managing the challenges associated with labor shortages in the Albanian context.

2. Literature Review

Performance management is a continuous process of identifying, measuring, and developing the performance of employees and teams, ensuring that performance is aligned with the organization's strategic goals (Aguinis et al., 2012). Performance management systems can be utilized in various ways, including supporting decisions about salaries, determining compensation amounts, promoting employees, facilitating employee development, and implementing workforce reductions (Elaine, 2004). Through these systems, we can manage employees effectively and create a business advantage. Businesses can create a competitive advantage by focusing on the results of financial performance based on the internal, valuable, and inimitable resources of the organization (Becker & Huselid, 2006). Furthermore, Performance Management systems are structured approaches used by organizations to evaluate and improve employee performance. They typically include goal setting, ongoing feedback, performance appraisals, and development plans (Aguinis, 2019). Performance Management Systems aim to align individual performance with organizational objectives and are essential for employee motivation, accountability, and career development.

Labor market problems are defined as a persistent imbalance between supply and demand, where the number of workers required exceeds the number available and willing to work at the prevailing wages and conditions in a specific location and time (Barnow et al., 2013). Labor shortages have increasingly become a concern in both developed and developing economies. The International Labor Organization (ILO, 2022) notes that factors contributing to labor shortages include demographic changes, migration patterns, mismatches between skills and labor market demand, and evolving labor market expectations. Countries in Central and Eastern Europe, including Albania, have seen significant labor outflows due to emigration, particularly among young and skilled workers (World Bank, 2020). This trend has resulted in a shortage of candidates available to fill key positions, particularly in sectors such as construction, tourism, and information technology (IT). Research indicates that low wages, limited opportunities for professional development, and inadequate workforce protections contribute to both labor shortages and high emigration rates (ETF, 2021), which in turn have profound implications for workforce stability and the overall quality of human capital. In dynamic labor markets, Performance Management Systems (PMS) play a vital role in ensuring that the remaining employees remain productive and engaged, particularly when organizations face staff shortages. Armstrong and Taylor (2020) emphasize that effective performance management is even more crucial when external labor market pressures threaten an organization's efficiency and effectiveness. When unable to find new employees, organizations may shift their focus from rigorous performance appraisals to employee retention and engagement. Cappelli (2015) suggests that in times of labor scarcity, employers may lower hiring standards, relax performance expectations, or increase investment in training to retain less skilled staff. Additionally, research from the Society for Human Resource Management (SHRM, 2021) suggests that workforce shortages frequently result in increased workloads for existing employees. This situation can result in fatigue, lower morale, and decreased performance—issues that Performance Management Systems must address to improve overall effectiveness. Employers can adjust performance metrics to reflect the challenges faced by overworked or understaffed teams.

3. Research Methodology

This paper used a qualitative research design to explore the impact of the workforce on the performance management system. The study employed a combination of content analysis and the Multiple Perspectives Approach (MPA) to gain a comprehensive understanding of the impact and performance of businesses in Albania in the context of workforce shortages. The research focused on descriptive aspects of the role of workforce shortages on the performance management system. A critical approach was adopted to identify the challenges and barriers encountered in the Albanian context.

4. Discussion

According to the 2023 Census (Instat, 2023), the population decreased by 14.8% since 2011, and the average age increased by 7.5 years. These bring significant and urgent challenges for the regeneration of the workforce. It turns out that workforce shortages are significantly disrupting performance management systems in various sectors in Albania. Businesses under pressure from labor shortages are increasingly adapting their appraisal practices, sacrificing performance standards and shifting their focus towards employee retention rather than optimization. According to authors Armstrong & Taylor (2020), who make a similar observation, they argue that in labor-scarce markets, organizations tend to prioritize workforce stability over performance optimization. Based on the observations made, many organizations have relaxed their evaluation standards and are more focused on employee retention. Moreover, the excessive reliance on informal employment and foreign labor as short-term solutions reflects a reactive rather than a strategic approach to Human Resource Management. Businesses in Albania are increasingly hiring employees from Asian countries, which creates new challenges for staff management. It requires new management systems that take into account cultural and linguistic differences, and further complicates the assessment and professional development of these employees. On the other hand, the new system for managing employee performance must be harmonized and integrated with the current system. In general, these adjustments can alleviate the shortcomings of the performance management system, but they create problems with sustainability and long-term productivity. The increase in wages and bonuses for some professions, combined with an unfair wage structure, has created unexpected challenges. To attract employees, companies are increasing salaries, causing reward and bonus systems to become out of balance or poorly related to employees' actual performance. This has resulted from the shortage of employees and the pressures companies face to retain their current employees and attract new ones. Often, employees with fewer qualifications receive the same salaries as more qualified professionals. This trend has led to a demotivated professional workforce, making it difficult for the performance management system to maintain fairness and merit-based advancement. On the other hand, companies are facing difficulties in retaining qualified staff, and as a result, more employees are likely to leave, making it challenging to implement long-term performance measurement systems. Among the sectors most affected are the tourism sector, which is experiencing rapid growth, as well as the construction and manufacturing sectors.

The observations revealed that many businesses have implemented initiatives, including training and flexible schedules, for certain professions to address performance issues. However, the results show that these initiatives often prove to be a short-term solution. Significantly few companies have developed strategic plans to nurture employees, especially talented ones, that align with the business's long-term objectives. Furthermore, the recruitment of foreign workers, although increasing, often lacks integration plans, such as onboarding or culturally appropriate performance management. This can further hamper performance appraisals and team cohesion. However, this reflects broader institutional weaknesses in the Albanian work ecosystem, including the lack of national frameworks for workforce planning, inadequate investment in vocational education, and weak collaboration between industry and academia. Without workforce stability, performance appraisals risk becoming superficial or irrelevant.

5. Conclusion

Albania is currently confronting significant labor shortages, particularly in key sectors such as tourism, construction, manufacturing, and agriculture. Consequently, many companies in Albania are turning to the hiring of foreign workers to fill the gaps left by the local workforce. High youth emigration rates and a disconnect between existing skills and the job requirements available primarily drive this trend. The scarcity of qualified labor has led to rising salaries for low-skilled positions; in fact, many professions have experienced a dramatic increase in salaries over the past five years due to this employee shortfall. This situation presents considerable challenges for managing performance systems and highlights issues that may threaten long-term sustainability. The ongoing labor shortage in Albania is significantly influencing performance management systems across various sectors. Effectively addressing these challenges requires a comprehensive approach that includes investing in education and training, embracing new technologies, and improving working conditions. By adopting these strategies, Albania can better align its performance management systems with the evolving needs of the labor market.

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Exploring Financial Capability as a Function of Financial Knowledge and Financial Behaviour: A Comprehensive Analysis

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Abstract

This study explores how financial knowledge and financial behaviour influence individuals' financial capability. Data for this research were collected using a self-administered questionnaire through an individual-level survey conducted in Albania. The hypothesised relationships in this study were examined using the Partial Least Squares Structural Equation Modelling (PLS-SEM) approach. The results indicate that financial behaviour is the primary driver of financial capability, followed by financial knowledge. This study provides critical insights for policymakers, highlighting effective strategies for enhancing financial capability, such as prioritising behavioural interventions and integrating financial knowledge programs into public policy frameworks.

Keywords: financial capability, financial behaviour, financial knowledge
JEL classification: G40, G50, G51,

1. Introduction

Financial capability (FC) has emerged as a critical priority for policymakers in both high-income and developing economies, increasingly recognised as a key driver of financial stability, inclusion, and the effective functioning of financial markets (World Bank, 2013). It is commonly defined as "a consumer's ability to apply financial knowledge and adopt positive financial behaviours to achieve financial well-being" (Xiao et al., 2014). As such, financial capability now occupies a central role in public policy agendas and practical financial literacy initiatives.

This growing prominence is mirrored by a notable increase in academic research and policy interventions aimed at enhancing individuals' financial capability (Birkenmaier et al., 2019). For example, countries such as the United Kingdom have taken the lead in formulating comprehensive national strategies that not only address key financial challenges but also set specific, measurable goals for targeted populations and regions (Bagwell et al., 2014). These developments highlight the global consensus on financial capability as a foundational element for fostering economic resilience and promoting individual financial well-being.

The primary objective of this research is to examine the influence of financial knowledge (FK) and financial behaviour (FB) on individuals' financial capability, with a particular focus on the Albanian context. Using the Partial Least Squares Structural Equation Modelling (PLS-SEM) approach, the study evaluates the relative contribution of financial knowledge and behaviour in shaping financial capability. In doing so, it offers practical policy recommendations—most notably, the need to prioritise behavioural interventions and to integrate financial education programmes within public policy frameworks as a means of enhancing financial capability.
This research contributes to the existing literature by offering new insights into the relatively underexplored dynamics of financial capability in emerging economies. Furthermore, it underscores the pivotal role of behavioural factors in promoting financial well-being and informing evidence-based policymaking.

2. Literature review

According to Atkinson et al. (2007), the financial capability model has been widely studied and is closely linked to individuals' financial behaviour, attitudes, and knowledge. The researchers identified three key components within the model. The first is making ends meet, which involves effectively managing personal financial resources. Individuals with strong financial knowledge and skills are better equipped to allocate resources wisely and work towards their financial goals. The second component, keeping track, refers to the careful monitoring and planning of daily expenses to avoid overspending and maintain financial stability. Lastly, planning emphasises the importance of a future-oriented approach to financial management, enabling individuals to prepare for upcoming needs and navigate potential financial uncertainties.
Personal financial behaviour is a complex and multifaceted concept encompassing a wide range of money-related activities. According to Xiao and Tao (2021), it involves the planning, implementation, and evaluation of various aspects of personal finance, including cash flow, savings, credit, investments, insurance, retirement, estate planning, and income management. Similarly, (Bhushan & Medury, 2014) emphasised that financial behaviour comprises all actions related to financial decision-making and money management, reflecting its complexity through the inclusion of every monetary activity undertaken by individuals or economic agents. These perspectives collectively highlight the comprehensive nature of financial behaviour, integrating diverse financial decisions and activities within both personal and broader economic contexts. Moreover, financial behaviour plays a pivotal role in shaping an individual's financial capability and overall financial competence ((Shkvarchuk & Slav'yuk, 2019; Xiao et al., 2014). Based on this literature, the following hypothesis is proposed:

H1: Financial behaviour has a positive effect on financial capability
Financial knowledge, defined as a fundamental understanding of financial concepts (Huston, 2010), plays a significant role in shaping an individual's economic stability and long-term financial outlook (Marianne A. Hilgert et al., 2003). Research has consistently demonstrated a strong relationship between financial knowledge and an individual's financial capability (Cera

et al., 2021)highlighting the importance of financial literacy in enabling effective money management and decision-making.

According to Lusardi and Mitchell (2014), individuals must possess a clear understanding of financial markets and systems to develop financial capability. Research has established a link between practical knowledge of financial concepts and the attitudes and behaviours that promote sound financial decision-making (Shi et al., 2024). Over time, this actionable understanding can contribute to a greater level of financial capability, enabling individuals to manage their finances more effectively and achieve long-term financial stability (Batty et al., 2015). Based on this body of literature, the following hypothesis is proposed:

H2: Financial knowledge has a positive effect on financial capability

The conceptual framework provides a clear and detailed representation of the proposed hypotheses

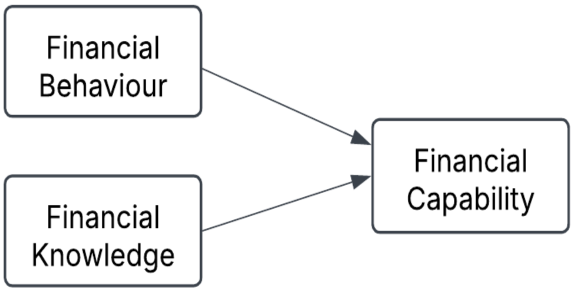

Figure 1. Conceptual framework

3. Methodology

This study explores the relationships between three key variables: financial knowledge, financial behaviour, and financial capability. Data were collected using an online questionnaire distributed through digital platforms, including WhatsApp, Facebook, and email. The survey employed a 5-point Likert scale, with response options ranging from "strongly disagree" to "strongly agree." A total of 100 responses were analysed in this research.

To analyse these relationships, partial least squares structural equation modelling was employed, utilising a two-stage analytical approach. The first stage involves assessing the measurement model by calculating key metrics such as outer loadings, composite reliability (CR), and average variance extracted (AVE) to ensure the validity and reliability of the constructs (Hair et al., 2019).The second stage evaluates the structural model, focusing on the hypothesised relationships. Path coefficients were tested using the bootstrapping method with 5,000 subsamples for robust results, while the coefficient of determination (R^2) was used to assess the explanatory power of the model (Shmueli et al., 2019).The analysis was conducted using SmartPLS version 3.3.2.

4. Results

As shown in Table 1, the sample comprises 42.2% men and 57.8% women. The largest age group includes respondents under 25 years old, accounting for 37.3% of the total. Regarding education, 66% have a university degree, making them the majority. Furthermore, the sample is largely urban, with 81.3% living in urban areas, while only 18.7% reside in rural regions.

Table 1. The demographics of the respondents.

Category	Subcategory	Percentage
Gender	Male Female	42.2 57.8
Age	Younger than 25 years old 26- 35 36-45 46-55 Over 55 years	37.3 9.2 20.3 32.7 0.5
Education	High school University	34 66
Zone	Urban Rural	81.3 18.7

Table 2 presents the values of composite reliability, average variance extracted, and outer loadings. The outer loadings for all constructs exceed the minimum threshold of 0.7, as recommended by Hair et al. (2019). Additionally, all composite reliability values are significantly above the benchmark of 0.7 (Henseler et al., 2009). Furthermore, the AVE values for all constructs surpass the required threshold of 0.5, providing further evidence of convergent validity.

Table 2. Measurement model

Constructs and indicators	Outer loadings	CR	AVE
Financial knowledge (FK)		0.829	0.626
FK1	0.824		
FK2	0.882		
FK3	0.813		
Financial behaviour		0.924	0.811
FB1	0.864		

FB2	0.925		
FB3	0.913		
Financial Capability (FC)		0.826	0.822
FC1	0.892		
FC2	0.911		

Financial capability demonstrated an R^2 value of 0.31, suggesting that 31% of its variability is accounted for by financial knowledge and financial behaviour.
The results support (Table 3) the proposed hypotheses, indicating that financial behaviour has a significant positive impact on financial capability ($\beta=0.191$, $p<0.01$), thereby confirming hypothesis 1 (H1). Additionally, financial knowledge also demonstrated a significant and positive influence on financial capability ($\beta=0.151$, $p<0.01$), providing support for hypothesis 2 (H2) as well.

Table 3. Hypothesis testing.

Hypothesis	Path coefficients	P-Values
FB → FC	0.191	0.001
FK → FC	0.151	0.008

5. Discussion

The findings of this study underscore the critical role that financial behaviour plays in determining financial capability, with financial knowledge exerting a secondary yet meaningful influence. These results align with emerging literature that suggests knowledge alone is insufficient without the application of learned skills and consistent behavioural engagement (Al Rahahleh, 2023; Cera et al., 2021). In the Albanian context, where formal financial education initiatives are limited, the stronger impact of behaviour highlights the importance of practical experience and daily financial decision-making patterns over theoretical knowledge.
This suggests that individuals who actively manage their finances, budget regularly, and exercise self-control in spending are more likely to develop stronger financial capability, even in the absence of advanced financial literacy. Moreover, the significant yet lesser role of financial knowledge implies that while knowledge enhances capability, it must be coupled with appropriate behavioural patterns to yield tangible outcomes.
These insights carry important implications for policymakers. Specifically, interventions aimed at improving financial capability should go beyond conventional education and incorporate behavioural tools such as gamified budgeting apps, personalised financial coaching, and targeted behavioural nudges. Simultaneously, structured financial literacy programmes

integrated into school curricula and community outreach can ensure long-term improvements. By addressing both knowledge and behaviour, Albania can foster a more financially capable population equipped to make sound financial decisions in an increasingly complex economic environment.

6. Conclusions

In conclusion, the findings of this study validate the proposed hypotheses, highlighting the critical roles of financial behaviour and financial knowledge in influencing financial capability. The significant positive impact of financial behaviour on financial capability confirms hypothesis 1 (H1), underscoring the importance of practical financial actions and decision-making. Similarly, the positive influence of financial knowledge on financial capability supports hypothesis 2 (H2), emphasising the value of financial literacy and understanding in enhancing individuals' ability to manage their financial resources effectively. These results collectively suggest that both behavioural and cognitive aspects are essential in fostering greater financial capability, offering valuable insights for policymakers, educators, and individuals aiming to improve financial well-being.

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The Impact of Financial Behaviour and Financial Capability on Financial Satisfaction

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Abstract

This study investigates the role of financial behaviour and financial capability as critical determinants of financial satisfaction, aiming to provide insights into how these factors influence individuals' financial well-being. Data were collected through a self-administered questionnaire as part of an individual-level survey, capturing diverse financial practices and perceptions. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to analyse the relationships between these financial constructs. The findings reveal that financial behaviour and financial capability significantly impact financial satisfaction, underscoring their importance in shaping individuals' financial outcomes. The study emphasises the need for targeted interventions to promote financial behaviours and improve financial capability, thereby fostering greater financial satisfaction. These insights contribute to the growing body of knowledge on personal finance and offer practical implications for policymakers, financial educators, and individuals seeking to enhance their financial well-being. By addressing these key determinants, stakeholders can develop strategies to improve overall financial satisfaction in an increasingly complex economic environment.

Keywords: financial behaviour, financial capability, financial satisfaction
JEL classification: G40, G50, G51,

1. Introduction

The quality of life is a multifaceted concept that encompasses various domains, including life satisfaction, physical and psychological health, personal goals, and education (Felce & Perry, 1995). Life satisfaction, in particular, is highly subjective, as it reflects an individual's evaluation of their life based on their unique feelings and expectations. Among the key contributors to life satisfaction is financial satisfaction, which has been identified as a major source of happiness (Ingrid et al., 2009). This drives individuals to work longer hours to increase their income and achieve a sense of financial fulfilment.

Financial satisfaction (FS) is defined as "an individual's subjective assessment of the adequacy of their financial resources" (Hira & Mugenda, 1998). It includes perceptions of income, the ability to meet basic needs, and preparedness to handle financial emergencies (Saurabh &

Nandan, 2018). As a critical component of financial well-being, financial satisfaction is closely tied to psychological well-being and is widely recognised as a significant factor in overall well-being. Its impact extends beyond material wealth, influencing an individual's sense of stability, security, and overall life satisfaction. Thus, financial satisfaction plays a pivotal role in shaping the quality of life, highlighting its importance in achieving a fulfilling and balanced existence. Previous research has explored the impact of income and various other factors on financial satisfaction. For instance, a Norwegian study focusing on older consumers demonstrated that financial circumstances, including levels of assets and debts, significantly influenced financial satisfaction (Hansen et al., 2008). Similarly, a study conducted in Albania, a transitional economy, found that workers in informal sectors reported lower financial satisfaction compared to those in formal sectors (Ferrer-i-Carbonell & Gërxhani, 2011). While existing studies have primarily concentrated on the effects of income, assets, debts, and employment, this study shifts the focus to investigating the potential influence of financial capability and financial behaviour on financial satisfaction.

2. Literature review

Financial behaviour (FB) significantly impacts individual well-being and extends its influence to households, societies, nations, and global economies. Scholars define financial behaviour in various ways, with Bhushan and Medury (2014) encompassing all financial decision-making and money management activities, while (Perry and Morris (2005) focus on savings, expenditures, and budgeting. Xiao (2008) further expands this to include cash handling, savings, and credit management. (Altfest, 2004) highlights the strategic planning, execution, and evaluation of financial activities such as cash flow, savings, credit, investments, insurance, and retirement and estate planning. Additionally, research on personal financial behaviour explores its determinants and outcomes, defining it as a cluster of behavioural components, including budgeting, cash flow management, consumption, savings, investment, borrowing, and insurance Xiao and Dew (2011). When a person manages their money thoughtfully, organizes it systematically, and spends it prudently, these actions contribute to a sense of fulfilment and contentment, ultimately leading to financial satisfaction. Evidence from research indicates that financial behaviour directly affects financial satisfaction (Joo & Grable, 2004; Coşkuner, 2016; Zainul Arifin, 2018). Based on the above arguments, the following hypothesis is proposed

H1: Financial behaviour has a positive relationship with financial satisfaction.

Financial capability refers to an individual's ability to apply financial knowledge, adopt effective financial behaviours, and leverage available financial opportunities to achieve financial well-being (Goyal et al., 2021). It is influenced by both personal competencies, such as financial literacy, attitudes, skills, and behaviours, and external socio-economic conditions (World Bank, 2013). Research consistently highlights its strong association with financial satisfaction. Studies analysing financial capability data from the U.S. have demonstrated that individuals with higher perceived financial capability tend to experience greater financial satisfaction (Xiao, 2016; Xiao & O'Neill, 2018). Based on the above arguments, the following hypothesis is proposed:

H2: Financial capability has a positive relationship with financial satisfaction.

The conceptual framework offers a comprehensive and precise depiction of the suggested hypotheses.

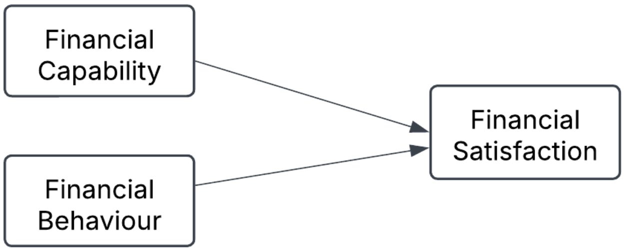

Figure 1. Conceptual model

3. Methodology

This research employs a quantitative methodology, with data gathered through a structured questionnaire. The questionnaire was divided into two parts. The first part focused on capturing the demographic details of the participants, while the second part aimed to understand their perspectives on financial satisfaction and the factors affecting it, using a five-point Likert scale. Partial Least Squares Structural Equation Modelling was employed to evaluate the hypotheses. PLS-SEM is a robust statistical technique used to test and estimate causal relationships between variables (Rahi and Abd. Ghani, 2018). The analysis followed a two-step procedure to ensure the validity and reliability of the results.

The first step involved evaluating the measurement model to assess the validity and reliability of the constructs. This included testing for convergent validity and internal consistency reliability.

The second step focused on examining the structural model to test the hypothesised relationships between the constructs. This step assessed the strength and significance of the causal paths proposed in the conceptual model. The analysis was conducted using SmartPLS-3.2.9 software (Ringle & Sarstedt, 2016) which is widely recognised for its effectiveness in estimating complex PLS-SEM models.

The convergent validity includes indicator loading, composite reliability (CR) and average variance extracted (AVE). Indicator reliability was assessed by examining the factor loadings of each item. All loadings were required to exceed the threshold of 0.60 to ensure adequate reliability at the indicator level (Benitez et al., 2020). Convergent validity was evaluated using the Average Variance Extracted. The AVE values for all constructs were required to be greater than 0.50, indicating that the constructs explained more than half of the variance in their respective indicators. Construct reliability was assessed using two metrics: Composite

Reliability (CR) and Cronbach's Alpha (CA). Both CR and CA values for all constructs had to exceed the recommended threshold of 0.70 to confirm their internal consistency and reliability (Henseler et al., 2009).

4. Results

According to Table 1, the sample consists of 42.2% men and 57.8% women. The majority of respondents (37.3%) are younger than 25 years old. In terms of education, 66% hold a university degree, making them the dominant group in the survey. Additionally, the sample is predominantly urban, with 81.3% residing in urban areas and only 18.7% in rural zones.

Table 1. Demographic characteristics of respondents.

Variable	Description	Percentage
Gender	Male Female	42.2 57.8
Age	Younger than 25 years old 26- 35 36-45 46-55 Over 55 years	37.3 9.2 20.3 32.7 0.5
Education	High school University	34 66
Zone	Urban Rural	81.3 18.7

Table 2 presents the values of CR, AVE, and indicator loadings. The indicator loadings for all constructs surpass the minimum threshold of 0.7. Moreover, all CR values are well above the recommended benchmark of 0.7. Additionally, the AVE values for all constructs exceed the required threshold of 0.5, reinforcing the evidence of convergent validity.

Table 2. Results for the measurement model

Constructs and indicators	Outer loadings	CR	AVE
Financial satisfaction (FS)		0.829	0.626
FS1	0.824		
FS2	0.882		
FS3	0.813		
Financial behaviour (FB)		0.924	0.811

FB1	0.864		
FB2	0.925		
FB3	0.913		
Financial capability (FC)		0.826	0.822
FC1	0.892		
FC2	0.911		

Financial satisfaction demonstrated an R^2 value of 0.35, suggesting that 35% of its variability is accounted for by financial capability and financial behaviour.
The results support (Table 3) the proposed hypotheses, indicating that financial capability has a significant positive impact on financial satisfaction (β=0.135, p<0.05), thereby confirming hypothesis 2. Additionally, financial behaviour also demonstrated a significant and positive influence on financial satisfaction (β=0.132, p<0.05), providing support for hypothesis 1.

Table 3**.** Hypothesis testing.

Hypothesis	Path coefficients	P-Values
FC → FS	0.135	0.012
FB → FS	0.132	0.023

5. Discussion

The present study sheds light on the significant influence of financial behaviour and financial capability on individuals' financial satisfaction. Empirical findings derived from PLS-SEM underscore the pivotal roles these constructs play in shaping financial well-being. Specifically, individuals who engage in sound financial behaviours—such as budgeting, saving, and prudent spending—tend to report higher levels of financial satisfaction. The results indicate that financial capability is an important factor in financial satisfaction, suggesting that possessing financial knowledge alone is insufficient unless accompanied by the ability and motivation to apply that knowledge effectively. These findings reinforce the view that financial satisfaction is not solely determined by income levels or external economic conditions, but also by internal competencies and consistent financial practices. The results are consistent with previous studies, including those by Halim and Astuti, (2015); Zainul Arifin, (2018), which similarly highlight the critical role of behaviour and capability in achieving financial satisfaction.
An important implication of these findings is the need for policy and educational initiatives that go beyond traditional financial literacy programmes. Interventions should aim to cultivate behavioural skills and self-efficacy in financial decision-making, particularly among vulnerable populations. For instance, integrating practical financial education into school curricula or workplace training programmes can empower individuals to manage their finances more effectively.

In summary, by identifying financial behaviour and capability as key levers of financial satisfaction, this research provides valuable direction for stakeholders aiming to improve financial well-being at both the individual and societal levels. Future studies could build upon these findings by exploring how contextual factors such as cultural norms, financial access, or digital inclusion interact with personal financial competencies to influence satisfaction.

6. Conclusions

From a financial research perspective, the empirical evidence generated in this study substantiates the hypothesised relationships between individual financial competencies and financial well-being outcomes. The analysis confirms that financial capability has a significant positive impact on financial satisfaction, thereby supporting hypothesis 2. Moreover, financial behaviour also emerges as a significant positive predictor of financial satisfaction, lending support to hypothesis 1. These findings reinforce the theoretical premise that both the ability to manage financial resources and the practice of sound financial behaviours are critical determinants of financial satisfaction. As such, the results have important implications for the design of financial literacy programmes and policies aimed at improving individual financial well-being.

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Exploring the Relationship Between HRM Practices and Financial Performance Indicators (ROA and ROS): A Case Study of Enterprises in Kosovo

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Abstract

In increasingly demanding work environments where employees are frequently required to complete a wide range of tasks under time pressure, the strategic management of human resources becomes essential for sustaining organizational performance. Without effective human resource management (HRM) practices, employees may struggle to fully realize their potential in performing their duties. When employees are equipped with the necessary skills and competencies, they tend to experience higher job satisfaction and are more likely to remain in their roles long-term. This study aims to explore how key HRM practices—such as training and development, flexible rewards, job stability, equality, and employee involvement—enhance employee performance and, in turn, impact financial performance indicators such as Return on Assets (ROA) and Return on Sales (ROS) in small and medium-sized enterprises (SMEs). Financial performance serves as an objective measure of how effectively an organization utilizes its assets to generate income and achieve strategic goals. As highlighted by Dekamini & Birau (2024) employee performance plays a crucial role in determining a firm's financial success. HRM practices are designed to maximize efficiency over the long term and at minimal cost, in alignment with organizational objectives. Today, organizations that recognize human capital as a valuable asset are better positioned for sustainable development and growth. In this context, HRM expertise becomes increasingly vital. As Dekamini & Birau (2024) argue, prioritizing employees can be even more important than focusing solely on customers—because satisfied employees are more likely to deliver superior value to clients.

Keywords: Human Resource Management Practices (HRM), Return on Assets (ROA), Return on Sales (ROS), SMEs, Kosovo.
JEL Codes: M12, L25, M10

1. Introduction

The sustainable and effective functioning of an enterprise is closely tied to the contribution of its employees. The success or failure of an organization is directly influenced by the engagement and performance of its workforce in fulfilling their responsibilities. For this reason, business leaders must recognize the importance of strategic human resource management (HRM) practices, such as training and professional development, flexible reward systems, job stability, equality, and employee involvement in decision-making. These practices are not only essential for the continuous improvement of staff performance but also serve as strategic tools to enhance financial performance.

HRM is increasingly recognized as a key driver of financial success. Recent studies suggest that HRM creates substantial financial value by attracting, developing, and retaining high-performing employees, often referred to as "star performers" (Joo et al., 2022). Through the implementation of integrated and strategic HRM systems, organizations can positively impact financial indicators such as Return on Assets (ROA) and Return on Sales (ROS), though the effects are frequently nonlinear and context-dependent (Sanders et al., 2019). Rather than relying on isolated practices, the financial contribution of HRM is maximized when these practices are part of a coherent system aligned with the organization's strategic goals (Huselid, 2023). In this light, training and development, flexible reward systems, job stability, equality, and employee involvement are understood not merely as operational necessities but as long-term strategic investments that support organizational resilience and growth. Organizations that acknowledge the strategic role of their workforce invest in continuous capacity building and the development of a supportive organizational culture. Training equips employees with the skills necessary for current tasks, while development prepares them for future roles, expanding their individual potential. This synergy fosters both short-term productivity and long-term commitment. Moreover, flexible reward systems help tailor motivation to individual needs, job security reduces workplace stress, equality fosters a sense of fairness and inclusion, and employee involvement enhances responsibility and organizational belonging. These elements contribute collectively to building an adaptive, innovative, and committed workforce capable of driving strategic success. Despite the growing international evidence on the positive link between HRM practices and financial outcomes, there remains a gap in understanding how these practices function in the context of transitional economies. Particularly in Kosovo, where small and medium-sized enterprises (SMEs) form the backbone of the economy, there is an urgent need to explore how HRM practices can contribute to financial success. While much of the existing literature focuses on developed economies, limited empirical evidence exists on the relationship between HRM and financial performance in countries like Kosovo. SMEs in transitional contexts face unique economic, institutional, and labor market challenges that can affect the effectiveness of HRM practices. Consequently, it is crucial to examine whether and to what extent HRM strategies—such as training, flexible rewards, job stability, equality, and employee involvement—contribute to improved ROA and ROS in such environments. Additionally, this study will explore the impact of HR managers' education levels on the successful implementation of HRM practices and the subsequent effects on organizational financial performance. Understanding the role of managerial qualifications in translating HRM strategies into tangible financial outcomes may provide important insights for both scholars and practitioners.

2. Literature Review

In contemporary literature, strategic human resource management (HRM) practices are increasingly recognized as key factors influencing an organization's financial performance. Siddiqui (2018) emphasizes the importance of training and development as fundamental components of human resource development, noting that enhancing employees' knowledge and skills through training significantly contributes to both individual success and organizational progress. However, the impact of HRM practices extends beyond training alone. Recent studies (Joo et al., 2022; Sanders et al., 2019) suggest that the financial benefits of training and development are more pronounced when combined with other HRM practices such as flexible rewards, job stability, equality, and employee involvement. These elements work in an integrated manner to boost employee engagement, reduce turnover, and improve task effectiveness.

Blain (2009) also stresses that sustainable results occur when training aligns with the strategic objectives of the organization and is accompanied by intrinsic motivation and fair compensation. In this regard, flexible rewards—tailored to employees' needs and preferences—are seen as a motivational strategy that enhances productivity and commitment, as supported by Jehanzeb & Bashir (2013). Furthermore, organizational culture, according to Dekamini & Birau (2024)), has a strong impact on employee performance by fostering an environment that values equality, inclusion, and mutual respect. These factors are closely linked to job stability, which reduces uncertainty and creates favorable conditions for professional development and effective performance. McDowall & Saunders (2010) emphasize that managers' conceptualizations of HRM practices influence their implementation. When such programs are strategically aligned and supported by management, they lead to sustained improvements not only in individual performance but also in key financial indicators such as Return on Assets (ROA) and Return on Sales (ROS). In the context of transitional economies like Kosovo—where small and medium-sized enterprises (SMEs) form the backbone of the economy—it is particularly important to understand whether and how HRM practices affect financial performance. International studies confirm the positive impact of these practices in developed economies, yet empirical evidence remains limited in emerging markets, where institutional challenges, resource constraints, and cultural factors may influence their effectiveness. This study aims to examine whether HRM practices such as training and development, flexible rewards, job stability, equality, and employee involvement contribute to improved ROA and ROS in Kosovar SMEs. A further dimension of the analysis is the educational level of HR managers, which may play a significant role in the effective implementation of these practices and, in turn, the financial outcomes of the organization.

The primary goal of HRM is to optimize employee potential, support their career growth, and ensure that the organization maintains a skilled and motivated workforce to meet its strategic aims (Zhang et al., 2019). The effectiveness of human resource management practices is crucial for enhancing employee outcomes while also indirectly strengthening the organization's financial performance.

Recent research highlights the significant financial value that HRM can generate through the development and retention of star performers employees whose output vastly exceeds that of their peers (Joo et al., 2022). The performance of one organization depends on the actions or activities that are interdependent, complex and uncertain in nature (Qehaja & Kutllovci 2020). Using utility analysis across large datasets, studies have shown that effective HRM practices, such as training, reward systems, and employee involvement, contribute meaningfully to organizational financial outcomes like Return on Assets (ROA) and Return on Sales (ROS).

Training and development are essential HRM practices that directly impact organizational performance. Investing in employee skill enhancement leads to greater individual productivity, which cumulatively boosts firm-level outcomes such as ROA and ROS (Joo et al., 2022). Organizations that prioritize continuous learning foster a more competent and adaptable workforce, crucial for sustaining financial growth.

In this context, Alkhamis (2024) emphasizes that employee training and development practices constitute key drivers of employee engagement and job satisfaction, ultimately enhancing organizational performance.

Flexible reward systems, including performance-based incentives, have been shown to effectively motivate employees and align their efforts with organizational goals. Such systems contribute significantly to achieving superior financial results (Sanders et.al., 2019).

Also, Alkhamis's (2024) study emphasizes that providing monetary and non-monetary rewards is an essential part of HRM practices that directly affects employee satisfaction and retention in the organization.

Work stability plays a critical role in maintaining a committed and loyal workforce. In line with this, Alkhamis (2024) highlights that one of the main outcomes of successful HRM practices is the reduction of employees' intention to leave the job, which contributes to maintaining a stable workforce.

Promoting equality within the workplace has profound effects on employee morale and productivity. Equitable treatment strengthens organizational culture, supports employee well-being, and fosters inclusive growth. According to Alkhamis (2024), organizations that apply fairness and inclusion practices in human resource management manage to positively impact employee engagement and satisfaction.

Employee involvement in decision-making is closely associated with greater organizational commitment and job satisfaction (Huselid, 2023).

By involving employees in decision-making processes increases the sense of belonging and improves organizational outcomes through a positive impact on engagement and job satisfaction.

Return on Assets (ROA) is a financial metric that measures a company’s ability to generate profit relative to its total assets. It provides insight into how efficiently a company is utilizing its resources.

Return on Sales (ROS) evaluates a company's operational efficiency by determining the percentage of profit derived from sales (Brigham & Ehrhardt, 2023).

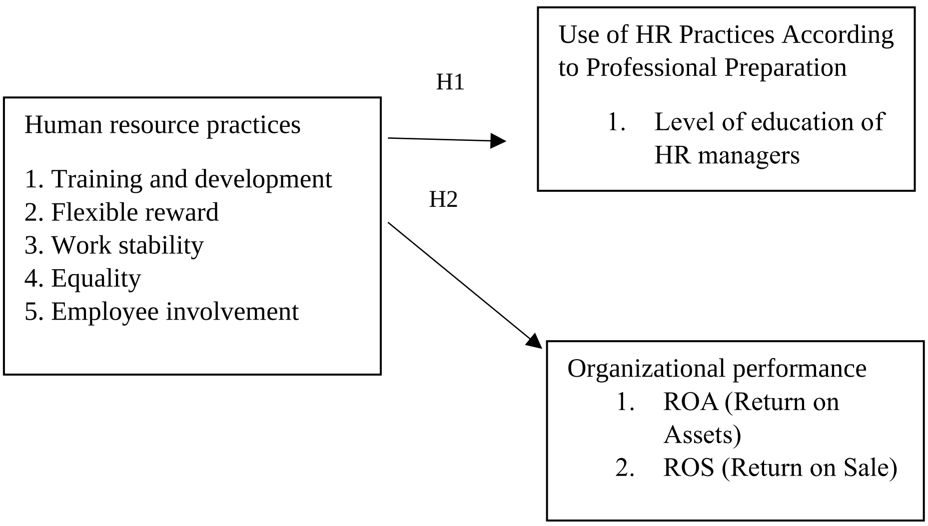

Fig.1. Conceptual research model

3. Research methodology

This empirical study is based on a quantitative research approach, which is suitable for analyzing multiple factors simultaneously and relies on numerical data to explain the studied phenomena Kowalczyk & Stowers (2016). The adopted approach is deductive, as it begins with a review of the literature, followed by the formulation of hypotheses and their empirical testing. The research philosophy is grounded in critical realism, which acknowledges the existence of an objective reality while recognizing the influence of social and contextual factors on its perception and interpretation (Sayer, 2000). The main strategy used was surveying through structured questionnaires, conducted via face-to-face interviews.

The time dimension of the study is cross-sectional, offering a "snapshot" of the current state of affairs in Kosovar enterprises. This aligns with the explanatory nature of the study, which aims to understand how the use of human resource management (HRM) practices influences the performance and sustainability of enterprises. Target population includes small, medium, and large enterprises in Kosovo, with a total of 2,734 registered enterprises. Based on a confidence interval of 95% and a margin of error of 4%, the calculated representative sample size was 492 enterprises. The sample was stratified based on the size and sector of enterprises (production, trade, service).

The active response rate was calculated following the method suggested by Saunders et al. (2009), resulting in 71.8%, which is considered very good for management-related research.

The research instrument was a structured questionnaire divided into sections: (1) human resource management, (2) HRM practices (such as training and development, flexible rewards,

job stability, equality, and employee involvement), (3) organizational performance (ROA and ROS).
To measure internal reliability, Cronbach's Alpha (α) was calculated for each multi-item scale. The Alpha values ranged from .726 to .905, indicating good to excellent reliability for most constructs, especially for training and development, employee involvement. For variables with only one item (such as equality, ROA, ROS), Alpha was not applicable.
Data were analyzed using SPSS 25.0 software, applying both descriptive and inferential statistical methods. Since the normality test indicated a non-normal distribution, non-parametric tests were used to test the hypotheses.
Hypothesis are as follow:
H1: There is a significant difference in the use of HR practices according to the professional preparation of managers/owners.
H2: HRM practices positively influence overall financial performance metrics (ROA and ROS).

4. Results

To test the first hypothesis regarding differences in the use of HR practices based on the professional preparation of managers/owners, the non-parametric Kruskal-Wallis test was applied. This test was chosen because it compares more than two independent groups, making it appropriate for analyzing the differences among managers/owners with varying levels of education.
The results of the Kruskal-Wallis test indicate significant differences in the use of HR practices based on the professional preparation of managers/owners. The findings are as follows:
The highest ranking in training and development practices is also observed among managers or owners with a Master's degree, with a rank of 199.89.
Similarly, managers or owners with a Master's degree achieved the highest ranking in flexible rewards practices, with a rank of 186.59.
For work stability, managers or owners with a Bachelor's degree hold a higher ranking than those with a Master's degree.
These findings suggest that higher professional preparation, particularly a Master's degree, is associated with more effective HR practices, such as recruitment, training, rewards, and communication.

Table 1. Kruskal-Wallis Test: Use of HR Practices According to Respondents' Professional Preparation.

Test Statistics[a,b]					
	Trainig and development	Flexible reward	Work stability	Equality	Employee Involvement
Primary Education	157.09	113.32	93.23	112.82	81.59

Secondary Education	151.94	146.07	160.59	150.35	162.32
Bachelor	161.96	177.44	165.57	167.16	162.63
Master	199.89	186.59	159.54	204.79	166.32
Kruskal-Wallis H	6.576	13.268	6.250	15.444	8.357
Df	3	3	3	3	3
Asymp. Sig.	**.087**	**.004**	**.100**	**.001**	**.039**

a. Kruskal Wallis Test
b. Grouping Variable: Professional preparation

Source: Author's elaboration

Based on the results, we see that among the human resource practices, the use of which is significantly influenced by the professional training of managers/owners, equality (Kruskal-Wallis=15.444, degree of freedom df=3 and p value.001) which is significant at 1% confidence level and employee involvement (Krsukall Wallis = 8.357, degree of freedom df=3 and p value=.039) which is significant at 5% confidence level.
In this context, we say that there are partially significant differences between the professional preparation of managers or owners of SMEs and the use of HRM practices. And as a result the null hypothesis is partially accepted.
The regression analysis presented in the table assesses the relationship between different Human Resource Management (HRM) practices and financial performance, measured through **Return on Assets (ROA)** and **Return on Sales (ROS)**. The coefficients (B), standardized coefficients (β), significance levels (p-values), R^2 values, and other statistics provide a comprehensive view of how each HRM practice influences financial performance.

Table 2. Linear Regression: HRM Practices and Financial Performance

Independent Variables	**Financial Performance-ROA**				**Financial performance-ROS**			
	B	S.H.	B	Sig.	B	S.H.	β	Sig.
Training and development	.163	.049	.203	**.001**	.102	.051	.125	**.047**
Flexible reward	.205	.079	.153	**.010**	.121	.082	.089	**.142**
	.267	.068	.216	**.000**	.284	.070	.227	**.000**

Work stability								
Equality	.232	.048	.263	**.000**	.223	.048	.250	**.000**
Employee involvement	-.022	.050	-.025	**.661**	-.038	.052	-.043	**.467**
R	.513**				.480**			
R^2	.263				.230			
ΔR^2	.246				.213			
F	15.853				13.296			
ANOVA (Sig.)	.000				.000			
Dependent variable	Financial Performance - ROA (Return on Assets)				Financial Performance - ROA (Return on Sale)			

Source: Author's elaboration

Based on the results from the table above, we can say that Training and development have a significant positive impact on ROA (B = 0.163, β = 0.203, p-value = 0.001). The significance level indicates that investment in employee development has a strong positive effect on asset efficiency, as employees with enhanced skills are likely to use resources more effectively, leading to better financial performance.

Training and development also significantly affect ROS (B = 0.102, β = 0.125, p-value = 0.047). This suggests that training programs help employees improve their performance, which leads to better sales outcomes. SME's that invest in employee skills tend to see higher profitability through increased sales.

Flexible rewards (B = 0.205, β = 0.153, p-value = 0.010) show a significant positive effect on ROA. The positive relationship suggests that performance-based rewards incentive employees to work more efficiently, directly contributing to improved asset utilization.

The relationship between flexible rewards and ROS is positive but not as strong (B = 0.121, β = 0.089, p-value = 0.142). While flexible rewards can improve motivation and performance, they do not significantly impact sales efficiency at the same level as training or work design.

Work stability shows a strong significant positive impact on ROA (B = 0.267, β = 0.216, p-value = 0.000). This finding indicates that a well-structured work environment, which includes clear roles, job designs, and workflows, contributes significantly to better asset utilization and improved financial performance.

Work stability also has a positive and significant impact on ROS (B = 0.284, β = 0.227, p-value = 0.000). Efficient work processes lead to increased productivity and better operational efficiency in sales, which directly impacts the company's profitability.

Equality in the workplace (B = 0.232, β = 0.263, p-value = 0.000) shows a significant positive impact on ROA. A fair and equitable work environment enhances employee morale and commitment, leading to better utilization of company assets and higher financial performance.

Equality also significantly affects ROS (B = 0.223, β = 0.250, p-value = 0.000). When employees perceive fairness and equal opportunities, they are more motivated and productive, which enhances sales performance and profitability.

Employee involvement (B = -0.022, β = -0.025, p-value = 0.661) shows no significant relationship with ROA. The negative sign indicates that while employee involvement is important, it does not significantly influence asset efficiency in the context of this study.

Similarly, the relationship between employee involvement and ROS is negative and insignificant (B = -0.038, β = -0.043, p-value = 0.467), suggesting that greater employee participation in decision-making does not directly translate to improved sales outcomes.

Table 3. Financial Performance: Return on Assets (ROA) and Return on Sales (ROS)

Performance Indicator	Change	Count	Column N %
Return on Assets (ROA)	Significant decrease	1	0.3%
	Decrease	7	2.2%
	Same as before	122	38.2%
	Increase	142	44.5%
	Significant increase	42	13.2%
Return on Sale (ROA)	Significant decrease	1	0.3%
	Decrease	8	2.5%
	Same as before	119	37.3%
	Increase	142	44.5%
	Significant increase	44	13.8%

Source: Author's elaboration

The table presents the distribution of responses regarding financial performance in terms of Return on Assets (ROA) and Return on Sales (ROS) across the surveyed organizations. The results offer valuable insights into the general trend of financial performance and highlight how organizations perceive their financial outcomes.

The majority of respondents (44.5%) report an increase in ROA, indicating that most organizations in the study have managed to optimize the use of their assets to generate higher returns. Additionally, 13.2% report a significant increase, suggesting that a portion of the organizations has made substantial progress in asset utilization.

On the other hand, a smaller percentage of organizations have experienced a decrease in ROA, with only 2.2% reporting a decline and 0.3% noting a significant decrease. This could reflect challenges faced by certain organizations in managing assets effectively or external factors impacting their performance.

Similar to ROA, the majority of organizations report an increase (44.5%) in ROS, which reflects improved operational efficiency and better management of costs relative to sales. Furthermore, 13.8% of respondents observe a significant increase in ROS, indicating that a subset of organizations has made considerable gains in converting sales into profits.

The percentage of respondents reporting a decrease in ROS is low, with only 2.5% indicating a decline and 0.3% noting a significant decrease. This suggests that most organizations have maintained or improved their profitability from sales, aligning with the positive trends seen in ROA.

The results highlight that most organizations in the study have seen positive improvements in their financial performance, with increases in both ROA and ROS being the most common responses. These findings suggest that effective management of HRM practices and operational strategies might be contributing to these positive outcomes. However, the small percentage of organizations experiencing a decline in financial performance points to potential areas of concern that may require further investigation, such as external economic challenges, industry-specific issues, or internal inefficiencies.

5. Discussion

This section synthesizes the study's findings, offering an interpretation of how the key Human Resource Management (HRM) practices impact financial performance metrics such as Return on Assets (ROA) and Return on Sales (ROS). The discussion contextualizes these findings within the broader literature, reflecting on the implications for organizations, particularly small and medium-sized enterprises (SMEs) in Kosovo.

The results of this study suggest a significant positive relationship between the five HRM practices (training and development, flexible rewards, work stability, equality, and employee involvement) and both ROA and ROS. These findings align with prior research, underscoring the role of HRM in driving organizational success through improved financial performance.

The positive effect of training and development on both ROA and ROS confirms the essential role of employee skills enhancement in driving productivity. These results are consistent Siddiqui (2018), who found that comprehensive training systems contribute to higher employee performance, which, in turn, improves financial outcomes. In Kosovo's SMEs, investing in employee skills could lead to improved operational efficiency and higher asset utilization, thereby increasing ROA.

By enhancing employee skills, SMEs can also improve their ability to generate sales, thus positively influencing ROS.

Flexible rewards, such as performance-based incentives, are strongly associated with improved financial performance. This is consistent with the findings of Blain (2009), who emphasized that customized reward systems align employee motivation with organizational goals. When employees are incentivized based on performance, they are more likely to put forth additional effort, leading to higher productivity and, consequently, better financial performance.

In SMEs, especially in emerging economies like Kosovo, flexible rewards can be a cost-effective way to drive engagement without the need for significant financial resources, making it a strategic tool for improving both ROA and ROS.

Allen et al. (2003) and Huselid (2023) suggest that when employees are secure in their roles, they are more likely to remain productive and engaged. Reduced turnover results in lower recruitment and training costs, contributing to enhanced operational efficiency.

For SMEs in Kosovo, fostering work stability could reduce turnover-related disruptions, thus improving organizational efficiency and financial performance. Moreover, stable work environments support employee morale, which can also lead to improved sales and profitability (ROS).

The positive impact of workplace equality on financial performance underscores the importance of fair and inclusive HR practices. Paauwe & Boselie (2022) argue that fairness in the workplace improves employee morale and engagement, which boosts productivity. In Kosovo's SMEs, promoting equality can foster a more positive work environment, encouraging employees to invest in the organization's success.

By enhancing employee satisfaction and reducing workplace conflicts, equality can indirectly lead to improvements in both ROA and ROS.

Employee involvement in decision-making has been shown to lead to higher engagement and alignment with organizational goals. Mambula et. al (2021) argue that when employees are included in decision-making processes, they feel more invested in the organization's success, which leads to higher productivity and improved financial performance.

In the context of SMEs in Kosovo, fostering a culture of involvement could improve both ROA (through more efficient use of assets) and ROS (by aligning employee efforts with organizational sales objectives).

Professional Preparation and HRM Practice Implementation- The Kruskal-Wallis test revealed significant differences in the implementation of HR practices based on the professional preparation of managers or owners. Managers with a Master's degree demonstrated more effective implementation of HR practices, particularly in areas such as recruitment, training, flexible rewards.

This finding supports the notion that higher levels of education are associated with a more strategic and professional approach to HRM. Managers with advanced degrees are likely to have a deeper understanding of HRM's strategic value and are more likely to implement practices that align with organizational goals, which could explain the observed differences in HR practice effectiveness.

For SMEs in Kosovo, this suggests that investing in managerial education, especially in HR-related fields, could enhance the overall effectiveness of HR practices, leading to improved financial performance. Additionally, organizations should consider the potential benefits of training HR managers in areas like employee engagement, performance management, and strategic HRM to maximize their impact on organizational success.

For SMEs in Kosovo, the findings offer several practical implications:

HRM practices are not just administrative tasks but strategic levers that can drive financial performance. By focusing on key areas such as training, rewards, and employee involvement, SMEs can improve both asset utilization and sales profitability.

While large organizations often have extensive HR budgets, SMEs can adopt cost-effective HR strategies such as flexible rewards and employee involvement, which can still yield significant benefits in terms of productivity and financial performance.

The study highlights the importance of HR education and professional development for managers. SMEs should consider investing in HR training for managers and HR practitioners to ensure that HRM practices are implemented effectively.

Limitations and Future Research

While the study provides valuable insights, there are some limitations: The study uses a cross-sectional design, which limits the ability to infer causality. Longitudinal studies could provide a more robust understanding of how HRM practices over time impact financial performance.

The study focuses specifically on SMEs in Kosovo, which may limit the generalizability of the findings to other regions or larger organizations. Future research could explore whether the same HRM practices have similar effects in different contexts or industries.

Future studies could examine the role of other factors, such as organizational culture, leadership style, or external market conditions, which might also influence the relationship between HRM practices and financial performance.

6. Conclusion

This study underscores the critical role of strategic HRM practices in enhancing financial performance, particularly within small and medium-sized enterprises. By examining the relationship between five key HRM practices, training and development, flexible rewards, work stability, equality, and employee involvement and financial outcomes such as Return on Assets (ROA) and Return on Sales (ROS), the study provides robust evidence that well-implemented HRM strategies are positively correlated with improved financial performance. These findings contribute to the growing body of literature that supports the notion that HRM is not merely an operational function but a strategic lever that can significantly influence an organization’s financial success.

First, the study highlights the pivotal role of training and development in driving both ROA and ROS. As organizations invest in the continuous improvement of employee skills, they not only increase the efficiency and productivity of their workforce but also contribute to higher profitability and asset utilization. This reinforces the importance of organizations fostering a learning culture that enables employees to adapt to changes, innovate, and meet the challenges of a competitive marketplace.

Second, flexible rewards have proven to be a powerful motivator, aligning employee efforts with organizational goals. By offering performance-based incentives and rewards that are tailored to the needs of the workforce, organizations can boost employee satisfaction and commitment, leading to improved financial outcomes. SMEs, in particular, can leverage these relatively low-cost rewards to incentivize higher performance, even with limited resources.

Work stability also emerged as a key driver of financial performance in this study. By reducing turnover and retaining experienced talent, organizations can minimize the significant costs associated with recruitment and training. Stable employment not only enhances productivity by ensuring that employees are familiar with the company’s operations but also fosters a sense of security and loyalty, which can translate into higher performance and profitability.

Fair treatment, equal opportunities, and inclusive practices contribute to a positive organizational culture, which in turn boosts employee morale, engagement, and overall productivity. Organizations that prioritize equality are more likely to create an environment where employees feel valued, respected, and motivated to contribute to organizational success, ultimately improving financial metrics such as ROA and ROS.

By involving employees in decisions that affect their work, organizations not only improve engagement and job satisfaction but also harness valuable insights that contribute to operational improvements. Engaged employees are more likely to invest in achieving organizational goals, leading to greater efficiency and enhanced financial performance.

Moreover, this study highlights the significant role of managerial education in the effective implementation of HRM practices. The results suggest that managers with higher levels of education, particularly those with advanced degrees, are better equipped to apply HRM strategies that align with organizational goals. This finding emphasizes the need for SMEs to invest in the professional development of their management teams, ensuring they have the knowledge and skills required to implement HRM practices that drive financial performance.

For SMEs in Kosovo, the study provides several key takeaways. By adopting these strategic HRM practices, SMEs can improve not only their financial outcomes but also their competitive position in the market. As SMEs often face resource constraints, the findings suggest that even modest investments in HRM, such as offering flexible rewards or fostering employee involvement, can yield significant returns in terms of productivity and profitability. Additionally, focusing on work stability and equality can help SMEs reduce turnover-related costs and create a more positive and productive work environment.

Overall, this study makes a valuable contribution to our understanding of how HRM practices can drive financial performance in SMEs, particularly in the context of Kosovo. It provides practical recommendations for organizations seeking to enhance their performance and highlights the importance of a strategic approach to HRM. Future research could expand on these findings by exploring the long-term impact of these HRM practices and examining additional factors, such as organizational culture and external market conditions, that may influence the effectiveness of HRM strategies.

In conclusion, HRM practices are not only vital for day-to-day operations but are also critical to the long-term success of SMEs. By implementing strategic HRM practices, organizations in Kosovo and beyond can strengthen their financial performance, foster employee engagement, and improve overall organizational effectiveness, thus ensuring sustainable growth and competitiveness in an increasingly dynamic business environment.

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Application of Artificial Intelligence (IT) in Business Management in Durres District, Albania.

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Abstract

Artificial Intelligence (IT) has emerged as one of the most transformative technological innovations in various of the 21 st century. AI refers to the simulations of human intelligence processes by machines, especially computer systems.
These processes include learning, reasoning, problem-solving, perception, and language understanding. From its early beginnings in theoretical research to its widespread application in various sectors such as business management, tourism, human resource management, medicine, and education, etc. AI has profoundly impacted the way businesses and societies function. This paper explores the general concept, origin, and development of AI, its key achievements in various business company in Durresi District as well as the necessary steps for developing AI and the impact on human resources and university research. The paper also outlines how businesses in District of Durres can leverage AI to enhance their techonological capabilities and foster economic growth.

Key Words: Artificial Intelligente (IT), Technoological Innovation, Algorithms, Machine Learning Model, Network, Human Resources.
JEL Code: L60, O 33, M15

1. Introduction:

Artificial Intelligence (AI) refers to the simulation of human intelligence processes by machines, especially computer systems. These processes include learning, reasoning, problem-solving, perception, and language understanding. AI technologies enable machines to perform tasks that typically require human intelligence. This field has evolved significantly since its inception, leading to the development of complex algorithms capable of autonomous decision-making and performing sophisticated tasks. The aim of this paper is to examine the development of AI, the significant contributions AI has made across various sectors, including business management, tourism, human resource management, and education, and to assess the potential for implementing AI technologies in Durresi District. Additionally, it will address the impact of AI on human resources and the vital role of university research in advancing AI technologies.

Purpose of the Study

This paper examines the general concept, origin, and development of AI, its key achievements in various business companies in the Durrës Region, as well as the necessary steps for the development of AI and its impact on Human Resources and Academic Research.

2. Literature Review

The General Concept and Origin of Artificial Intelligence: Artificial Intelligence (AI) refers to the field of computer science and technology focused on creating machines or software that can perform tasks that typically require human intelligence. These tasks include learning, reasoning, problem-solving, perception, understanding language, and decision-making. The goal of AI is to simulate human cognitive abilities in machines, enabling them to perform complex functions autonomously (Rusell S. AND Norvig P).

AI can be categorized into two primary types:

a. Narrow AI (Weak AI): This type of AI is designed to perform a specific task or a narrow range of tasks. It is highly specialized and operates within predefined boundaries. Examples include virtual assistants (like Siri or Alexa), recommendation systems, or image recognition systems.

b. General AI (Strong AI): This refers to an AI system that possesses the ability to understand, learn, and apply intelligence across a broad range of tasks, similar to human cognitive abilities. General AI is still a theoretical concept and has not yet been fully realized. AI technologies use a combination of algorithms, machine learning models, data, and sometimes neural networks to make decisions or predictions based on the input they receive.

Early Concepts (Ancient Times - 19th Century): The concept of automata (self-operating machines) has existed for centuries. In ancient Greek mythology, there were stories of mechanical beings that mimicked human actions.

In the 17th and 18th centuries, thinkers like René Descartes and Gottfried Wilhelm Leibniz laid some of the philosophical groundwork for the possibility of machines with human-like reasoning abilities.

In the 1930s and 1940s, with the invention of the modern computer, early pioneers such as Alan Turing proposed the idea that machines could simulate human intelligence. Turing's famous "Turing Test" (1950) set the foundation for evaluating machine intelligence. He suggested that if a machine could mimic human conversation well enough that a person could not distinguish it from a human, then the machine could be said to "think."

The field of artificial intelligence was formally established in the mid-20th century. In 1956, John McCarthy, Marvin Minsky, Nathaniel Rochester, and Claude Shannon organized the

Dartmouth Conference, widely regarded as the birth of AI as a field of study. At this conference, AI was defined as the study of "making a machine that can simulate any aspect of human intelligence (Bootle R.)"

In the 1950s and 1960s, AI researchers developed programs that could solve mathematical problems, play games like chess, and prove logical theorems. Programs such as ELIZA (a chatbot created in the 1960s) and Shakey the Robot (the first mobile robot capable of reasoning about its actions) were early examples of AI systems.

Progress slowed in the 1970s and 1980s due to high expectations, limited computational power, and the realization that the complexity of human intelligence was far more intricate than initially anticipated. This period of stagnation is often referred to as the "AI Winter." During this time, funding for AI research declined, and many AI projects were halted or scaled back.

In the 1990s, AI research shifted focus to machine learning (ML), a subfield of AI where systems learn from data rather than relying entirely on human-coded rules. Deep learning, a type of ML using artificial neural networks, gained prominence in the 2000s and became the foundation for many modern AI breakthroughs.

Significant achievements in AI have occurred in recent years, such as the development of selfdriving cars, AI-powered language models (like GPT-3 and GPT-4), and AI systems for healthcare, finance, and other industries.

Advances in computing power, availability of big data, and the success of deep learning algorithms have propelled AI into mainstream applications today. AI now powers technologies such as facial recognition, autonomous vehicles, voice assistants, and much more. Many researchers believe we are still in the early stages of realizing AI's full potential, especially as we move closer to the goal of Artificial General Intelligence (AGI).

AI Applications in Business Management: Artificial Intelligence (AI) has found diverse applications in the business management sector, transforming how organizations operate, make decisions, and engage with customers. The key AI applications in the business management sector: **Customer Service and Support** (Chatbots and Virtual Assistants): AI chatbots are widely used in customer service to handle queries, complaints, and provide information. These chatbots can simulate human-like conversations using Natural Language Processing (NLP) to understand and respond to customer queries.

Virtual assistants like Siri, Alexa, or more specific business tools such as Zendesk's Answer Bot or Intercom's bots, help automate customer support processes, reducing the need for human intervention while ensuring timely and consistent responses.

Predictive Analytics: AI helps businesses predict future trends and behaviors using historical data. This can be particularly useful in areas like sales forecasting, inventory management, and demand prediction. AI-powered systems can analyze data patterns to anticipate customer needs, identify opportunities, and reduce business risks. For example, in retail, AI is used to predict demand for products, allowing companies to optimize inventory and reduce stockouts or overstocking.

Personalized Marketing and Customer Experience:AI enables businesses to personalize marketing efforts by analyzing customer data and segmenting customers based on behavior, demographics, and preferences. Recommendation systems (such as the ones used by Amazon or Netflix) help businesses suggest products, services, or content tailored to individual customer interests, improving engagement and conversion rates. AI also allows businesses to target the right customers with the right message at the right time using automated advertising and dynamic pricing models.

Supply Chain Optimization: AI tools can be applied in supply chain management to optimize processes like inventory tracking, demand forecasting, and logistics planning. AI models predict the best routes, delivery schedules, and suppliers to maximize efficiency and reduce costs. • Companies like Amazon and Walmart use AI to streamline their logistics, reduce operational costs, and ensure product availability, all while improving speed and accuracy.

Human Resources and Recruitment: AI can enhance recruitment by automating tasks like candidate screening, resume parsing, and initial interviews. AI-powered recruitment platforms use machine learning algorithms to analyze resumes, match candidate skills with job requirements, and even assess personality traits through natural language processing. AI also assists with employee engagement, performance analysis, and retention strategies, by analyzing employee data and providing insights into potential concerns, helping businesses make informed decisions(Eubanks B.).

Fraud Detection and Risk Management: AI is widely used in the finance and banking sectors to detect fraudulent activities. AI algorithms analyze transaction patterns and can flag unusual behavior, such as unauthorized transactions, identity theft, or abnormal spending. Risk management models powered by AI can help businesses identify potential risks in areas like financial markets, credit risk, and cybersecurity, allowing them to take proactive measures.

Decision Support Systems: AI-powered decision support systems (DSS) assist managers in making data-driven decisions by analyzing large datasets and offering actionable insights. These systems can provide real-time analytics, reports, and dashboards that highlight important trends and metrics. For instance, AI models are often integrated into business intelligence tools to help identify growth opportunities, optimize business processes, and support strategic planning.

Automation of Routine Tasks: AI is used to automate repetitive and time-consuming tasks, such as data entry, payroll processing, and document management. AI-powered Robotic Process Automation (RPA) tools can handle these tasks with high accuracy, freeing up human workers to focus on higher-value activities. For example, AI can be used to automate the processing of invoices, supply chain documentation, or customer orders.

Sales and Lead Generation:AI is increasingly used in sales management to generate and nurture leads. AI tools analyze customer behavior, past interactions, and market conditions to identify the most promising leads. AI-driven platforms like Salesforce Einstein use machine learning to recommend the best leads for sales teams and even help in predictive lead scoring to improve conversion rates.

Business Process Optimization: AI tools can streamline and optimize various business processes, such as workflow automation, process mining, and quality control. AI can continuously monitor performance, identify inefficiencies, and suggest improvements.

Manufacturing companies use AI for real-time monitoring of production lines, reducing downtime, and ensuring that processes remain efficient and cost-effective. Data-Driven Insights for Strategy: AI enables businesses to extract valuable insights from big data by analyzing trends and patterns in consumer behavior, market conditions, and internal operations. These insights help businesses make more informed decisions regarding product development, marketing strategies, and market positioning. AI tools analyze customer feedback, social media, and other external data sources to understand market sentiment, identify emerging trends, and guide strategic planning.

Financial Management and Analysis:AI in financial management helps businesses with tasks like budgeting, financial forecasting, and expense management. AI-driven tools can analyze historical financial data, predict cash flow trends, and detect anomalies in financial reports. AI also plays a role in automated auditing, ensuring greater accuracy and compliance with regulations.

Evolution of Human Resource Management (HRM) with AI: Human Resource Management (HRM) has undergone a significant transformation in recent years, especially with the integration of Artificial Intelligence (AI) technologies. From basic administrative tasks to more strategic roles, AI is revolutionizing HR functions by automating processes, enhancing decision-making, improving employee experiences, and fostering a more data-driven approach to talent management. Here's a look at the evolution of HRM with the development of AI:

Traditional HRM (Pre-AI Era): Manual and Paper-Based Processes: In the early days, HR departments relied heavily on manual, paper-based systems for tasks like recruitment, payroll, performance management, and employee records. This process was time-consuming, prone to errors, and inefficient.

Routine Administrative Tasks: HR managers spent a large portion of their time handling routine tasks such as processing resumes, answering employee queries, managing benefits, and ensuring compliance with labor laws.

Limited Data Utilization: Traditional HRM relied on limited data (usually employee surveys, performance reviews, and payroll information) and lacked sophisticated tools to analyze employee behavior, productivity, or engagement. The Advent of Technology in HR (Early 2000s): HR Software and Systems: The introduction of HR Information Systems (HRIS), such as SAP and Oracle,started automating many of the administrative functions. These systems helped HR teams manage employee data, payroll, and recruitment more efficiently. Recruitment Management: Job postings and applicant tracking systems (ATS) emerged, allowing HR departments to automate and streamline recruitment workflows. **Performance Management Software:** Early performance management tools helped HR track employee performance and provided more objective and structured assessments than traditional methods.

The Rise of AI in HRM (2010s – Present): The development of AI has drastically changed how HR departments function. AI in HRM has moved beyond just automating routine tasks and is now integral to making strategic decisions related to hiring, training, and employee engagement. AI has impacted HRM: AI in Recruitment and Talent Acquisition:

Resume Screening and Candidate Matching: AI-driven Applicant Tracking Systems (ATS) use Natural Language Processing (NLP) and machine learning algorithms to screen resumes and match candidates to job descriptions more efficiently than human recruiters. AI can identify key skills, experience, and qualifications in resumes, drastically reducing the time spent on manual screening.

Learning and Development: AI-powered Learning Management Systems (LMS) can analyze employee skills and career goals, suggesting personalized training and development opportunities. For example, LinkedIn Learning and Coursera for Business use AI to recommend courses based on an employee's career trajectory, learning style, and previous interactions. It can assess employee performance, track learning progress, and identify skill gaps, ensuring employees receive targeted training that aligns with both personal and organizational objectives.

AI tools like Cognify offer real-time coaching and on-demand learning content tailored to an employee's current needs, fostering continuous learning and skill development(Fadel C.).

Sentiment Analysis: AI is used to analyze employee feedback, surveys, and communications to gauge employee sentiment and engagement. Tools like TINYpulse and Glint use AI to interpret data from employee surveys and provide real-time insights on employee satisfaction, morale, and overall engagement.

AI systems can design and analyze employee engagement surveys more effectively by identifying trends and patterns in employee responses. This allows HR managers to make data-driven decisions on improving workplace culture, policies, and work-life balance.

Use of AI in Education Sector: Artificial Intelligence (AI) is significantly transforming the education sector, enhancing teaching and learning experiences, improving administrative efficiency, and enabling personalized education at scale. The integration of AI in education is helping educators, students, and institutions to optimize learning outcomes, streamline administrative tasks, and offer tailored experiences. Here are some key applications of AI in education:

Personalized Learning: Adaptive Learning Platforms:AI-powered systems, such as DreamBox and Smart Sparrow, adapt learning content to meet the needs of individual students. These platforms track students' progress in real time and adjust the difficulty of tasks, offer personalized exercises, and provide tailored feedback based on each student's learning style, strengths, and weaknesses.

Personalized Tutoring: AI-driven tutoring systems like Squirrel AI and Carnegie Learning provide personalized one-on-one tutoring experiences, offering targeted instruction and instant feedback to students. These systems mimic the interaction with a human tutor by focusing on specific areas where students need improvement.

Intelligent Content Creation:AI tools like Content Technologies and Knewton help create personalized learning materials, such as textbooks, quizzes, and interactive learning modules. By analyzing a student's progress and performance, AI can generate content that is most relevant and beneficial for that particular student or group of students. It is used to create virtual simulations and interactive learning environments. For example, AI-powered virtual labs or 3D simulations in subjects like chemistry, biology, and physics allow students to explore complex concepts and experiments without needing physical resources(Qiufan C. and Leek K.).

AI-Driven Learning Assistants: AI-powered assistants, such as Siri, Google Assistant, and IBM Watson Education, can support students and teachers by answering questions, providing reminders, and offering resources. These assistants can help students with homework, organize study schedules, and clarify academic concepts.Chatbots, like those used in Duolingo for language learning, help students by providing immediate assistance on various educational tasks. These AI-based bots can help with frequently asked questions, explain lessons, or offer additional practice exercises.

AI-Powered Learning Management Systems (LMS): AI-powered Learning Management Systems (LMS) like Canvas, Blackboard, or Moodle can deliver personalized educational content, track student progress, and provide actionable insights to educators. These platforms offer a more dynamic learning experience, integrating features such as video lectures, quizzes, assignments, and peer reviews. It can enhance the classroom experience by integrating smartboards and other AI-powered tools that engage students in interactive activities. These systems allow for real-time data collection and feedback, which can then be used to improve instructional strategies(Hill P., Seaman J. and Seaman L.).

AI in Special Education: AI provides assistive technologies that help students with disabilities. For example, AI-powered applications like Microsoft's Seeing AI assist visually impaired students by describing the environment around them, while text-tospeech and speech-to-text tools help students with learning disabilities. Tools like ModMath help students with dyslexia or other learning disabilities in subjects like mathematics.

AI in Gamified Learning: AI is used to enhance gamification in education, turning learning into an engaging and interactive experience. AI-based educational games such as Kahoot!, Quizlet, and Minecraft Education Edition provide students with fun ways to practice concepts, solve problems, and collaborate with peers. AI-powered educational games can be used to assess student learning in a fun and interactive way. The games adapt in real-time to the player’s skill level, providing an accurate measure of understanding while keeping the learning process engaging.

AI for Lifelong Learning and Professional Development: AI platforms like Coursera, LinkedIn Learning, and Udacity offer personalized recommendations for courses based on learners' career paths and interests. These platforms use AI to suggest the most relevant content, track progress, and offer tailored career advice.

AI helps in identifying the skill gaps in employees and provides them with training materials and courses that fit their needs. AI-powered systems can predict the skills required for specific job roles, helping individuals to upskill or reskill for better career opportunities.

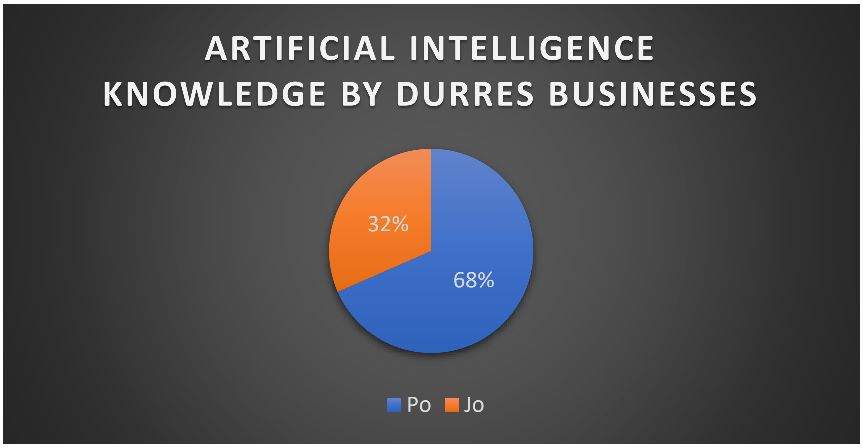
Improving Teacher Training: AI is used to develop professional development programs for teachers by providing feedback on their teaching practices. AI-based platforms can analyze classroom dynamics, suggest areas for improvement, and recommend resources to help teachers enhance their pedagogical skills. Beyond business, tourism, human resources, medicine, and education, AI is beginning to make an impact in several other sectors (Topol E.).

3. Methodology

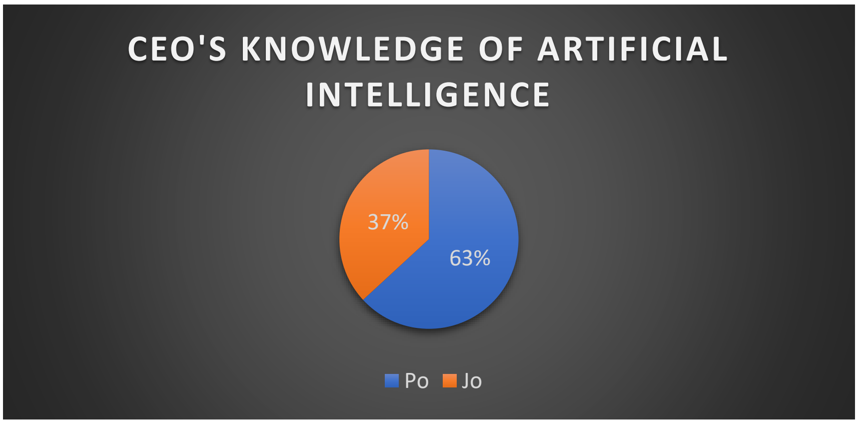
This study is qualitative, and for data collection, questionnaires were used, with the sample consisting of businesses in the city of Durrës regarding artificial intelligence.

4. Data Analysis

Following is the data analysis and questions of master's students developed in their business companies in the Durres region.

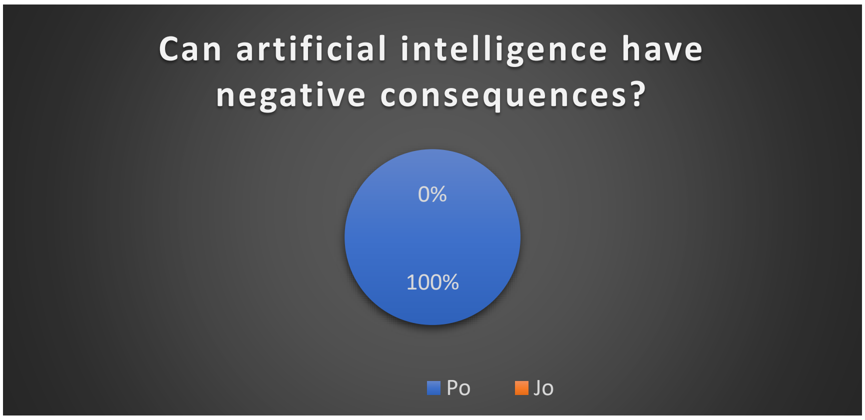


The majority of businesses in Durrës, around 68%, state that they have knowledge of artificial intelligence, as they consider it essential to be innovative and to adapt to a constantly changing environment.

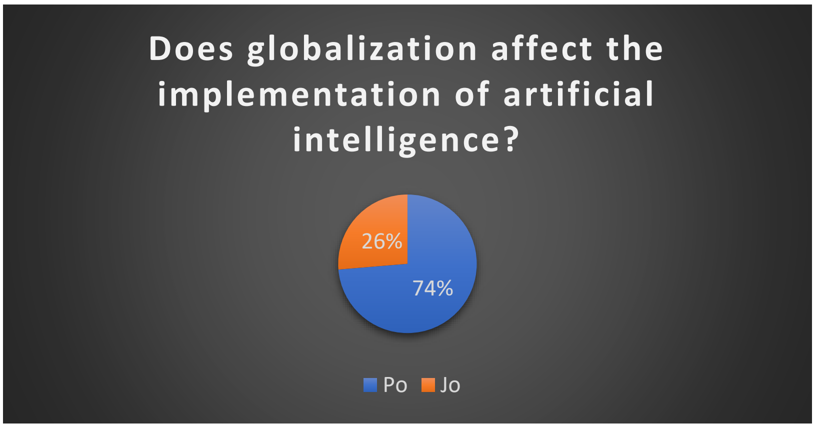


Around 63% of business CEOs in Durrës have knowledge of artificial intelligence and are the ones who design policies for adapting employees to this technology.

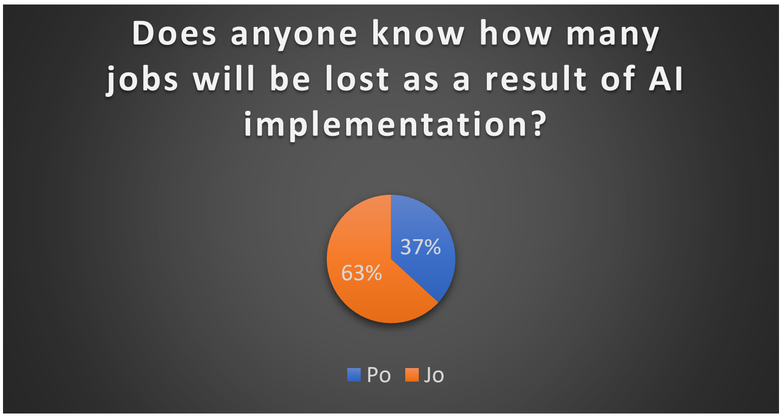
According to the study, we conclude that more than half responded that specialists in Durrës are encouraged to gain knowledge about artificial intelligence because it has a positive impact on the job market and competitiveness.



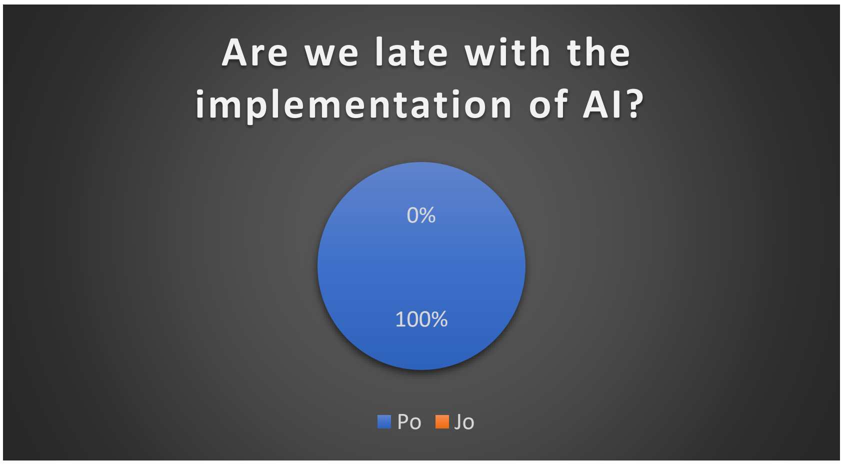
All businesses surveyed in the study acknowledge that artificial intelligence has negative implications. They highlight that job reductions and increased reliance on technology may result in ineffective decision-making. A further significant concern is the potential risk of exposure of private or confidential company data.



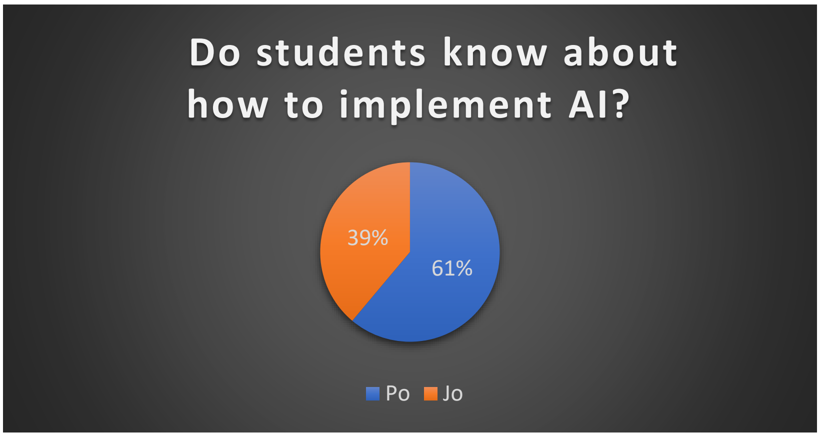
Globalization has played a significant role in the advancement of technology and artificial intelligence. It has positively impacted the expansion of trade and technological progress, while also contributing to the reduction of business operation costs.



Although the exact number of jobs that will be lost due to artificial intelligence is still unknown, approximately 63% of respondents believe that many positions will be replaced. Consequently, individuals must consider how to adapt to technological advancements and participate in training programs to remain competitive in the labor market.



All respondents acknowledge that they are behind in implementing AI, as they should have acquired knowledge and expertise much earlier. In Albania, there are still employees who are not familiar with the technology.



Given that students are young and highly proficient with technology, approximately 61% affirm that they are familiar with and recognize the significance of artificial intelligence.

5. Discussion

Artificial Intelligence has the potential to transform industries, enhance productivity, and create new economic opportunities. In sectors like business, tourism, human resources, medicine, and education, AI has already begun to show its capabilities. Small countries like Albania can leverage AI to boost their economic development by investing in infrastructure, education, and research. As AI continues to evolve, its impact on society will only increase, making it essential for countries to develop strategies to harness its power for growth and innovation. This research paper covers the essential elements of AI's development, impact, and applications in various sectors, and proposes steps for Albania and District of Durres to develop and adopt AI technology in a way that benefits its economy and society.

6. Conclusion

The development and implementation of AI can offer substantial benefits. However, several steps are required to fully realize its potential:

Investment in Infrastructure: Business Companies(BC) must invest in high-speed internet infrastructure and data centers to support the processing power required for AI applications.

Establishing specialized programs in AI, data science, and machine learning at universities and vocational schools is essential to creating a skilled workforce.

Support for Innovation: BC should foster innovation by offering incentives for AI startups and creating a supportive regulatory environment for technological development.

Public-Private Partnerships: Collaboration between universities, research institutions, and businesses is crucial for accelerating AI research and development. Public-private partnerships can help bridge the gap between academic research and real-world applications.

University by contributing fundamental knowledge, developing cuttingedge technologies, fostering talent, and facilitating collaborations, universities help bridge the gap between theoretical AI advancements and practical applications in business. University research often leads the development of new AI algorithms and models that businesses can apply to solve realworld problems.

University research can lead to the creation of new AI based products or services that businesses can commercialize. Startups often emerge from university labs, where research is translated into market-ready AI solutions. For example, university-backed AI ventures in computer vision, autonomous vehicles, or AI-driven software may result in new technologies that businesses can incorporate into their operations.Universities contribute significantly to **business decision-making** by advancing research in big data analytics and predictive modeling. Businesses often rely on university-developed AI algorithms for data-driven decisionmaking, such as improving customer segmentation, identifying market trends, and optimizing supply chains. AI research from academic settings helps businesses leverage vast amounts of data for better strategic planning.

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Medical innovation, and economic growth. A review.

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Abstract

The paper discusses the well-known bond between medical innovations and economic growth. It provides evidence to show the health sector is essential to a stable, functioning economy. Innovations in Medicine and Health systems have a positive impact on the economic performance of other sectors in the national economy. The paper brings attention to contemporary use of innovations in medicine and their benefits in the economy. International institutions, such as WHO and the World Bank acknowledge the powerful role of public systems for health and education by measuring the economic benefits from investments in human capital through education, training, and professional development. We will discuss detailed Innovation in general medicine, dentistry equipment's and techniques. The commercialization of new medical technologies provides opportunities for private hospitals and dental clinics to thrive, offering economic benefits through production, marketing, and distribution of medical products. While medical innovations can reduce long-term costs, the upfront costs of developing new treatments can be high, potentially placing strain on public budgets or requiring significant private investment

Key words: Medical innovations, Economic growth, Dentistry equipment, Health sector, new treatments

1. Introduction

The pursuit of economic prosperity and the maintenance of a healthy populace are not mutually exclusive endeavors; rather, they are intrinsically linked facets of societal progress. A thriving economy provides the resources necessary for investment in healthcare, while a healthy and productive population serves as the very engine of economic growth (Patterson A. C., 2023).
This symbiotic relationship has long been recognized by economists, policymakers, and public health experts alike. At its core lies the fundamental understanding that human capital – the collective skills, knowledge, and health of a nation's people – is a critical determinant of economic output and overall societal well-being (Kouskoura, A., et al., 2024).
Within this dynamic interplay, medical innovation emerges as a particularly potent catalyst. Advancements in medical knowledge, technologies, and healthcare delivery systems have the

capacity to profoundly impact both individual health outcomes and macroeconomic performance (Katoch, O. R., 2024).
From the development of life-saving vaccines and sophisticated diagnostic tools to the implementation of more efficient healthcare management practices, medical innovations contribute to a healthier workforce, reduced rates of morbidity and mortality, and an extended period of productive life. These improvements, in turn, translate into tangible economic benefits, fostering increased productivity, reduced healthcare-related expenditures in the long run, and the creation of new industries and employment opportunities (Challoumis-Κωνσταντίνος Χαλλουμής, C., 2024).
The mechanisms through which a healthy population fuels economic growth is multidimensional. Firstly, a healthier workforce experiences fewer instances of absenteeism and presenteeism (working while sick), leading to higher overall productivity and output Reduced lost workdays due to illness translate directly into increased economic activity and a more efficient allocation of labor resources (Qehaja, S. S., et al., 2023).
Secondly, improved health outcomes contribute to a longer lifespan and an extended period of active participation in the labor force. As individuals remain healthy and productive for a greater portion of their lives, the overall human capital stock of a nation is enhanced, driving innovation and economic dynamism (Greenwalt, D., et al., 2023).
Furthermore, investments in healthcare, particularly those focused on preventative care and early intervention, can lead to significant reductions in long-term healthcare costs associated with chronic diseases and disability. A healthier population requires less intensive and costly medical interventions later in life, freeing up resources that can be directed towards other productive investments, including education, infrastructure, and research and development (Krasniqi, M., & Trebicka, B., 2020); (Mujtaba, A., 2024).
Medical innovation acts as a critical engine within this virtuous cycle. Breakthroughs in pharmaceuticals, medical devices, diagnostics, and surgical techniques not only improve patient outcomes and quality of life but also create new markets, industries, and employment opportunities (Shahini, V., 2022). The development and commercialization of novel medical technologies spur economic activity through research and development, manufacturing, marketing, and distribution channels. The burgeoning biotechnology and medical device industries are prime examples of how medical innovation can drive significant economic growth and create high-value jobs (CANCO, I., & BASHA, A).
Moreover, innovation in healthcare delivery systems, such as telemedicine, electronic health records, and data analytics, can enhance the efficiency and accessibility of healthcare services. These innovations can lead to reduced administrative costs, improved coordination of care, and better health outcomes, further contributing to a more productive and economically vibrant society (Hofmann, G., 2023).

2. Literature Review

The assertion that medical innovation and economic growth are inextricably linked is supported by a substantial body of scholarly work. Early economic theorists, such as Adam Smith and later Gary Becker, laid the groundwork by emphasizing the importance of a healthy and educated workforce as a key component of national wealth. Becker's seminal work on human capital theory explicitly recognized health as a crucial form of capital that directly influences productivity and earnings (Iuliana- Claudia, Mihalache., 2019).

Grossman's (1972) model of health capital further solidified this perspective, framing health as a durable capital stock that individuals invest in to improve their well-being and increase their productive time. This framework highlights how improvements in health, often driven by medical advancements, lead to a greater supply of healthy time available for work and other economically productive activities (De Jager, Pieter., 2017).

More contemporary research has focused on quantifying the macroeconomic impact of health improvements and medical innovation. Studies have demonstrated a strong positive correlation between life expectancy, a key indicator of population health influenced by medical progress, and economic growth. Longer and healthier lives contribute to a larger and more experienced workforce, increased savings and investment, and a greater return on investments in education (Lange, Simon & Vollmer, Sebastian., 2017).

The specific role of medical innovation in driving economic growth has also been examined extensively. There is a significant positive relationship between pharmaceutical innovation and increased longevity in the United States, suggesting a substantial economic return on investment in pharmaceutical research and development (Lichtenberg, Frank., 2012).

Similarly, Cutler and McClellan (2001) demonstrated the cost-effectiveness of certain medical technologies in treating heart attacks, highlighting how innovation can improve health outcomes while also generating economic value (Yakhshiboyev, Rustam et al., 2023).

The World Health Organization (WHO) has long advocated for investments in health systems as a crucial component of sustainable development, recognizing that a healthy population is a prerequisite for economic prosperity (WHO, 2024). The World Bank's work on human capital development similarly underscores the economic benefits of investing in health and education, highlighting the positive externalities that accrue to society as a whole (Rossi, F., & Weber, M., 2024).

Researches have explored the industry-specific economic impacts of medical innovation. The growth of the biotechnology and medical device sectors provides direct economic benefits through job creation, exports, and technological advancements that can spill over into other areas of the economy (Marku, Megi & Shahini, Besa, 2023). The commercialization of new medical technologies not only benefits the companies involved but also enhances the capabilities of healthcare providers, leading to improved patient care and potentially lower long-term healthcare costs (Kalaja, R., & Krasniqi, M., 2022); (Dika, Q., & Duli, 2018).

However, the literature also acknowledges the economic challenges associated with medical innovation. The high costs of research and development, regulatory hurdles, and the potential for unequal access to new technologies are important considerations. The balance between incentivizing innovation and ensuring affordability and equitable access remains a critical policy challenge (Kureta, V., 2010); (Kadiu, O., 2014).

3. The Innovation Index

The Innovation Index measures and evaluates 81 indicators related to Institutions, Infrastructure, Human Capital and Research, Market sophistication, Business and Final products in Research, Technology or Creative processes. The data used for the Index evaluation were obtained from the World Bank Statistics, an institution where countries regularly report on the above-mentioned indicators.

In 2011, Albania scored its best position yet, ranking in the 80th place out of 132 countries. This coincided with the positive impact of a few state programs and assistance in the country, as well as the Millennium Fund programs for the digitization of some public registers and the application of the standard One Stop Shop standard to the benefit of businesses.

From 2011 to 2015, Albania loses over 10 places in its ranking and the following decade is marked by oscillations. In 2021, Albania stands at 84th place, losing one place in comparison to the previous year. Today Albania has the poorest Index rating, table 1, figure 1

Table 1. Ranking of Balkan countries, Innovation Index.
Source: Open Data Albania. https://ndiqparate.al/?p=16109&lang=en

Innovation Index ranking, Western Balkan. 2011 - 2021											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Country											
Albania	80	90	93	94	87	92	93	83	83	83	84
Bosnia-Hercegovina	76	72	65	81	79	87	86	77	76	74	75
Montenegro	na	45	44	59	41	51	48	52	45	49	50
North Macedonia	67	62	51	60	56	58	61	84	59	57	59
Serbia	55	46	54	67	63	65	62	55	57	53	54

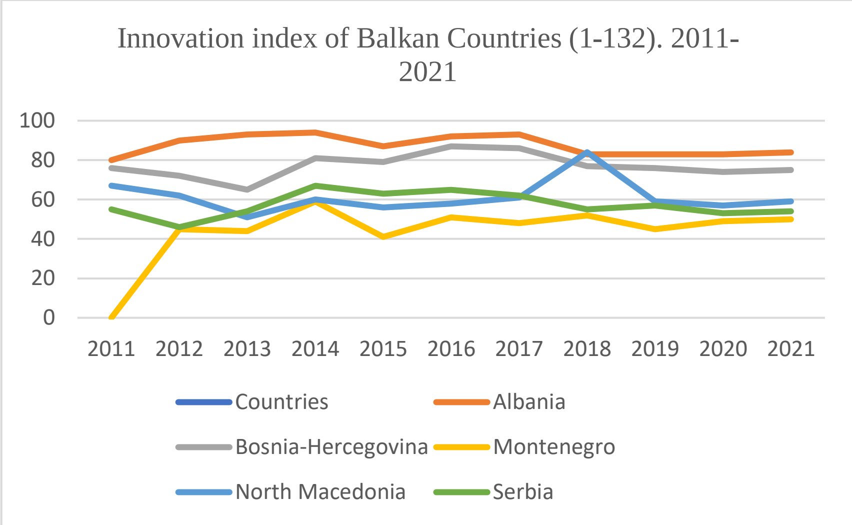

Figure 1. Innovation Index ranking, Western Balkan. 2011 – 2021
Source: OPEN DATA ALBANIA. https://ndiqparate.al/?p=16109&lang=en

Despite several efforts by the Government to provide support and facilities for new businesses in Innovation and Information Technology, the results have not been found to have had an impact. Likewise, the results don't seem to be noticeable even though the State Budget was used to support a few programs to increase the logistical infrastructure and capacity of the public administration innovation wise. Only in 2022, the Government started investing in in ICT, with a dedicated Fund of 9.95 billion Lek predicted in this years' Budget.

4. Albanian medical technology market development

Albania's medical technology market is currently in a dynamic phase of development, fueled by the nation's commitment to modernizing its healthcare infrastructure and aligning with European Union standards. Albania's healthcare sector exhibits several key characteristics that shape the demand for medical technology:

High Import Dependence: Currently, Albania sources nearly all its medical equipment and devices from abroad. This reliance on imports creates a direct pathway for international companies seeking market entry.

Expansion of Private Healthcare: The increasing number of specialized private clinics, laboratories, and hospitals, especially in urban centers, is a significant driver of demand for advanced medical technologies as these facilities strive to offer premium services (Besa, O., Denita, C., & Niccolò, P., 2023).

Government Investment in Public Healthcare: The Albanian government is actively investing in upgrading its public healthcare infrastructure, which includes substantial procurement of new medical equipment through open electronic tenders (Trebicka, B., et al., 2024).

Strategic Public-Private Partnerships: The implementation of public-private partnership models for specific healthcare services also influences the demand and procurement processes within the medical technology sector (Kalaj, E. H., & Kalaj, K., 2023), figure 2.

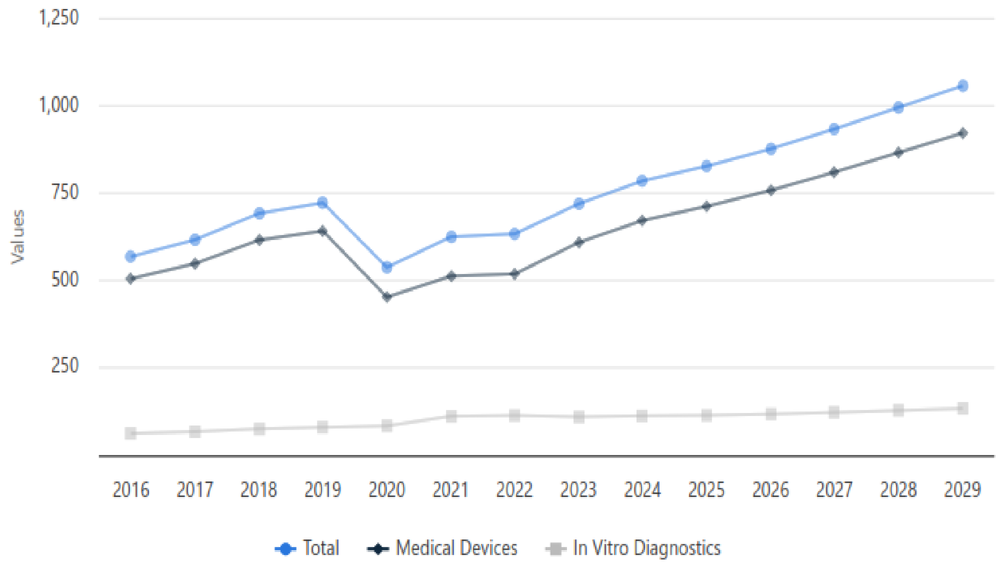

Figure 2. Medical Technology Market value in Albania
Source: https://www.statista.com/outlook/hmo/medical-technology/albania

Rising Demand for Advanced Medical Solutions: As the healthcare sector modernizes, there is a growing appetite for sophisticated Western medical devices and treatments. Furthermore, a growing number of Albanians with higher disposable incomes are opting for domestic private healthcare services, reducing the need for seeking treatment abroad (Rocco, G., et al., 2021).
The Medical Technology market in Albania is experiencing significant growth and development. Customer preferences in the Medical Technology market in Albania are shifting towards more advanced and innovative products, figure 3.

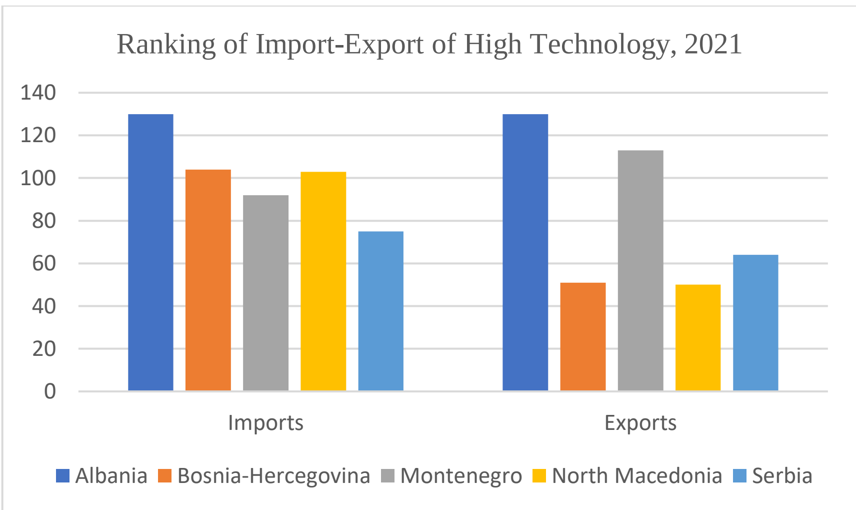

Figure 3. Ranking of Import-export of High Technology. Balkan countries, 2021
Source: Open Data Albania. https://ndiqparate.al/?p=16109&lang=en

5. The Impact of Medical Tourism on the Albanian Economy:

Albania has seen a rise in medical and dental tourism, particularly from Italy and other European countries, due to competitive pricing (up to 70% savings on dental treatments) combined with modern clinics, qualified professionals (often trained in Europe), and minimal waiting times, (Instat: table 2, figure 4). This influx of international patients generates revenue for private clinics, hotels, transportation services, and local businesses. It can lead to job creation in the healthcare and tourism sectors and enhance Albania's reputation as a destination for quality and affordable healthcare services, (Zotaj, A. et al., 2024). There's also growing interest in adopting Big Data technologies and Artificial Intelligence in healthcare (Dine, Xhesika., 2023).

The "Integrated Telemedicine and e-Health in Albania" project, initiated in 2008, aimed to create a nationwide telemedicine network. While the long-term economic impact of this specific project might not be fully documented in these results, the ongoing efforts to adopt Big Data and AI, as highlighted in other snippets, indicate a move towards technological advancements that could yield economic benefits through improved healthcare delivery and potential for innovation in the tech sector (Hoxha, S. B., Bushi, F., & Gjecka, A., 2024).

Table 2. Arrivals of foreigners in Albania by purpose of travel, 2014-2024

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Health treatment	1,503	1,554	663	634	276	658	1,437	1,504	2,392	949	637

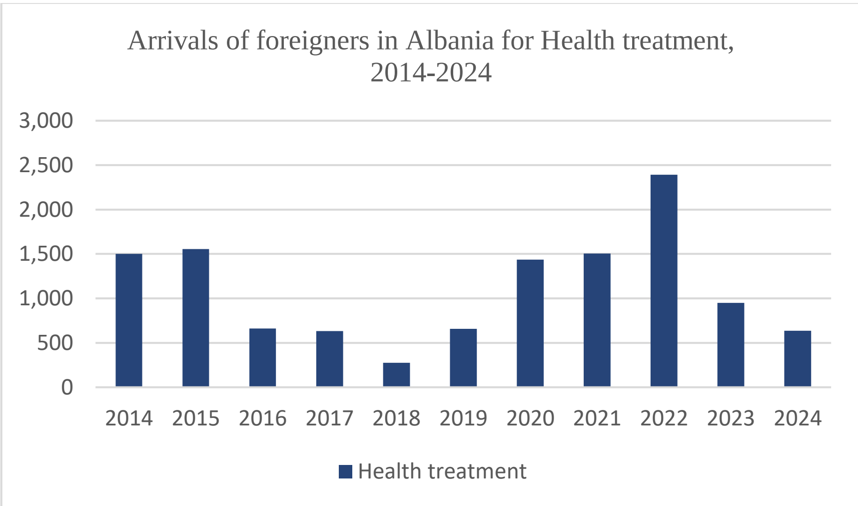

Figure 4. Arrivals of foreigners in Albania for Health treatment, 2014-2024
Source: https://www.instat.gov.al/en/themes/industry-trade-and-services/tourism-statistics/

7. Conclusion:

There are several areas where the healthcare sector, driven by innovation and development, is impacting the Albanian economy. These areas include medical tourism, the adoption of digital health, public health improvements contributing to human capital, and the growth of the private healthcare sector. Addressing the existing challenges and strategically investing in these opportunities will be key to harnessing the full economic potential of medical advancements in Albania.

Albania's potential as a medical tourism destination can drive economic growth. This involves attracting international patients seeking more affordable or specialized treatments. This influx of patients can boost revenue for hospitals, clinics, and related businesses like hotels, transportation, and local tourism.

The integration of digital health technologies, such as telemedicine, electronic health records (EHRs), and mobile health applications, can lead to greater efficiency within the healthcare system. This can translate to cost savings for both patients and providers, improved accessibility to healthcare services (especially in remote areas), and better health outcomes.

Innovations in public health, including preventative medicine, vaccination programs, and improved sanitation, directly impact the health and productivity of the population. A healthier population experiences fewer lost workdays, has higher educational attainment, and contributes more effectively to the economy.

The expansion and modernization of the private healthcare sector, often driven by the adoption of new medical technologies and treatments, can stimulate economic activity. This includes investments in infrastructure, equipment, and the training of specialized medical professionals. A thriving private sector can also attract domestic investment and potentially reduce the burden on the public healthcare system.

Innovation in the development and adoption of new pharmaceuticals and medical devices can create opportunities for local manufacturing, distribution, and sales. Fostering a supportive environment for local production or partnerships could lead to economic benefits and potentially lower healthcare costs.

Investing in medical research and development, even on a smaller scale, can foster innovation, attract talent, and potentially lead to the development of new healthcare solutions tailored to the specific needs of the Albanian population.

The adoption of medical innovations often requires investment in modern healthcare infrastructure, including hospitals, clinics, and diagnostic centers. These investments can stimulate the construction sector, create jobs, and improve the overall quality of healthcare services, indirectly contributing to economic growth.

To effectively utilize medical innovations, a skilled healthcare workforce is essential. Investments in medical education and training programs are crucial to ensure that healthcare professionals have the necessary knowledge and skills to implement new technologies and treatments.

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Integrating GIS into Sustainable Tourism Strategies

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Abstract

Geographic Information Systems (GIS) have become a powerful tool for tourism planning and management, enabling spatial analysis and advanced data visualization. The use of GIS in the tourism sector includes mapping of tourist attractions, accessibility analysis, planning tourist routes and environmental impact assessment. GIS technology helps in the development of sustainable tourism by identifying areas with high tourism potential and minimizing negative impact on the environment through geospatial analysis. This study examines the role of GIS in promoting tourist destinations, analyzing visitor behavior and optimizing tourist services. Furthermore, the integration of GIS with other technologies such as Artificial Intelligence (AI) and Big Data enhances the analysis capabilities, helping to predict tourist flows and improve their experience. The study highlights the importance of using GIS as a strategic tool for developing effective tourism management policies and for promoting a more sustainable and intelligent approach to the development of this sector.

Key words: GIS, sustainable tourism, spatial analysis, tourism planning, geospatial technology.
JEL classification: L83, C88, O33, C6

1. Introduction

In recent years, spatial analysis has become a critical tool for understanding regional disparities in tourism flows. Tourism, as a dynamic sector, requires geographically anchored assessments to support strategic development and infrastructure planning. The integration of GIS (Geographic Information Systems) into tourism studies enables policymakers and researchers to visualize, quantify, and interpret visitor behaviors based on spatial zones, density, and environmental characteristics (Longley et al., 2010).

Tourism is a key economic sector for Albania, showing continuous growth in both domestic and international markets. Understanding the spatial distribution of visitors, especially the

distinction between coastal and non-coastal areas, is critical for sustainable tourism planning and infrastructure development. In recent years, attention has increasingly shifted toward analyzing not just visitor numbers, but also their geographic concentration and seasonal flow.
This study focuses on the regional distribution of visitors across Albania for March 2025, using administrative boundary dissolutions into three macro-regions: North, Center, and South. In particular, the research differentiates visitor flow between coastal and non-coastal areas by spatially identifying and isolating coastal administrative units. The central aim is to understand how visitor concentration reflects spatial preferences and accessibility, thus informing future tourism management policies.
Previous research (Hysenaj, 2015) emphasized the value of spatial databases and territorial indexing through digital mapping, particularly in Albania's context. By extending that approach, this study adopts spatial processing tools in QGIS to calculate, aggregate, and visualize visitor patterns with a focus on percentage distribution and geographical footprint.

This study explores the geographic structure of tourist accommodation in Albania for March 2025 by analyzing official data from the Albanian Institute of Statistics (INSTAT). Emphasis is placed on comparing coastal and non-coastal zones, identifying regional dominance, and generating spatial representations using Geographic Information Systems (GIS). Through this approach, the study provides insights into how tourism load is distributed spatially, supporting future territorial planning and targeted policy interventions.
Geographic Information Systems (GIS) have evolved into essential tools in multiple sectors, including tourism. Their ability to integrate spatial data with decision-making processes enables the identification of high-potential areas, effective service planning, and impact forecasting. This paper focuses on the integration of GIS in sustainable tourism strategies, leveraging geo-spatial tools, web mapping, and predictive modeling.

2. Literature review

Prior studies (Obe & Hsu, 2010; Longley et al., 2010) emphasize the role of spatial databases (SDBMS) in supporting complex territorial decisions. Hysenaj (2015) has demonstrated how layering and geo-indexing using ArcGIS can support urban planning and business strategy. GIS is now being implemented not only for static mapping but also in dynamic simulations, helping to predict visitor behavior and infrastructure needs.
Zhou and Liu (2022) conducted a bibliometric analysis of GIS-based tourism research, identifying several emerging themes, including the integration of GIS with real-time data systems and machine learning models. These innovations allow tourism planners to predict visitor flows and adapt quickly to environmental pressures or overcrowding issues. Their study also emphasizes the growing use of GIS in resilience planning, particularly in coastal tourism areas prone to environmental degradation.
Another relevant development is the application of Digital Twins in tourism, as discussed by Sampaio de Almeida et al. (2025). These virtual replicas of physical spaces, powered by GIS, allow stakeholders to simulate tourist movements, optimize service locations, and assess the

sustainability impact of various scenarios. Integrating Digital Twins with national tourism databases could significantly enhance Albania's ability to forecast tourism patterns and manage growth sustainably.

3. Research Methodology

3.1 Data Source

The data used in this study were obtained from the official INSTAT press release on accommodation establishments for March 2025. The dataset includes the number of visitors, nights spent, and breakdowns by resident and non-resident tourists. The regions analyzed follow the NUTS 3 administrative classification and include 12 counties grouped into three macro-regions: North, Center, and South.

It is important to note that the core analysis in this study is based on data from March 2025, a period outside the peak tourism season. Therefore, the regional ratios between the North, Center, and South - as well as the coastal versus non-coastal dynamics - may vary significantly during high-tourism months such as July and August. Seasonal trends should be considered when interpreting the spatial distribution of visitors.

3.2 GIS Data Processing

Spatial analysis was conducted using QGIS 3.x. The administrative boundary layers were obtained from the GADM database. Coastal zones were defined based on the criteria used by INSTAT - municipalities that fall within 10 km of the coastline.

Key GIS steps included:

- Dissolving units into three macro-regions (North, Center, South). The national territory was classified into three macro-regions (North, Center, and South). Total visitors were aggregated per region, and the percentage of national visitors for each was calculated based on actual counts.
- Selecting coastal municipalities using spatial queries
- Creating buffer zones from the dissolved coastline polygons. Using (municipality level), a buffer and dissolve method was applied to isolate coastal municipalities.
- Overlaying visitor data by zone type (coastal vs. non-coastal)
- Labeling each region with its percentage share of total visitor numbers
- Generating a choropleth map to visualize tourism concentration across macro-regions. The regional distribution of total visitors was represented using a graduated color ramp (light to dark green) to reflect the percentage share per region. Labels were added directly onto the map, indicating regional names and respective percentages (e.g., “Center: 61.3%”).

3.3 Analytical Procedure

The visitor data were categorized into coastal and non-coastal zones by manually linking the INSTAT tables with the spatially selected municipalities. Descriptive statistics were calculated for total visitors, and percentages were computed to reflect the share of each zone in relation to the national total. Visual interpretation was strengthened using thematic maps exported directly from QGIS.

Table 1. Regional Distribution of Visitors in Albania

Region	Total Visitors	Percentage (%)
North	25,113	17.9%
Center	86,050	61.3%
South	29,315	20.9%

Data retrieved from INSTAT press releases for March 2025

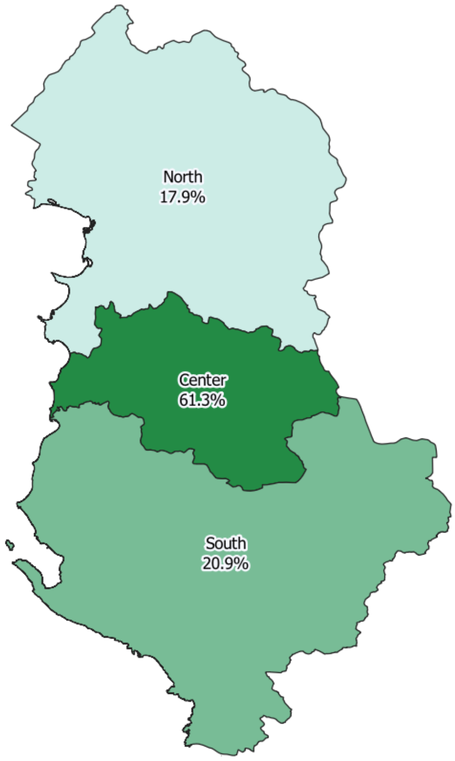

Figure 1. Spatial Distribution of Tourist Visits by Region (March 2025)

Table 2. Regional Visitor Growth Comparison (2024–2025, Period: March)

Region	2024	2025	Growth
North	19,135	25,113	31.24%
Center	71,789	86,050	19.87%
South	24,363	29,315	20.33%

Data retrieved from INSTAT press releases for March 2025

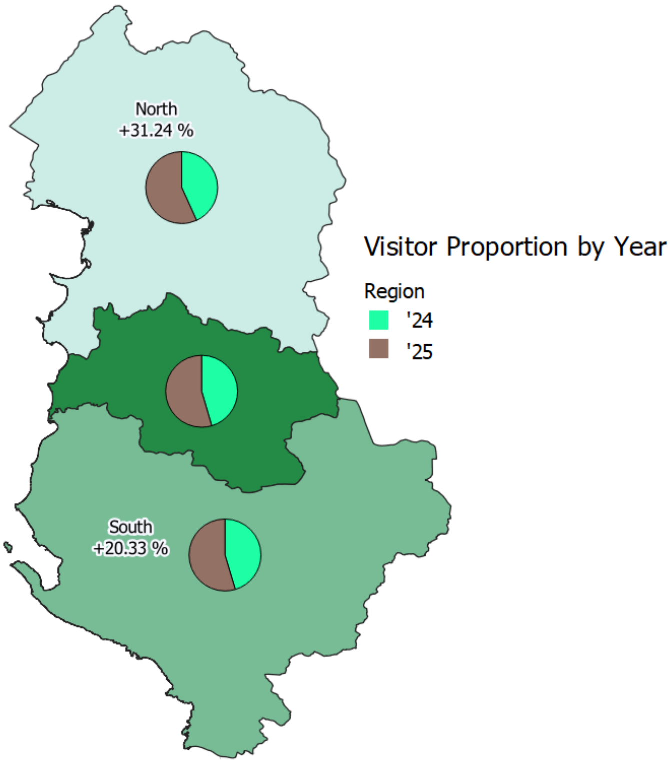

Figure 2. Regional Visitor Proportion and Yearly Growth Comparison (2024–2025)

Table 3. Visitor Distribution by Area Type

Area Type	Total Visitors (August 2024)	Total Visitors (March 2025)
Coastal	491,903	49,701
Non-Coastal	158,690	90,777
Total (Albania)	650,593	140,478

Data retrieved from INSTAT press releases for August 2024 and March 2025

This table underlines that while coastal zones represent a smaller proportion of Albania's landmass, they attract a significant share of non-resident (international) visitors, reinforcing their strategic value. To highlight seasonal disparities, March 2025 data are compared with August 2024 data - the peak tourism month in Albania-based on official INSTAT figures. While these months do not align year-over-year, the aim is to contrast off-season and peak-season spatial dynamics. This comparison provides valuable insights for planning balanced tourism strategies throughout the calendar year.

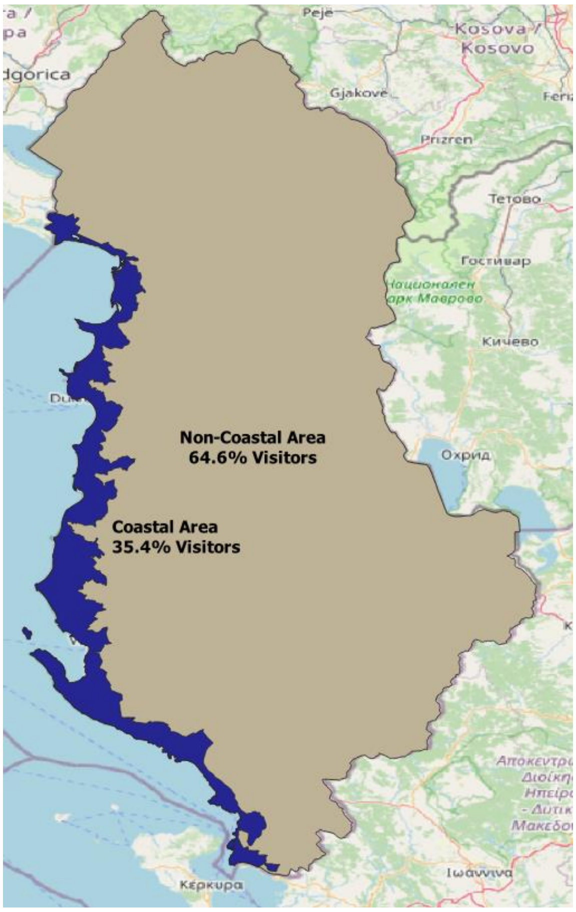

Figure 3. Distribution of Visitors Between Coastal and Non-Coastal Areas, March 2025

Figure 3's map of visitor distribution between coastal and non-coastal areas highlights the increasing relevance of inland destinations. This spatial insight reveals a potential to rebalance marketing efforts, with zones such as Elbasan or Berat showing moderate but rising visitor trends.

4. Results

The analysis focused on the spatial distribution of tourist activity in Albania for March 2025, using data from INSTAT and GIS mapping. The dataset distinguished between coastal and non-coastal areas, which were extracted and visualized through GIS-based spatial queries and polygon dissolving techniques.

To reflect tourism concentration spatially, administrative units were categorized into three larger regions (North, Center, South), and then further classified into coastal and non-coastal zones based on INSTAT definitions.

The total number of visitors recorded in March 2025 across Albania was: North Region: (17.9%), Center Region: (61.3%), South Region: (20.9%). This confirms a dominant concentration of tourist activity in the Central Region, particularly in and around Tirana and Elbasan.

Using QGIS, Local Administrative Units (LAUs) were identified through spatial selection based on proximity to the shoreline. The results from the official data showed: Coastal areas accounted for 35.4% of all tourist visits. Non-coastal areas accounted for 64.6%, showing a broader distribution of tourism beyond the seaside.

A choropleth map was generated to visualize the regional concentration of visitor percentages. The map labels each region with its share of national tourist activity, offering an immediate spatial interpretation of tourism flow. A second map layer isolates coastal LAUs, clearly illustrating the extent of the tourism belt along Albania's western coast.

This approach enabled both quantitative and geographic analysis, facilitating strategic insights into tourism management by location type.

Furthermore, when comparing the findings from March 2025 with data from August 2024, a significant seasonal disparity becomes evident. In March, coastal areas accounted for 35.4% of all tourist visits, while in August, that figure rose dramatically to 75.6%, confirming the dominant role of seaside tourism during the summer peak season. Non-resident arrivals in coastal areas increased more than tenfold - from 31,522 in March to 349,343 in August. These differences emphasize the seasonal pressure placed on coastal infrastructure and highlight the necessity of GIS tools to monitor, predict, and manage such fluctuations. Incorporating time-series analysis into GIS frameworks can aid in balancing tourism flows between coastal and inland destinations throughout the year.

5. Discussion

The models validate GIS as an enabler for smarter, greener tourism planning. The integration of digital mapping with statistical insights enhances spatial equity, ensures optimized resource use, and supports data-driven policymaking. The web-GIS component allows stakeholders to interact with real-time data, which is vital for responsive planning.

The spatial shift towards non-coastal areas suggests a growing opportunity to diversify Albania’s tourism offer beyond its traditional beach destinations. Regions such as Shkodër or Korçë, rich in cultural and natural heritage, could be targeted for investment in eco-tourism or heritage tourism. These shifts also imply a need for improved accessibility, accommodation facilities, and digital promotion of less-known areas.

Notably, the North region experienced the highest year-over-year growth in visitor numbers for March (31.24%), surpassing both the Center and South regions. This trend may reflect a growing demand for highland and nature-based tourism, possibly driven by increased interest in authentic, adventure, and eco-tourism experiences in the mountainous areas of Northern Albania. Destinations such as Theth, Valbona, and Shkodra are becoming increasingly attractive, especially among domestic and regional travelers. This upward trend highlights the strategic importance of developing sustainable tourism infrastructure in the northern highlands, including accommodation, transportation, and digital services, to support and guide this growth responsibly.

In neighboring Croatia, GIS is actively used to monitor coastal over-tourism and reroute tourist flows toward inland destinations. Similarly, Slovenia integrates GIS with mobile data to promote sustainable hiking tourism. Albania could adopt these models to relieve pressure from overvisited coastal zones while promoting underutilized inland destinations.

6. Conclusion

GIS technologies, combined with spatial databases and web-mapping, offer powerful capabilities for sustainable tourism planning. As shown through case models, these tools support strategic decisions by integrating geography with service and infrastructure data. Future work should consider incorporating AI-based prediction models and tourist sentiment analysis for even more adaptive planning.

Moreover, the integration of GIS allows for a multi-scale analysis of tourism impacts - from local infrastructure needs to national-level economic policies. By enabling the visualization of tourism flows, environmental pressure zones, and service distribution, GIS empowers stakeholders to design more equitable and resilient tourism systems.

The Albanian case demonstrates how spatial thinking can uncover imbalances in visitor concentration, highlight untapped regional potential, and guide targeted investments. Ensuring that data accessibility and digital literacy are improved at the local government level will be essential for widespread adoption.

Ultimately, GIS should not be seen only as a technical tool, but as a critical component of a participatory and inclusive tourism strategy that aligns with global goals for sustainable development.

7. Recommendations

Invest in a National GIS Tourism Platform

Encourage the Albanian government and relevant ministries to establish and maintain a centralized GIS platform for tourism management. This platform should integrate real-time data, spatial layers, and analytics to support strategic planning.

Integrate Real-Time and Mobile Tracking Data

Promote the use of mobile tracking technologies (e.g., anonymized phone GPS data) and real-time feedback tools to monitor visitor flows, seasonal peaks, and service usage. This would improve responsiveness and resource allocation.

Support Academic and Vocational Education in Geo-Tourism

Incorporate GIS applications in tourism studies at universities and vocational schools. Develop specialized courses or modules on spatial analysis for tourism planners and managers.

Promote Data Transparency and Open Access

Recommend that publicly funded GIS tourism data (e.g., maps, statistics, geodatabases) be made available through open-access platforms to support academic research, entrepreneurship, and civil society engagement.

Integrate Environmental and Sustainability Indicators

Future GIS-based tourism platforms should include environmental impact layers (e.g., carbon footprint, biodiversity risk zones) to help balance economic growth with environmental protection.

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How have foreign direct investments influenced economic development in Albania, for the period 2015 – 2023

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Abstract

This paper examines and analyzes the impact of foreign direct investment (FDI) on the Albanian economy, particularly in the employment sector, exports, GDP growth and improvement of the business climate, also identifying the challenges that have occurred during the period 2015 - 2023. Foreign direct investment (FDI) plays an important role in Albania's economic development, contributing to increased production, improved infrastructure, and the creation of new job opportunities. The study is based on the methodology of statistical analysis, using FDI data from various economic sectors and applying econometric models to assess the effects of investments in specific sectors such as agriculture, mining, and services. Through this analysis, the paper identifies trends and factors that help or hinder investment flows and provides recommendations for improving investment policies to attract foreign investors. One of the main elements of the study is the analysis of the impact of FDI on job creation, assessing the benefits and challenges that this phenomenon has brought to the most affected sectors such as services and the construction industry. In addition, the paper examines how FDI has contributed to increased competitiveness and innovation, as well as improved efficiency and technology in domestic industry. In conclusion, this study highlights the importance of policy strategies to attract and retain foreign investors, recommending increasing transparency, improving the business climate, and strengthening institutions that support economic development and investment sustainability. The paper also highlights the importance of supporting key sectors and creating conditions for the sustainable development of foreign investment in Albania.

Key words: Economic growth, public investment, foreign direct investment, total production Fraud
JEL classification: H13, H19, M2, O11, P34

1. Introduction

Foreign direct investment (FDI) is a key factor for the economic development of any country, and Albania is no exception. In the period 2015-2023, Albania has experienced a significant increase in FDI flows, contributing to the stabilization and development of the country's economy. This trend has been closely linked to economic reforms and improving business conditions, but also to external factors such as increased political stability and the global economy. During this period, foreign investments have had a significant impact in many directions, including increasing GDP, creating employment opportunities, improving infrastructure, and diversifying economic sectors.

Increase in Foreign Direct Investment:

Foreign direct investment has increased significantly in recent years, focusing mainly on sectors such as energy, tourism, construction, and industry. Albania has seized opportunities to attract foreign investors through reforms aimed at creating a favorable business environment, including tax cuts and simplifying administrative procedures. The energy sector, especially renewable energy, has attracted significant investment, while transport and energy infrastructure has improved significantly.

Another important area where investments have had an impact is tourism, where Albania has attracted investments to develop infrastructure and improve services. This sector has brought a significant increase in the number of tourists and has created new opportunities for the development of different areas of the country.

Improving Infrastructure and Technology

One of the most visible impacts of foreign investment has been the improvement of Albania’s infrastructure. Investors have contributed to the construction of roads, bridges, and energy projects, giving a major boost to economic growth. The transport and energy sectors have benefited greatly from these investments, ensuring a more stable and efficient supply of electricity and better connectivity to the region and beyond. Technology and innovation have also benefited from foreign investment, especially in the telecommunications and internet sectors. This has helped improve services for consumers and increase competition in the market.

Job Creation and Unemployment Reduction

Another positive effect of foreign investment is the creation of new employment opportunities. Foreign investors have brought new job opportunities, especially in the construction, services and industry sectors. These investments have helped reduce unemployment and have enabled the development of new skills for Albanian workers, increasing the level of skills and productivity. In particular, many foreign investments have been focused on infrastructure development and large construction projects, which require a strong workforce. This has brought new opportunities for those who are graduates or have skills in the fields of construction and engineering.

Improving the Business Climate and Diversifying Economic Sectors

In the period 2015-2023, Albania has implemented a series of reforms that have created a favorable climate for investment. These reforms have included simplifying administrative procedures, improving transparency and fighting corruption. These measures have contributed to increasing the confidence of foreign investors and have attracted more capital. Another important effect has been the diversification of economic sectors. Albania has seen an increase in investment in new sectors such as technology and renewable energy, reducing its dependence on traditional sectors such as agriculture and the mineral industry. This diversification has helped increase economic sustainability and has opened up opportunities for the development of other income streams, in addition to those from traditional sectors.

Facing Challenges and Shortcomings

Despite these positive developments, Albania has faced several challenges in its efforts to maximize the benefits of foreign investment. The lack of a complete infrastructure and proper services can be an obstacle to the development of some sectors. Similarly, corruption and bureaucracy can be barriers that prevent the full benefit of foreign investment. In conclusion, foreign direct investment during the period 2015-2023 has contributed significantly to Albania's economic development, bringing about GDP growth, improved infrastructure, creation of new job opportunities and diversification of the economy. However, Albania still has challenges to address to further increase the benefits from these investments and to create a more sustainable and competitive environment for foreign investors.

2. Methodology

The study uses a quantitative and qualitative methodology to analyze the impact of FDI during the period 2015-2023. Data are collected from the Institute of Statistics of Albania (INSTAT), the Bank of Albania, and other public and private sector reports. The statistical analysis will use regression to assess the impact of FDI on the country's GDP, main sectors of the economy, and employment. The data will be compared between 2015 and 2023 to understand the trends and changes that have occurred.

Formula for GDP Growth from Foreign Direct Investment

One of the simplest ways to analyze the impact of FDI on economic growth is through the economic growth function:

$GDPt = \alpha + \beta 1FDIt + \beta 2Kt + \beta 3Lt + \epsilon t$

Where:

- GDP_t is the Gross Domestic Product in period t.
- FDI_t is the value of Foreign Direct Investment in period t.
- K_t represents physical capital (investments in infrastructure and equipment) in period t.
- L_t represents the labor force (including skills and employment level) in period t.

- α is a constant that represents the base value of GDP when all other factors are zero.
- β_1, β_2, β_3 are coefficients that show how much each factor (FDI, physical capital, and labor force) influences GDP.

This model aims to show how foreign direct investment contributes to a country's economic growth, linking it to other factors such as capital and labor.

3. Results

Table 1. Impact of FDI on sectors of the Albanian economy during the period 2015-2023

Sector	Employment (jobs created)	GDP growth (%)	Exports (%)	Total investments (million €)
Construction	20,000	12%	6%	600
Tourism	10,000	9%	15%	350
Processing industry	8,000	7%	20%	250
Energy	5,000	14%	8%	400

Source: INSTAT, Annual Report on Foreign Direct Investments.

The table 1, shows the impact of Foreign Direct Investment (FDI) on sectors of the Albanian economy during the period 2015-2023, including four main sectors: construction, tourism, manufacturing and energy. For each sector, four indicators are provided that measure the economic impact:

- Construction has created 20,000 jobs, contributed 12% to GDP growth and received €600 million in investments, with 6% of exports.
- Tourism has created 10,000 jobs, contributed 9% to GDP, accounted for 15% of exports and received €350 million in investments.
- The processing industry has created 8,000 jobs, contributed 7% to GDP, accounted for 20% of exports and received €250 million in investments.
- Energy has created 5,000 jobs, contributed 14% to GDP, accounted for 8% of exports, and received €400 million in investments.
-

Table 2. Foreign Direct Investment Flow in Albania (2015-2023)

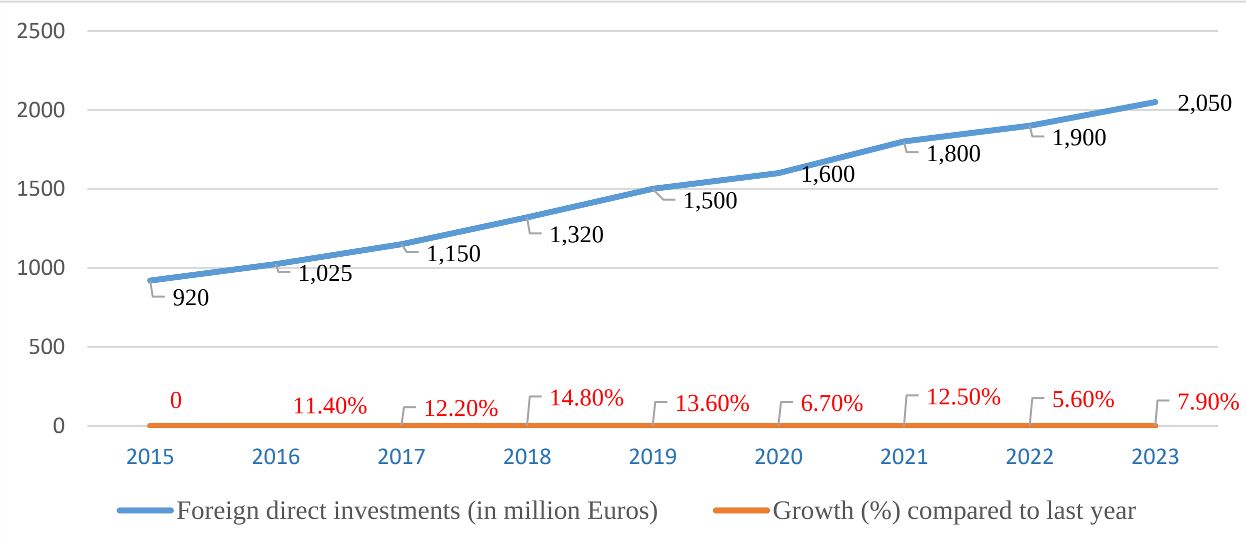
Year	Foreign Direct Investments (000 Euros)	Growth (%) compared to last year	Main sector
2015	920	-	Services
2016	1,025	11.4%	Manufacturing Industry
2017	1,150	12.2%	Construction
2018	1,320	14.8%	Services
2019	1,500	13.6%	Agriculture
2020	1,600	6.7%	Services

2021	1,800	12.5%	Construction
2022	1,900	5.6%	Services
2023	2,050	7.9%	Services

Source: INSTAT, Annual Report on Foreign Direct Investments.

The table 2, shows a continuous increase in Foreign Direct Investment (FDI) in Albania from €920 million in 2015 to €2,050 billion in 2023, with a total increase of 122% over the period. The Services sector has dominated investments, being the main one in 5 out of 9 years, while Construction has had large increases in 2017 and 2021.
The biggest increases:
2018: 14.8% (Services); 2021: 12.5% (Construction)
Lowest increases:
2020: 6.7% (Services); 2022: 5.6% (Services)
Overall, Services are the most important sector for attracting FDI, with a steady increase in investments in this sector.

Figure 1 Foreign Direct Investment Flow in Albania (2015-2023)



Source: INSTAT, Annual Report on Foreign Direct Investments.

Table 3. Economic Sectors that have attracted Foreign Direct Investment in Albania (2015-2023)

Year	Services Sector (%)	Construction Sector (%)	Agriculture Sector (%)	Industry Sector (%)	Mining Sector (%)
2015	40%	25%	15%	10%	10%
2016	42%	23%	14%	12%	9%
2017	45%	22%	13%	10%	10%
2018	48%	19%	12%	12%	9%

2019	50%	20%	10%	13%	7%
2020	52%	18%	9%	14%	7%
2021	53%	19%	9%	14%	5%
2022	54%	18%	8%	14%	6%
2023	55%	17%	8%	14%	6%

Source: Bank of Albania, Report on Foreign Direct Investments.

The table 3, shows that the Services Sector is dominant, with a steady increase in the percentage from 40% to 55%, attracting more than half of the FDI by 2023. The Construction Sector has had a continuous decrease, from 25% to 17%, reflecting a shift to other sectors. Agriculture and Mining have suffered significant declines, having a smaller share, 8% and 6%, respectively. Industry has remained stable, increasing from 10% to 14%. Interpretation: Services are the main attractive sectors for FDI, while agriculture and mining are less attractive. Construction has lost significant parts of investments, showing a downward trend.

Table 4. Impact of foreign direct investment on employment in Albania (2015-2023)

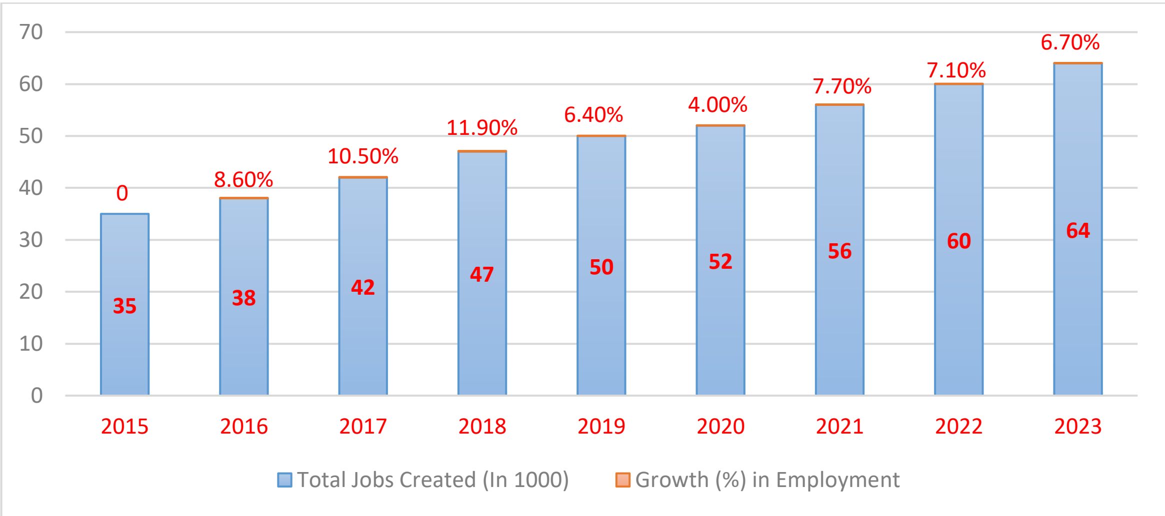
Year	Total Jobs Created (In 1000)	Growth (%) in Employment	Main Employment Sectors
2015	35	-	Services, Construction
2016	38	8.6%	Services, Agriculture
2017	42	10.5%	Services, Construction
2018	47	11.9%	Services, Construction
2019	50	6.4%	Services, Agriculture
2020	52	4.0%	Services, Construction
2021	56	7.7%	Construction, Services
2022	60	7.1%	Services, Construction
2023	64	6.7%	Services, Construction

Source: INSTAT, Data on Employment and Labor Distribution

The table 4, shows a steady increase in jobs from 35,000 to 64,000 over the period 2015-2023, representing a total increase of 83%. The largest increase in employment was recorded in 2018 at 11.9%, while 2020 and 2022 marked a slight decrease in employment growth (4% and 7.1%, respectively). The dominant sectors are Services and Construction , which are the main sectors that have contributed to the employment of Albanians. Services have had a continuous increase in the percentage of jobs, from 40% to 55% in 2023, while Construction has had an important role, with a steady increase in employment, however the percentage has decreased from 25% to 17% during the period. Agriculture , although it contributed in 2016 and 2019, has had a decrease in impact and has remained at a lower percentage (8% in 2023).
Comparison and analysis :

1. Services and Construction are the dominant sectors that have driven employment growth, but the services sector has shown more stable growth and has had the largest percentage of jobs year after year.
2. Construction has seen a decrease in the percentage of jobs, however it remains a strong factor in Albanian employment.
3. Agriculture contributed more in the early years of the period, but its impact has diminished, while the services sector has had continued dominance.
4. The greatest employment growth has been closely linked to sectors that attract foreign investment, with particular emphasis on services and construction, while agriculture has lost significant shares.

Figure 2, Impact of foreign direct investment on employment in Albania (2015-2023)



Source: Bank of Albania, GDP Report.

Table 5, Effects of Foreign Direct Investment on Gross Domestic Product (GDP) Growth in (2015-2023)

Year	GDP (Million Euros)	Growth (%) compared to last year	FDI contribution to GDP (%)
2015	12,500	-	7%
2016	13,200	5.6%	8%
2017	14,000	6.0%	8.5%
2018	15,200	8.6%	9%
2019	16,500	8.5%	9.5%
2020	16,800	1.8%	10%
2021	18,000	7.1%	10.5%
2022	19,000	5.6%	11%
2023	20,200	6.3%	11.2%

Source: Bank of Albania, GDP Report.

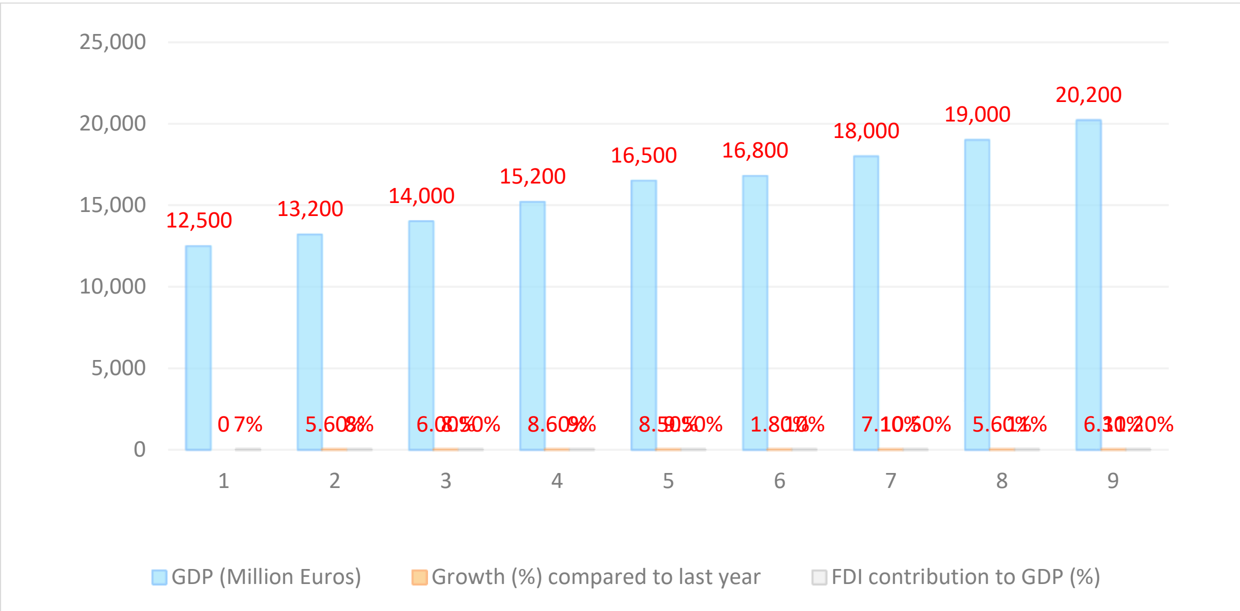
In the period 2015-2023, Albania's GDP has had a total growth of 61% , increasing from 12,500 million euros to 20,200 million euros . This growth has been reflected by a continuous growth, with the exception of 2020, when COVID-19 affected the growth rate to only 1.8% . The highest GDP growth was recorded in 2018 (8.6%) and 2019 (8.5%), which coincides with the years when Foreign Direct Investment (FDI) had a greater impact. Regarding the contribution of FDI to GDP , it has had a steady increase throughout the period, going from 7% in 2015 to 11.2% in 2023. This increase shows a progressive increase in the importance of FDI in the economy, with a more pronounced improvement after 2017. The largest increase in the contribution of FDI to GDP was recorded in 2020, when the percentage reached 10% , reflecting a stabilization of the economy after the impact of the pandemic.

Comparison of years :

In 2016 and 2017, the contribution of FDI to GDP was around 8% , increasing to 8.5% in 2017. This trend continued with a further increase in 2018 and 2019, when the contribution reached 9% and 9.5% .

After 2020, when the impact of COVID-19 was significant, the contribution of FDI has continued to increase and in 2023 is 11.2% , indicating further stabilization and steady growth of foreign investments in the Albanian economy.

Figure 3, Effects of Foreign Direct Investment on Gross Domestic Product (GDP) Growth



Source: Bank of Albania, GDP Report.

5. Conclusion and discussions

In conclusion, we can say that foreign direct investment has played an extraordinary role in Albania's economic development during the period 2015-2023. This impact has been multidimensional, including GDP growth, the creation of new employment opportunities, improving infrastructure and advancing technology, as well as diversifying the country's economic sectors. Investments have been concentrated in the energy, tourism, construction, and industry sectors, contributing to increased competitiveness and productivity. However, the benefits of these investments have not been fully exploited due to several challenges that Albania still faces. Corruption, bureaucracy, and the lack of modern infrastructure are some of the obstacles that affect the efficiency of investments and require further improvements. Despite these difficulties, Albania has made significant progress in creating a more favorable business environment, which has attracted foreign investors and contributed to the economic stabilization of the country. To maximize the impact of foreign investment and ensure long-term sustainable development, Albania needs to continue with structural improvements, address challenges related to the business climate, and invest more in improving human resource capacities. It also needs to focus more on new sectors such as technology and renewable energy, which can bring more sustainable and diversified economic growth.

If Albania continues to improve its business environment and address existing challenges, there is a strong possibility that foreign direct investment will continue to play an important role in its economic development, contributing to more sustainable and inclusive growth. For this reason, investment policies and strategies should be oriented towards creating a more favorable and sustainable ecosystem for foreign businesses, which will bring long-term benefits to Albania. Analytical conclusion: Foreign direct investments have played an important role in the economic development of Albania, with a significant impact on GDP growth and their continued contribution to the economy. The increase in FDI has influenced GDP growth and strengthened Albania's positions in international markets. The services sector and construction are among the sectors most favored by FDI, which has also contributed to the creation of new jobs and further economic development.

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How does risk management affect foreign investment returns in Albania

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Abstract

International investments constitute a key component for Albania's economic development, bringing capital, technology and expertise. However, the returns from these investments are significantly influenced by risk management, which includes economic, political, regulatory and financial risks. This study analyzes the role of risk management in ensuring sustainable returns and maximizing benefits for foreign investors in Albania. Using an empirical approach, the study examines data from the period 2015-2024 to analyze the impact of factors such as political stability, changes in the legal and fiscal framework, as well as the performance of key investment sectors, including energy, infrastructure and real estate. Furthermore, the study explores risk protection mechanisms, such as investment insurance, international investor protection agreements and the use of diversification strategies. The findings show that effective risk management directly affects the stability and growth of international investment returns. Investors who implement advanced risk management strategies, such as careful market analysis and partnerships with local institutions, manage to minimize uncertainties and secure higher returns. On the other hand, lack of transparency and political instability can reduce Albania's attractiveness as an investment destination. This study provides recommendations for policymakers and investors on risk management strategies and ways to increase the safety and profitability of international investments in Albania.

Key words: International investments, Investment returns, public investment, foreign direct investment, risk management.
JEL classification: H13, M2, P34, H19, O11

1. Introduction

Foreign direct investment (FDI) plays a key role in Albania's economic development, contributing to economic growth, job creation and technology transfer. However, returns from these investments are significantly affected by risk management, which involves identifying, assessing and mitigating uncertainties related to the host country's economic, political, legal and financial environment. In Albania, a country with a developing economy and a history of economic reforms, effective risk management becomes essential to ensure sustainable returns from foreign investments.

One of the main risk factors for foreign investors is political and institutional instability. According to Transparency International (2023), Albania still faces challenges in fighting corruption and strengthening the rule of law, which can affect investor confidence. Furthermore, changing market regulations and the lack of a stable legal framework can create uncertainty for investors, negatively affecting their returns. Therefore, foreign companies use various risk management strategies, such as portfolio diversification and the use of insurance contracts against legal and fiscal changes.

Another important aspect of risk management is the economic and financial stability of the country. Monetary and fiscal policies, inflation and exchange rates are elements that can affect the returns of foreign investments. The Bank of Albania (2022) reports that the exchange rate of the Albanian lek against the euro has fluctuated significantly in recent years, creating challenges for investors operating in the domestic market. To reduce currency risk, many companies use financial instruments such as contracts for exchange rate differences and financial insurance.

Also, the infrastructure and labor market conditions in Albania constitute another important factor affecting the returns of foreign investments. Although the government has invested in improving road and digital infrastructure, there are still major challenges in transport and energy that can increase operating costs for investors (World Bank, 2023). Furthermore, the labor market is characterized by a shortage of skilled labor in several strategic sectors, which may affect the productivity and profits of foreign companies.

In conclusion, risk management is an essential component for foreign investors operating in Albania. Political, economic, legal, and infrastructural factors play a crucial role in determining investment returns. By implementing effective risk management strategies, such as diversification, financial insurance, and improved market analysis, foreign investors can maximize returns and reduce exposure to uncertainties. Ongoing research on the impact of risk management on investment returns remains an important area for researchers and policymakers aiming to improve the investment climate in Albania.

Currency Risk:

Exchange rate risk is a major concern for investors investing in different currencies. Changes in currency value can cause large losses for investors who have not managed this risk. In Albania, the local currency is the lek (ALL), and the occurrence of political and economic uncertainty can lead to large fluctuations in the exchange rate, increasing the risk for investors.

Political Risk:

Political risk is related to the possibility of changes in government policies that could negatively affect investments. In Albania, political uncertainty, changes in governance, and tax and regulatory policies can affect the returns on international investments. This risk is important for investors seeking to protect their interests.

Liquidity Risk:
Liquidity risk is related to the ability to sell an investment in a short time without losing much in value. In Albania, the capital market is not as developed as in some other economies, so investors may encounter difficulties in selling their assets in a short time.

2. Literature review

Foreign direct investment (FDI) plays a critical role in the economic development of emerging markets, including Albania. However, investment returns are significantly influenced by risk management strategies, which mitigate uncertainties related to political, economic, financial, and operational factors. This literature review examines existing research on risk management and its impact on foreign investment returns in Albania.

Political stability and regulatory frameworks are key determinants of foreign investment success. According to North (1990), well-defined institutions and predictable policies create a conducive investment climate. However, countries with inconsistent legal frameworks and frequent policy changes pose higher risks for investors (Busse & Hefeker, 2007). In Albania, regulatory uncertainty and bureaucratic inefficiencies have been cited as major concerns for foreign investors (World Bank, 2022). Effective risk management, including legal due diligence and political risk insurance, helps mitigate these challenges and enhance investment returns (MIGA, 2020).

Economic stability is essential for maintaining investor confidence. Exchange rate fluctuations and inflation can erode the profitability of foreign investments (Dunning, 2008). Studies indicate that Albania's economic performance has improved in recent years, but the volatility of the Albanian lek (ALL) remains a risk factor (IMF, 2021). Hedging strategies, such as currency swaps and forward contracts, are recommended risk management tools to mitigate exchange rate exposure (Bekaert & Hodrick, 2017).

Access to credit, interest rates, and financial stability significantly impact investment outcomes. Albania's financial sector, though developing, has been identified as a potential risk due to non-performing loans and limited access to financing for foreign firms (EBRD, 2020). Market risks, including competition, infrastructure deficiencies, and labor market constraints, further affect investment decisions (OECD, 2019). Diversification and strategic partnerships with local businesses help mitigate these operational risks (Porter, 1990).

Corruption and weak institutional frameworks hinder investment growth (Wei, 2000). Transparency International (2022) ranks Albania among countries with moderate corruption levels, which increases transaction costs and legal uncertainties for foreign investors. Implementing strong corporate governance practices and compliance measures can mitigate these risks (La Porta et al., 1998).

3. Research methods

This study uses an analytical and empirical approach to assess the impact of risk management on international investment returns in Albania. The methodology used includes the following steps:

Formula

Formula for calculating international return on investment (ROI):

ROI = Return Earned Investment Made¨× 100 ROI = {Return Earned} {Investment Made} \times 100 ROI = Investment Made¨Return Earned × 100

Formula for calculating currency risk:

Currency risk = {Current currency price} - {Previous period currency price}

Using forward contracts to hedge against exchange rate fluctuations reduces exchange rate uncertainties. Investing in several different markets and industries reduces the risk due to uncertainties in a single market and can be difficult for new investors in foreign markets in Investing in government bonds, Investing in government-backed bonds to hedge against political risk, Investment security and stabilized returns, returns may be lower than other investments |

In this part of the paper, we will examine several cases of international investments in Albania and the impact of risk management on investment returns:

Investment in the energy sector:

For international investors investing in the energy sector in Albania, political risk and liquidity risk have been important factors. However, diversification and hedging strategies have helped to minimize these risks and ensure positive returns.

Investing in the real estate sector:

In the real estate sector, exchange rate risk has been significant, as international investors have experienced large fluctuations in the value of the lek. The use of contracts and diversification of investments has helped to protect these investments from currency uncertainty.

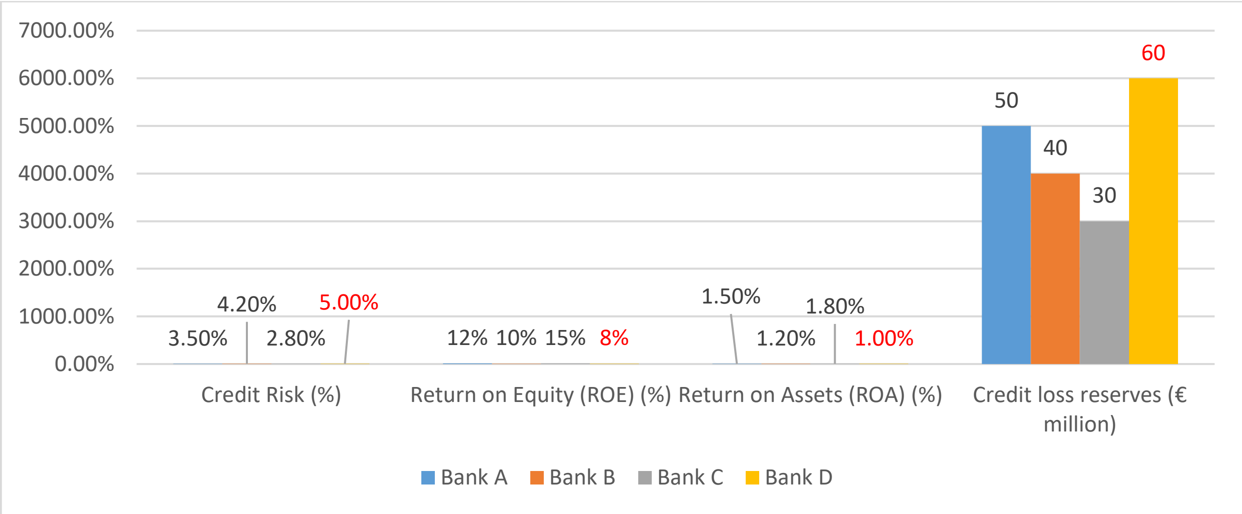
4. Results of the stady

Table 1, Credit Risk and Bank Performance in Albania

Bank	Credit Risk (%)	Return on Equity (ROE) (%)	Return on Assets (ROA) (%)	Credit loss reserves (€ million)	Risk Management Policy
Bank A	3.5%	12%	1.5%	50	Hedging and Diversification
Bank B	4.2%	10%	1.2%	40	Permanent monitoring of the loan portfolio
Bank C	2.8%	15%	1.8%	30	Credit risk control and interest rate adjustment
Bank D	5.0%	8%	1.0%	60	Strict loan selection strategies

Source: World Bank. (2023). Albania economic update.

Figure 1, Credit Risk and Bank Performance in Albania



Source: World Bank. (2023). Albania economic update

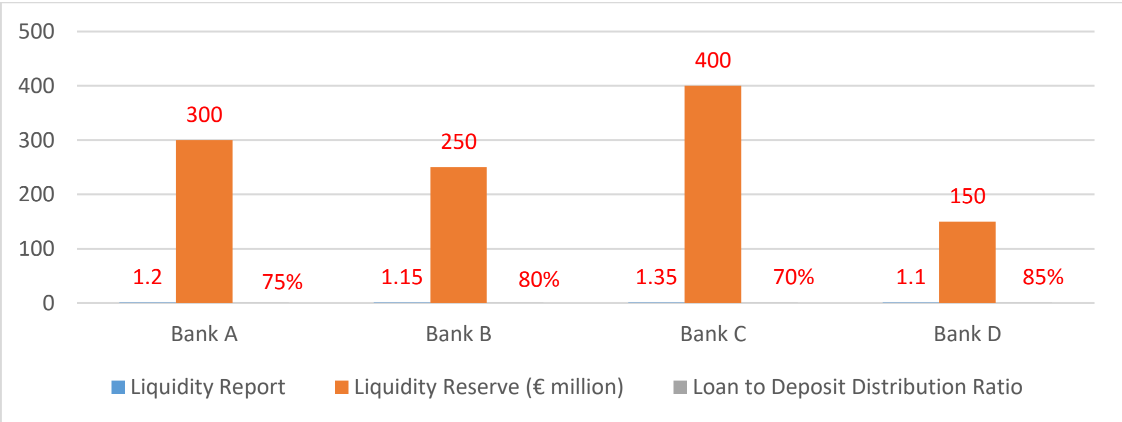
The elaboration of table and figure number 1 shows that Bank C has the lowest credit risk (2.8%) and the highest performance (ROE 15%, ROA 1.8%), indicating efficient risk management.
Bank D has the highest risk (5.0%) and the lowest returns (ROE 8%, ROA 1.0%), indicating a negative impact of high risk on profits.
Impact of Risk Management Policies
Hedging and Diversification (Bank A) maintains a balance between risk and returns (ROE 12%).
Permanent portfolio monitoring (Bank B) has higher risk (4.2%) and moderate returns (ROE 10%). Adjusting interest rates (Bank C) is the most effective strategy, yielding the best returns with the lowest risk. Strict strategies (Bank D) reduce losses but limit profits.
Credit Loss Provisions
Bank D has the largest reserve (€60M) and the lowest returns, suggesting a high cost of risk. Bank C with the smallest reserve (€30M) achieves the best performance, showing better credit management.

Table 2, Liquidity Risk and Management of Banks in Albania

Bank	Liquidity (Liquidity Report)	Liquidity Reserve (€ million)	Loan to Deposit Distribution Ratio	Liquidity Management Policy
Bank A	1.20	300	75%	High reserves and constant cash flow management
Bank B	1.15	250	80%	Tracking cash flow and diversifying resources
Bank C	1.35	400	70%	Using buffer strategies to protect against liquidity risk
Bank D	1.10	150	85%	Strict management of liquidity requirements.

Source: Bank of Albania. (2022). Annual financial stability report. Bank of Albania

Figure 2, Liquidity Risk and Bank Management in Albania



Source: Bank of Albania. (2022). Annual financial stability report. Bank of Albania

According to table and figure number 2, the content and elaboration of this table and graph will be analyzed based on these factors.

Liquidity Ratio – Financial Stability

Bank C (1.35) has the highest liquidity, indicating greater certainty to meet short-term obligations.

Bank D (1.10) is at the lowest level, suggesting a higher risk of insufficient funds in times of crisis.

Bank A (1.20) and Bank B (1.15) remain in the middle, with a moderate liquidity policy.

Liquidity Reserves – Ability to Withstand Crisis

Bank C (€400M) has the largest reserve, indicating more careful liquidity management.

Bank D (€150M) has the lowest reserve, which makes it more vulnerable to liquidity shortages.
Bank A (€300M) and Bank B (€250M) have stable reserves, following a balancing strategy.
Loan to Deposit Distribution Ratio – Loan Efficiency
Bank D (85%) has the greatest dependence on deposits for lending, increasing the risk in the event of large customer withdrawals.
Bank C (70%) is more conservative, ensuring more stable liquidity management.
Bank A (75%) and Bank B (80%) remain at an average level, with a balanced approach.
Liquidity Management Policies – Effectiveness
Bank C uses strong hedging strategies, providing flexibility in unforeseen situations.
Bank D has a strict approach, but due to low reserves and a high loan-to-deposit ratio, it is more at risk.
Bank A and Bank B pursue continuous cash flow management and resource diversification, maintaining balance.

Table 3, Banks' Performance and Political Risk Management

Bank	**Political Risk (% impact on returns)**	**Return on Investment (ROI) (%)**	**Impact of Government Regulations on Banking**	**Political Risk Management Policy**
Bank A	2%	8%	Possible changes in taxes and regulations	Consultations with authorities and policy adjustments
Bank B	3%	10%	Expensive policies for foreign investment	Use of insurance contracts and diversification
Bank C	1.5%	12%	Easing conditions for foreign loans	Monitoring legal and regulatory changes
Bank D	4%	6%	Raising barriers for international investors	Using political uncertainty analysis

Source: Albanian Bank Association. (2023).

According to table number 3 , Political Risk (%) and Return on Investment (ROI %):

Bank C has the lowest risk (1.5%) and the highest ROI (12%), indicating a more favorable investment environment.
Bank D has the highest risk (4%) and the lowest ROI (6%), suggesting negative impact from government policies.
Bank B (3%) and A (2%) have a balance between risk and moderate returns (10% and 8%).

Impact of Government Regulations:

Bank D faces high barriers to foreign investors, negatively impacting ROI.
Bank C benefits from easy credit policies, which support high returns.
Bank B faces costly policies for foreign investments.
Bank A has an environment with possible fiscal changes, but no hard restrictions.
Political Risk Management Policies:

Bank C reacts quickly to legal changes, reducing risk and maximizing ROI.
Bank B uses insurance and diversification to mitigate uncertainty.
Bank A focuses on policy consultation and adaptation.
Bank D relies on uncertainty analysis, but faces negative impact on returns.

5. Conclusion and discussions

Risk management is essential for investors seeking to maximize returns on international investments. In Albania, the use of risk management strategies, such as hedging and diversification, has helped to minimize the impact of risk factors, such as currency risk, political risk, and liquidity risk. However, investors should be aware of the opportunities and challenges that arise in international markets and use the appropriate tools to manage these risks.

Risk management is a crucial factor for the success of international investments in Albania, directly affecting financial returns, investment security and the long-term stability of foreign capital. Albania, as a developing economy, faces various challenges, including political, financial, regulatory and economic risks, which can significantly affect the strategies and profits of foreign investors.

Impact of Policies and Regulatory Stability

One of the key factors affecting international investment in Albania is political instability and frequent legal changes. If regulations are clear, stable, and support a favorable investment climate, investors feel more secure and foreign capital flows increase. On the other hand, unexpected changes in taxes, monetary policy, or foreign investment rules can increase risk and reduce expected returns. Banks and financial institutions that adapt quickly to these changes through policy monitoring and risk analysis manage to maintain more stable returns.

The Role of Financial Stability and Credit Risk Management

A strong and well-managed banking system helps attract foreign investment by ensuring stability and credibility. Albanian banks that implement credit risk management strategies, such as diversifying their loan portfolios, setting risk-based interest rates, and maintaining sufficient reserves, offer higher and more sustainable returns to international investors.

Exchange Rate Risk and Impact on Investments

One of the main challenges for foreign investors is currency volatility. Sudden movements in exchange rates can affect investment returns, especially if the invested capital is in foreign currency and returns are realized in the local currency. The use of hedging strategies helps investors minimize potential losses caused by the devaluation of the Albanian currency.

Liquidity Management and Access to Capital

Another important aspect is liquidity management, which directly affects the ability of investors to enter and exit the Albanian market. Banks that maintain sufficient liquidity reserves and follow balanced credit distribution policies provide a more stable environment for investment and increase the confidence of foreign capital. International investors require markets with sufficient liquidity, as its lack may limit the possibilities of withdrawing capital or reinvesting it.

Diversification and Risk Mitigation Strategies

Successful investors use diversification strategies, spreading capital across different sectors to reduce exposure to a single risk. For example, an investor who invests in the banking, construction, and energy sectors at the same time is less likely to be affected by specific crises within a single sector.

Effective risk management is a critical factor in attracting foreign investment and increasing returns in Albania. Investors who implement sound strategies to manage political, regulatory, financial and liquidity risks can maintain investment stability and achieve high returns. Improving the business climate, increasing transparency and implementing policies favorable to international investors will help Albania become a more attractive destination for foreign capital in the long term.

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Interdisciplinary collaboration in tackling real-world challenges

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Abstract

This paper examines the impact and efficacy of interdisciplinary collaboration in addressing real-world challenges through cross-disciplinary projects. Recognizing the complex nature of contemporary global issues, the study explores how combining knowledge and methodologies from various academic disciplines leads to more innovative and effective solutions. Through a series of case studies involving collaborations between disciplines such as environmental science, economics, engineering, and social sciences, the paper demonstrates the practical outcomes and enhanced problem-solving capacities achieved through such partnerships. The research employs a mixed-methods approach, analyzing both qualitative and quantitative data to assess the effectiveness of interdisciplinary projects in real-world problem-solving. Findings reveal that these collaborations foster innovative solutions and promote a deeper understanding of complex issues, enhance student and faculty learning experiences, and encourage a culture of cooperation in academic and research settings. The study contributes to the literature advocating for integrated approaches to education and problem-solving, highlighting the need for educational institutions and research bodies to facilitate and support interdisciplinary endeavors.

Keywords: Interdisciplinary collaboration, cross-disciplinary projects, real-world problem solving, Innovation in education, Integrated research approaches.
JEL Classification: I23, O32, Q01.

1. Introduction

The burgeoning complexity of global issues in the 21st century demands a reevaluation of traditional, discipline-specific approaches to problem-solving. This paper delves into the realm of interdisciplinary collaboration, specifically focusing on cross-disciplinary projects aimed at addressing real-world challenges. The intersection of diverse academic disciplines, encompassing environmental science, economics, engineering, and social sciences, provides a rich landscape for innovative solutions and enhanced understanding of multifaceted problems.

The primary objective of this study is to evaluate the impact and effectiveness of interdisciplinary collaboration in real-world problem-solving. By examining a series of case studies, the research aims to demonstrate how the synthesis of knowledge from various disciplines leads to more comprehensive and effective solutions to complex global issues. This approach resonates with the perspectives of (Haynes, 2011), who advocates for the integration of interdisciplinary approaches in higher education and research to tackle societal challenges more effectively.

Another key goal of the study is to explore the implications of such collaborations for educational and research environments. The hypothesis is that interdisciplinary projects not only contribute to solving real-world problems but also enrich the learning and research experience for students and faculty alike. This aligns with the findings of (Suzuki, 2017), who highlight the transformative potential of interdisciplinary education in fostering a deeper understanding of complex issues.

The study examines the challenges and opportunities presented by interdisciplinary collaborations. Drawing from the work of (Peek & Guikema, 2021), the research investigates the logistical, cultural, and intellectual barriers to effective interdisciplinary work, as well as strategies for overcoming these challenges. This paper aims to contribute to the discourse on the need for and benefits of interdisciplinary collaboration in education and research, particularly in the context of addressing complex, real-world problems. Through its findings, the study seeks to provide insights and recommendations for educational institutions and research bodies in facilitating and supporting interdisciplinary endeavors.

2. Literature Review

The importance of interdisciplinary collaboration in addressing complex real-world problems has been increasingly recognized in academic and research circles. This literature review explores the current state of interdisciplinary collaboration, particularly in the context of cross-disciplinary projects aimed at real-world problem solving. Interdisciplinary collaboration brings together diverse fields of study, creating a holistic approach to complex issues. (Haynes, 2011; Rabin et al., 2021) argues that interdisciplinary approaches are crucial for addressing the multifaceted nature of contemporary global challenges. By integrating different disciplinary perspectives, these approaches provide more comprehensive and effective solutions.

The benefits of interdisciplinary collaboration extend beyond problem-solving to include enhanced educational experiences. (Faber et al., 2014) highlight that interdisciplinary education fosters critical thinking, creativity, and a deeper understanding of complex issues. This educational approach prepares students to think beyond traditional boundaries and equips them with the skills necessary for tackling real-world challenges.

However, interdisciplinary collaboration is not without its challenges. (Halmaghi et al., 2023) discusses the barriers to effective interdisciplinary work, including institutional structures, disciplinary jargons, and varying methodologies. These barriers can hinder the collaboration process, making it difficult for different disciplines to work effectively together.
The potential of interdisciplinary collaboration in driving innovation and progress in various fields is significant. The work of (Peek & Guikema, 2021) underscores the transformative impact of interdisciplinary research on both academic and practical fronts. By bringing together diverse expertise, interdisciplinary projects can lead to groundbreaking innovations and solutions. Despite the challenges, the value of interdisciplinary collaboration in addressing real-world problems is evident. The literature suggests that with proper support and encouragement, interdisciplinary approaches can significantly contribute to advancing our understanding and resolution of complex global issues. This review sets the stage for further exploration of interdisciplinary collaboration in real-world problem-solving, providing a foundational understanding of its significance, benefits, and challenges.

3. Methodology

The methodology of this study is designed to thoroughly examine the role and efficacy of interdisciplinary collaboration in addressing real-world challenges, employing both qualitative and quantitative research methods. This mixed-methods approach allows for a comprehensive exploration of interdisciplinary projects across various academic disciplines, providing insights into both the processes and outcomes of such collaborations.
A survey is developed to quantitatively assess the perceptions and outcomes of interdisciplinary collaborations among faculty members and researchers from various disciplines. The survey includes questions regarding the nature of their interdisciplinary projects, perceived benefits, challenges encountered, and the overall impact on problem-solving effectiveness. The survey targets a wide range of academic and research institutions to ensure a diverse representation of disciplines and project types. Stratified sampling is used to select participants from fields such as environmental science, economics, engineering, and social sciences.
Statistical analysis is performed on the collected survey data. Descriptive statistics provide an overview of the responses, while inferential statistics, such as regression analysis, are used to examine relationships and trends among the variables.
In-depth case studies of selected interdisciplinary projects are conducted to gain qualitative insights. These case studies involve examining project documentation, outcomes, and the processes employed in these collaborations. Semi-structured interviews are conducted with key participants in the selected case studies, including project leaders and team members. These interviews aim to delve deeper into their experiences, challenges faced, and the strategies employed for successful collaboration. The qualitative data from the case studies and interviews are analyzed using thematic analysis. This involves coding the data and identifying key themes and patterns that emerge, providing a nuanced understanding of interdisciplinary collaboration in practice. The study employs data triangulation by combining information from

surveys, case studies, and interviews. This approach enhances the validity and reliability of the findings by corroborating evidence from multiple sources and perspectives.
Ethical approval is obtained from the relevant institutional review boards. Participation in the study is voluntary, with informed consent obtained from all participants. Confidentiality and anonymity of the participants are maintained throughout the research process.
This methodology provides a robust framework for examining the dynamics, challenges, and outcomes of interdisciplinary collaborations, offering valuable insights into their role in addressing real-world problems.

4. Results and Discussion

The study's mixed-methods approach yielded significant findings on the role and effectiveness of interdisciplinary collaboration in addressing real-world challenges.
The survey results, as detailed in table 1, indicate the perceptions and experiences of professionals from various disciplines regarding interdisciplinary collaboration. The data shows a high recognition of the positive impact of such collaborations, with Environmental Science reporting the highest (85%) and Social Sciences the lowest (70%).

Table 1: Perceptions and experiences of professionals

Discipline	Positive Impact (%)	Faced Challenges (%)	Successful Collaboration (%)
Environmental Science	85	60	90
Economics	75	50	85
Engineering	80	55	80
Social Sciences	70	65	75

Source: Authors Calculations

However, a considerable proportion of participants from each discipline faced challenges, with Social Sciences encountering the most (65%). From findings, Environmental Science leads with a 90% success rate, followed by Economics (85%), Engineering (80%), and Social Sciences (75%). This visualization underscores the generally high success rate of interdisciplinary collaborations across different fields, despite the noted challenges.
Themes from interviews and case studies emphasize the enrichment of problem-solving approaches and the development of innovative solutions through interdisciplinary collaborations. These findings resonate with (Marchetti & Puranam, 2022) assertions on the innovation potential of interdisciplinary work. Participants underscored the importance of clear communication and shared goals, aligning with (Haynes, 2011; Rabin et al., 2021) observations on effective collaboration.
The study also highlights challenges such as logistical difficulties and methodological differences, consistent with the barriers identified by (Suzuki, 2017). These challenges point to

the need for improved structural and communicative frameworks to facilitate smoother interdisciplinary collaboration. The results of this study confirm the significant potential of interdisciplinary collaboration in enhancing problem-solving effectiveness across various fields. Despite the challenges, the positive impact and high success rates suggest that interdisciplinary collaboration is a valuable approach for addressing complex real-world problems. The study contributes to the advocacy for integrated approaches in education and research, highlighting the importance of institutional support for interdisciplinary endeavors.

5. Conclusion

The conclusion of this study encapsulates the key findings and implications of interdisciplinary collaboration in addressing real-world challenges. The mixed-methods approach, comprising surveys, interviews, and case studies, has provided a nuanced understanding of the dynamics, effectiveness, and challenges of interdisciplinary projects across various academic disciplines. The survey results reveal a strong recognition of the positive impact of interdisciplinary collaboration, with significant percentages of professionals from disciplines like Environmental Science, Economics, Engineering, and Social Sciences reporting beneficial outcomes. However, these positive experiences are tempered by notable challenges, such as logistical issues and methodological differences, underscoring the need for more supportive frameworks for interdisciplinary work.

The qualitative insights from interviews and case studies further highlight the enrichment of problem-solving approaches and the development of innovative solutions through interdisciplinary collaborations. These findings resonate with the assertions of (Halmaghi et al., 2023) on the innovation potential of interdisciplinary work and align with (Haynes, 2011) and (Cohen et al., 2021) observations on the importance of clear communication and shared goals in successful collaboration.

Despite the challenges identified, the overall positive impact and high success rates of interdisciplinary collaborations suggest their significant potential in addressing complex real-world problems. This study contributes to the growing body of literature advocating for integrated approaches in education and research, emphasizing the importance of institutional support and encouragement for such endeavors.

In conclusion, interdisciplinary collaboration stands as a critical approach for tackling the multifaceted challenges of the modern world. Educational institutions and research bodies are encouraged to foster and support these collaborative endeavors, recognizing their potential to drive innovation and progress across various fields.

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Ethical leadership as a key indicator in promoting Corporate Social Responsibility

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Abstract

Ethical leadership plays a key role, as a critical determinant in advancing and promoting Corporate Social Responsibility (CSR) within organizations. Although profits are more important, in addition to company growth and revenue, ethical leaders consider the needs of customers, clients, communities, and employees when making business decisions. Khuntia and Suar (2004) suggested that ethical leaders incorporate moral principles into their values, beliefs, and actions. Brown, Treviño, and Harrison(2005) define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct through two-way communication, reinforcement and decision-making.
This paper focuses on the intersection of ethical leadership and CSR, highlighting how leaders who prioritize ethical decision-making and moral integrity can lead to sustainable and responsible business practices. Ethical leaders can be excellent role models, fostering a culture of transparency, accountability, and trust, which are essential for the successful implementation of CSR initiatives. By focusing on and aligning organizational values with social or environmental issues, ethical leaders are able to not only enhance the reputation and long-term sustainability of their organizations, but also contribute to the broader coordination of stakeholders, including employees, customers, communities, and the environment. This study also aims to examine the mechanisms through which ethical leadership influences CSR, including the establishment of ethical guidelines, stakeholder engagement, and the integration of CSR into corporate strategy. The findings of the paper show us that ethical leadership is a

very important factor and critical driver of CSR, enabling organizations to find a balance between profitability and social responsibility, thus demonstrating a more sustainable and equitable business landscape.

Key words : Ethical leadership, Corporate Social Responsibilty (CSR), ethical decision-making
JEL Classification: A10, A13

1.Introduction

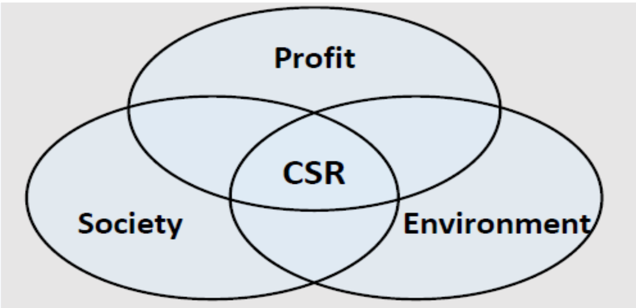
In an era of globalization where organizations face major challenges, one of them is the challenge of social problems. Ethical leaders can be excellent role models, fostering a culture of transparency, accountability, and trust, which are essential for the successful implementation of CSR initiatives. By focusing on and aligning organizational values with social or environmental issues, ethical leaders are able to not only enhance the reputation and long-term sustainability of their organizations, but also contribute to the broader coordination of stakeholders, including employees, customers, communities, and the environment. Although profits are more important, in addition to company growth and revenue, ethical leaders consider the needs of customers, clients, communities, and employees when making business decisions. Ethical leadership plays a key role, as a critical determinant in advancing and promoting Corporate Social Responsibility (CSR) within organizations. This paper argues that ethical leadership is indispensable for fostering authentic CSR initiatives, enhancing organizational reputation, and ensuring long-term sustainability.

2. Ethical leadership

Ethical leadership involves leaders and managers making decisions based on the right thing to do for the common good, not just based on what is best for themselves or for the bottom line. While profits are important, ethical leaders take into consideration the needs of customers, communities, and employees in addition to company growth and revenue when making business decisions. Ethical leadership is defined as “leadership demonstrating and promoting ‘normatively appropriate conduct through personal actions and interpersonal relations’.” When you boil it down, this really means that ethical leadership is defined as putting people into management and leadership positions who will promote and be an example of appropriate, ethical conduct in their actions and relationships in the workplace.So leadership with ethics is very important to understand, to develop, and to recognize in the business world. If you want to become a business leader , learning about ethical leadership is crucial to help you get there. It's your responsibility to model moral behavior in the workplace when you're in a position of power in an organization. Integrity, moral behavior, and ethics are key to being a great leader. Ethical leadership, characterized by integrity, transparency, and a commitment to societal well-being, plays a pivotal role in embedding CSR into corporate DNA. Ethical leadership involves leaders who model moral behavior, prioritize stakeholder welfare, and cultivate an environment of trust. Key characteristics include: -*Integrity and Accountability*: Consistently aligning actions with stated values. - *Transformational Leadership*: Inspiring employees to transcend self-interest for collective good (Bass, 1985). - *Servant Leadership*: Focusing on community and employee well-being (Greenleaf, 1977).

3. **Corporate social responsibility (csr)**

CSR is an abbreviation for Corporate Social Responsibility. CSR strategies have become common in today's corporate world as more and more companies realise that their business performance and its societal impacts are intricately connected.That is why it is important for companies to adopt CSR strategies and practices that enable them to optimise their performance and simultaneously benefit communities, society and environment where they operate.Corporate social responsibility (CSR) is a management concept that describes how a company contributes to the well-being of communities and society through environmental and social measures. CSR plays a crucial role in how brands are perceived by customers and their target audiences. It can also help attract employees and investors who prioritize the CSR goals a company has identified. Corporate social responsibility is a type of business self-regulation with the aim of social accountability and making a positive impact on society. Some ways that a company can embrace CSR include being environmentally friendly and eco-conscious; promoting equality, diversity, and inclusion in the workplace; treating employees with respect; giving back to the community; and ensuring business decisions are ethical. CSR encompasses a company's voluntary actions to address environmental, social, and economic impacts. Carroll's CSR Pyramid (1991) outlines four dimensions: economic, legal, ethical, and philanthropic responsibilities. Stakeholder theory (Freeman, 1984) emphasizes balancing interests beyond shareholders, contrasting with profit-centric shareholder theory.



4. Intersection of ethical leadership and csr

Ethical leadership and CSR are closely intertwined, with each concept reinforcing the other. When leaders prioritize ethical behaviour, they create an environment where CSR initiatives are more likely to flourish. Ethical leaders set the tone for the organization, defining its values and standards of conduct. Likewise, an organization's commitment to CSR can reinforce ethical leadership by aligning the organization's values with actions that benefit society. Ethical leader is more likely to champion and support CSR initiatives because they understand the broader impact their organization has on the world. For instance, an ethical leader would be more inclined to invest in environmentally sustainable practices, ensure fair labour conditions throughout the supply chain, and contribute to community development. On the other hand, CSR initiatives can also shape the behaviour of leaders. When an organization commits to making a positive impact on society, leaders are compelled to consider the ethical implications of their decisions. This can lead to more responsible decision-making that takes into account not only the bottom line but also the well being of all stakeholders involved. The relationship between *EthicalLleadership* and *Corporate Social Responsibility (CSR)* is symbiotic, with each reinforcing the other to drive sustainable, socially conscious business practices. Below is an exploration of their intersection, 1. Ethical Leadership focuses on leaders who: - Model integrity, fairness, and accountability. - Prioritize stakeholder welfare (employees, communities, environment) over short-term profits. - Foster trust and transparency in decision-making. - *CSR* involves a company’s commitment to: - Address societal, environmental, and economic challenges (Carroll’s Pyramid). - Operate ethically and contribute to sustainable development (Triple Bottom Line: People, Planet, Profit). Ethical leaders act as catalysts for CSR by embedding moral principles into organizational strategy, ensuring CSR is not just a compliance exercise but a core value. Ethical leaders align CSR goals with the organization’s mission, ensuring initiatives like sustainability programs or community engagement reflect shared values.

7. Challenges of ethical leadership and csr

Despite the many benefits of ethical leadership and corporate social responsibility (CSR), organizations often face challenges in effectively implementing and sustaining these initiatives. A common obstacle is the need for cultural and organizational change to embed ethical and CSR values into company operations and decision-making processes.

Furthermore, measuring the impact and return on investment of CSR initiatives can be challenging, as the results of social and environmental efforts may not always translate directly into financial metrics. This requires the development of comprehensive assessment frameworks that capture the holistic impact of CSR on a company’s reputation, employee engagement, and long-term sustainability. Furthermore, companies may face resistance or skepticism from some stakeholders, who perceive CSR initiatives as a distraction from core business objectives or as mere public relations tactics. Overcoming these perceptions requires clear communication, transparency, and a demonstrated commitment to incorporating social responsibility into the company's overall strategy and operations.

8. Conclusions

Leadership forms the bedrock of an organization’s morale, shaping the behavior of its leaders and employees. Leaders who uphold ethical principles set the tone for the entire workforce, fostering an environment of trust, transparency, and accountability. By demonstrating ethical decision-making across teams, these leaders inspire their teams to cultivate similar standards, thus creating a culture of integrity within them. This, in turn, increases employee morale, engagement, and loyalty, leading to a better, more productive workforce.

Furthermore, ethical leadership is more closely intertwined with a strong corporate reputation. Companies that are led by ethical leaders are more likely to earn the trust and respect of their stakeholders, including society, investors, and the wider community. This trust, once established, can further strengthen the brand equity of their organization, creating a competitive advantage in the marketplace. Furthermore, ethical leadership fosters sustainability by mitigating the risks associated with unethical behavior, regulatory noncompliance, and reputational damage.

In essence, ethical leadership not only shapes an organization's internal dynamics, but also its external standing in the business landscape. By embodying values such as honesty, integrity, and social responsibility, leaders pave the way for achieving sustainable success and positioning their companies as beacons of excellence within their industries. Ethical leadership is not merely complementary but foundational to effective CSR. By embedding ethical principles into leadership practices, organizations can achieve meaningful societal impact while securing competitive advantage. Future research should explore cross-industry and cultural dynamics, urging leaders to champion CSR as a strategic imperative rather than a compliance exercise.

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The Impact of AI in the revenue increase of the companies

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Abstract

In this paper it will be treated the impact of AI in the economic growth of companies. Furthermore, it will be covered the history of Artificial Intelligence which is by itself a modern approach in the IT industry. Moreover, this paper will go deep in the scientific and technical explanation of AI and how they impact the revenue of businesses. AI has made its impact crucial in different fields of life. This article will be focusing deep in the role that this innovation has played in the increase of incomes for many companies worldwide. Furthermore, in this paper will be visualized the proportion in which companies use AI subsequently it is to be taken in consideration even the job places opened by the AI providers. In the end the main purpose of this article is to make a scientific research on the importance AI technologies in boosting economic growth among companies and how they have developed over time.

Keywords: Artificial Intelligence, Economic Growth, Business Innovation, Revenue Generation, Employment, Digital Transformation, AI Adoption, Technological Advancement.
JEL Codes: O33 ,L86 ,O47 ,M15

1.Introduction

IT is the main industry that is leading the 4th industrial revolution. Currently every company and state institute are relying on machines to operate in efficient way. As a matter of fact, computers were utilized for commercial purposes since the 1950s and more specifically in the insurance industry (Yang,2022). Moreover, universities do not track the number of their students in hard written way instead they are using bytes which are translated by the machine in readable version. Computer system integrated with user-friendly operating systems have scaled the daily work of the employees giving them a better overview of the data. In addition, it is not necessary to use papers and be involved complex calculation to make prediction or even to add new data in the company registers in a hard copy manner. So far, these complex tasks are handled by the machines which process the data in a fast-paced way.

On the other side another crucial topic that will be covered is artificial intelligence. From the name artificial it is implied that the entity that dispose this characteristic do not have it given by nature though it is necessary to develop a solution which by itself has to make sure that the machine behaves in an intelligent way. It is a widespread misconception which asserts that every smart device is intelligent. What many individuals retain as intelligent in fact is automatic (it expects an action from our side in order to give a response). On the other hand, intelligent machines are the one that continuously learn and self-improve themselves. For instance, an inbuild software that creates line of codes for several applications or even checks for error in the script has to be able to improve its code quality in every period of time without the need of external human action in order to be considered fully intelligent. An example of AI Based software is Amazon’s Deep Lens that determines our emotions based on pictures (Petrovic & Zizovic, 2019). This software is developed by AWS cloud provider making it a pure case of cloud and AI synthesis.

2.Methodology

This paper was developed based on prolific data gathered from various academic sources. The aim of this paper is to outline the procedures followed to integrate cloud solution with AI and its economic impact in the industry. It has used sources given by journal articles and conference however it has had even scientific video evidences. In order to complete this paper was necessary to rely on internet as the main source of information where the journal articles were published. Adjacent to the reference is the link where the information was found.
The data was processed through the deep comprehension of the information given and finding the right information which fits to the purpose of the paper. Statistical data were found by using information provided by respectful and trustworthy companies. Hence the result extracted give an accurate conclusion. Moreover, information captured in the various serious sources are being used as argument for the minor statements given in the paper.

3.Results and discussion

Artificial intelligence

History of AI

The world we live has experienced huge technological changes across the years. 100 years ago, mankind would not have ever guessed that they could communicate live face to face even by being thousands of km way. This was made possible by mainly by the internet. This technology is the main source that fuels the expansion of the IT revolution. It connects servers, computers, smartphone enabling the share of information through packets which are in form of bytes and are translated in readable content by the machines. It can be implied that internet is the invention that fueled the fourth industrial revolution.
Since the data are stored in internet they need to be accessed by the machines and software and one of the software is AI solutions. The AI as a concept that was officialized in 1956 by Marvin Minsky and John McCarthy at Dartmouth Summer Research Project on Artificial Intelligence with the main aim to build machines that could behave in intelligent way similar to humans (Haenlein & Kaplan, 2019). The first successful product of AI was Eliza computer program delivered in 1966 by Joseph Weizenbaum which could develop a human conversation (Haenlein & Kaplan, 2019). Due to the high cost of research US congress limited the

investments for AI leading to the lack of research in this fields. It was needed to wait until 2015 that projects on AI started to prosper in form of deep learning (Haenlein & Kaplan, 2019).

Technical aspect of AI.

There are many fields of Computer Science and AI is one of them. AI has many components and processes which give it is distinction form the other. An important area which is crucial for Artificial Intelligence is statistics (Drexl & Hilty, 2019). Statistic is the field that analysis data and on the other hand AI needs to make predictions based on this analysis (Drexl & Hilty, 2019).

Subfields of AI are Machine Learning and Evolutionary algorithms (Drexl & Hilty, 2019).

According to Drexl and Hilty (2019)

Machine learning is currently the most commonly used subfield of artificial intelligence. It deals with teaching a computer program to identify patterns in data and to apply the knowledge to new data.5 One of the most advanced subfields of machine learning is deep learning* (see Q4).

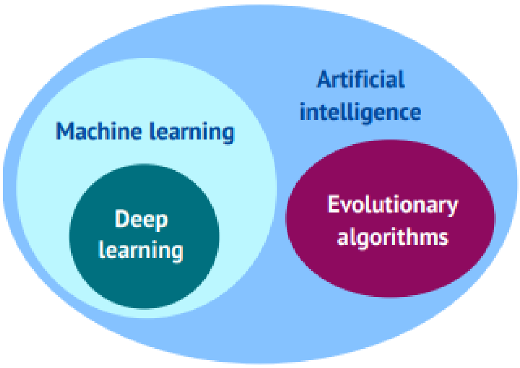

Figure 3 Artificial Intelligence Components(Drexl & Hilty, 2019).

According to Rattan et al. (2022), ML techniques are designed to understand and mathematically represent the patterns present in data. As a result, the key to building accurate and applicable ML algorithms lies both in the size and quality of data used.

In summary quality of data define the behavior of intelligent machines. Hence data sources need to be reliable and consistent.

In the first stage an AI solution learning model needs to be trained on specific datasets and this is performed via 2 ways: supervised learning and unsupervised learning (Rattan et al., 2022). Supervised learning behaves upon classified data and output on the other hand unsupervised

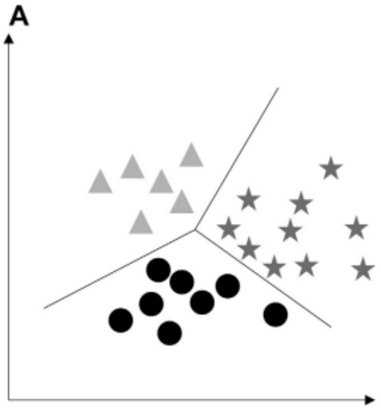

Figure 4 Unsupervised learning clustering.
(Rattan et al., 2022)

learning uses unclassified data and output (IBM Technology [IBM Technology], 2022). Unsupervised Learning model are not dependent on external intervention when it comes to the learning process however they are not used for prediction as they only cluster data (IBM Technology [IBM Technology].

AI and Cloud technology integration

Cloud services have helped AI in the way that it fuels it with data, one of the issues that were before was the low volume of data of AI solutions hence this integration with cloud services has made possible that AI uses this data to make accurate outcomes. (Petrovic & Zizovic, 2019). Many well-known corporates have integrated cloud solutions with artificial intelligence for instance companies such as Amazon. According to Petrovic A. (2019) and Zizovic M. (2019):

One of the services that the users most familiarize with is Amazon Personalize. The service is based as an advanced tool for product placement based on an over the years perfected machine learning algorithm. Th e main benefit is that it allows exploitation of machine learning in software solutions with extensive prior knowledge of it. The user pays only for the time that has been used to process the data that is forwarded to it. Besides software services, Amazon has to offer AI optimized hardware such as DeepLens, a deep learning camera that can detect an extensive range of human emotions from the footage it captures. (p 384)

Furthermore, other companies such as Google, IBM, ORACLE and Microsoft have prolifically integrated AI with cloud making them high income companies.

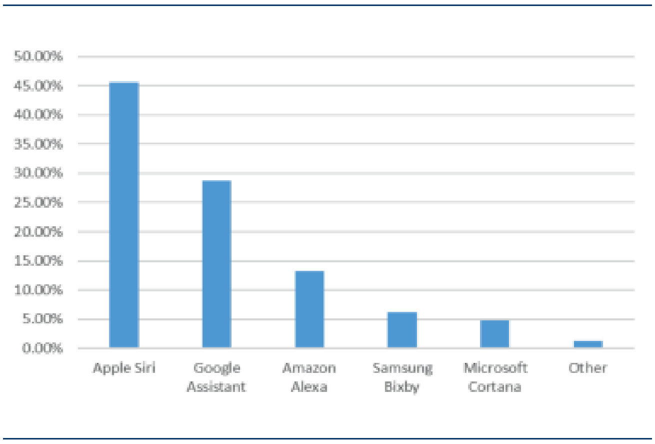

Figure 4 Market share of voice assistants in the U.S. (May 2018) (Petrovic & Zizovic, 2019).

AI in Business

AI even though that it was developed many years ago only in this period has taken substantial attention by the industry sector. For instance many startups are being establishing in order to scale the business income and usage of resources.

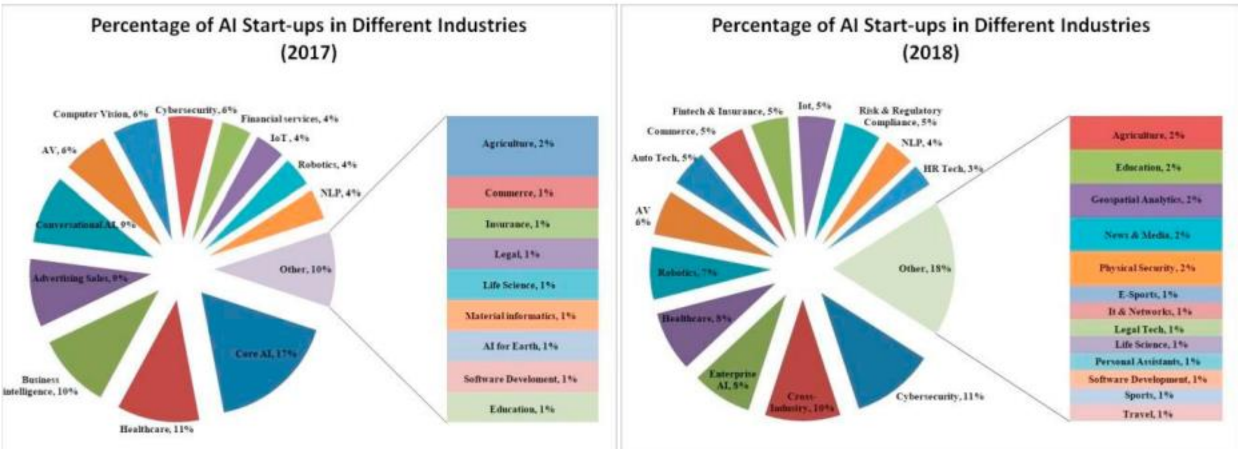

Figure 5 Startup investments in Ai (Soni N, Sharma E, Singh N, Kapoor A.(2019).

As it is shown in the graph above businesses have invested in AI in sectors such as Advertising Sales, Healthcare which covers a considerable proportion, Cyber security, robotics etc. It is interesting to identify healthcare as a leading sector that is being using AI therefore we can imply that doctors will rely more on the help of the computers to make decision on potential diagnosis of patients. Another important field is Robotic which share 7 % of all the AI startups in 2018. What it can be concluded is that the industry sector are seeing as optimal the usage of robots to perform certain task doing so it will benefit the revenue increase of the company by optimizing resources.

4.Conclusions

In the end of the this paper we had the chance to go deep into various aspects AI. According to the research AI is not an emerging technology however at this moment business have found it very useful furthermore industry sees it as an asset for the economical growth of it. However it is to be taken in consideration that the fruits of AI investment comes at a cost and it is important to invest in order to fully implement it in your business. Another important part which was covered here is the integration of AI with cloud services. Cloud services store a substantial amount of data and in order for an AI solution to do accurate decisions it needs this data. From June to July 2024 it was conducting a survey of 1000 business 41% see improve of customer experience and 40% are experiencing an increase of productivtiy(PWC, 2024).
Top performers are the one that have already getting back the investment in Cloud and AI and they consist of 12% of the respondents which are more than 2 time prone to realize the value of AI and cloud.
(PWC, 2024). As it is displayed in the graph 74 percent of the companies are having an increase of profitability on the other side there are new revenues streams generated by ai and cloud technologies accounting 59 percent of the total share of top performers. We can conclude that 25 percent of the top performers could not generate new revenue stream however this is a positive number taking in consideration the overall data. Another important point to tackle is the cost savings. As it is discussed in the paper we reached in the conclusion that cloud technologies are scalable and optimizes the resources without mentioning that by being integrated with AI the optimization is even higher since the data are accurate and the human effort is less involved. Moreover having new channels to reach customer predictably will increase their profitability.
In summary it is obvious that cloud and Ai solution have increased the directly and indirectly the economical performance of the companies however the continuous development of AI could possibly risk many job places which rely on intellectual capability. Doing so poses an ethic dilemma regarding the future of not very skilled and even skilled people.

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Legal regulation of labor relations focusing in hybrid work

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Abstract

This study explores the legal regulation of labor relations, with a specific focus on the challenges and developments related to hybrid work. Hybrid work, combining remote and in-office work, has gained popularity due to its cost reduction and flexibility, leading to increased efficiency and employee satisfaction. However, the existing labor laws, traditionally designed for conventional work models, may not be fully adequate to address the unique needs and risks of hybrid work environments. This study explores the legal regulation of labor relations, with a specific focus on the challenges and developments related to hybrid work aiming to investigate whether the regulation of hybrid labor relations can enhance the performance of private enterprises.
The methodology involves an analysis of current labor legislation and a revieë of international best practices. This comparative approach highlights hoë various countries are adapting their legal frameworks to support hybrid work while ensuring employee rights, health, and safety. The study examines how technological advancements, such as artificial intelligence and augmented reality, are reshaping the workplace and presenting new challenges for labor laws. The findings suggest that while hybrid work presents opportunities for businesses, it also requires significant legal reforms to balance flexibility with employee protection. Recommendations are made for adapting labor laws to better support hybrid work models, ensuring a fair and secure environment for both employers and employees. The results underscore the need for a modernized legal framework that can accommodate the evolving nature of work in a digitalized world

Keywords: Hybrid Work, Labor Relations, Legal Regulation, Employee Rights, Flexible Work Models

1. Introduction

Hybrid work, as a model that combines the flexibility of remote work with physical presence in the office, has become an integral reality across many sectors and has profoundly transformed employment relationships on a global scale. This model offers clear benefits, such as increased efficiency, reduced costs, and improved employee satisfaction. However, it also introduces new challenges, particularly the need for a novel legal approach that adapts traditional employment structures to emerging work realities. The intensive use of artificial intelligence and the growing incorporation of virtual reality have accelerated the widespread adoption of the hybrid work model, prompting the digitalization of nearly all work processes, including human resource (HR) management and development. Furthermore, new generations of workers are bringing with them different expectations regarding the work environment, generating a new dynamic that presents both challenges and opportunities for organizations. These developments have raised fundamental questions for management and the future of the HR function, such as:

• What role does hybrid work currently play, and what role will it continue to play in our lives?

• What are the legal challenges associated with hybrid work?

These questions are vital for organizations that aim to address the future of work in a conscious, sustainable, and responsible manner. In response to these challenges, many European countries and beyond are accelerating legislative reforms to regulate this form of employment and to foster a more equitable approach to hybrid work. This article explores how the legal regulation of this model can enhance the performance of private enterprises, aiming to create a fair balance between employee and organizational interests. The legal uncertainties surrounding the regulation of remote and, in particular, hybrid work have prompted the need to revise and update labor legislation with new clauses. Some of the key legal challenges associated with hybrid work include:

In the context of hybrid work, employment contracts must clearly specify working hours, compensation for remote work, and the division of responsibilities between employee and employer (ILO, 2021). Unlike traditional work, remote work introduces ambiguities regarding responsibility for health and safety conditions in the home workspace. Institutional support is required for both the physical and mental health of employees, along with legal provisions addressing accidents occurring during working hours outside the employer's premises (Eurofund&ILO, 2017).

The increased reliance on digital technologies brings challenges related to data protection. Employers must comply with the General Data Protection Regulation (GDPR) (European Parliament, 2016) and implement security protocols to prevent data breaches and unauthorized access (Watscher et al., 2017).

During remote work, performance monitoring tools may infringe on employee privacy. Striking a balance between oversight and the right to personal autonomy is essential (De Stefano,2020). Including clauses that regulate compensation for technological expenses (such as internet and energy costs) is critical to ensuring a fair and equitable working environment. Aligning current labor laws with Regulation (EU) 2024/1689—the "AI Act"—regarding the use of artificial intelligence is a growing legal necessity (Regulation - EU - 2024/1689 - EN - EUR-LEX). Recognizing the right to disconnect outside working hours is an issue that cannot be overlooked. It should be legally established as an employee right to separate working time from personal life (European Parliament, 2021) .

2. Literature Review

The concept of remote work originates from telecommuting, a term first introduced in the 1970s in the United States. (Niels,1975). At its core, telecommuting is a form of working from home. However, unlike traditional home-based work, which represents a broader concept, telecommuting refers to a new approach to performing work from home through the use of information technology tools to carry out work processes. This development is pushing work into a new dimension within the fourth industrial revolution, also known as “Industry 4.0 – digitalization. According to various scholars, the definition of telecommuting remains largely consistent. Remote work refers to situations in which employees perform work processes—previously conducted within an organization—by using information and communication technologies (ICT) (Gajedran& Harrison, 2007).

In Albanian legislation, there have been several efforts to regulate remote work; however, deficiencies remain. The Labour Code, adopted by Law No. 7961, includes Article 15, which has regulated work-from-home and telecommuting since 2015. Nevertheless, no major reforms have been undertaken to include hybrid work or other new forms of work that have emerged after the pandemic.

Following the sudden and massive shift to remote work during the onset of the pandemic, employees now continue to work remotely more frequently, albeit still less than before. Office attendance remains lower than pre-pandemic levels. As of autumn 2022, workers were going to the office only 3.5 days per week on average, about 30 percent below pre-pandemic rates. Three years later, remote work has evolved into hybrid work, with office attendance recovering significantly. Among all respondents in the survey, 37 percent go to the office daily, 56 percent have hybrid work arrangements—spending one to four days per week in the office—and 7 percent work entirely remotely(Mc Kinsey Global Institute, 2023).

Hybrid work, as a flexible model of work organization, combines remote work from home or other locations with in-office work and typically follows a predefined structure (e.g., three days in the office, two days from home), establishing a balance between office and home. Hybrid work retains traditional management elements, such as in-person meetings and physical interactions during office days. It is generally a company policy, not governed by specific legal frameworks.

This model aims to maximize efficiency and productivity by allowing employees to choose the most suitable working method based on their personal and professional needs.

The attraction, retention, and optimal utilization of talented employees in a hybrid work environment require a legal framework. In organizations that have experimented with new, more flexible work modalities, employees report improved work–life balance, higher productivity, and even a stronger sense of belonging compared to those working full-time on-site.Hybrid work also entails creating a balance between professional and personal life, relying on advanced technology and communication to ensure effective collaboration among teams.

This paper suggests that hybrid work is here to stay, as employees are reluctant to give it up, and employers must be ready to transform their work models.In this context, a new pact is needed between employees and businesses—one in which the worker is seen not merely as a resource but as a subject with rights. Respect for employees' freedoms, rights, and dignity is essential to enable the development of their skills. That is, upholding their freedoms, rights, and dignity positions them to express themselves and enhance their capabilities. (Perulli, 2019). Labour legislation, beyond ensuring a basic level of protection for employees, must encourage transformative processes related to hybrid work by creating new rights that support the development of workers' skills (Robeys,2017). Every work activity—whether in goods production or service delivery—is now compelled to adopt a new form of work organization. Hybrid work is more widespread than ever across all sectors and roles (Solari,2020). Advancements in the digital field also support increasingly higher levels of flexibility—both in terms of workplace (flexplace) and working hours (flextime). The philosophy of "working anytime, anywhere" is rooted in the utilization of both levers of flexibility; however, in practice, flexplace and flextime do not always go hand-in-hand (Nacamulli et al., 2019).

Hybrid work has been significantly boosted by the massive remote work experience prompted by the pandemic. From this difficult situation, we learned a new way of thinking about work—beneficial for both people and organizations. The "Human-centric Work Design" model, as described by Gartner, focuses on creating work environments that enhance employee well-being, flexibility, and productivity. It addresses hybrid work models, emphasizing the alignment of human needs with work outcomes. Gartner argues that this approach can increase performance, reduce fatigue, and improve employee retention (Cambon, 2021).

In 2022, Microsoft conducted a study interviewing over 31,000 workers, finding that 52% of respondents preferred an arrangement that involved alternating between remote and on-site work (Torre, 2022).

Remote work is far from declining; it is a widespread and valued practice, which few are willing to abandon. The "Smart Working" Observatory at the Polytechnic University of Milan estimated that the number of remote workers in 2024 remains essentially stable at 3.55 million, compared to 3.58 million in 2023. For 2025, a 5% increase is projected, potentially reaching 3.75 million (Politecnico di Milano, 2024).

The development of the hybrid work model has prompted various countries to adopt legal approaches aimed at ensuring equity, flexibility, and the protection of workers' rights. Below are some of the most advanced practices in this area:

European Union (EU): As part of its social and digital policies, the EU has promoted the so-called "right to disconnect," aimed at protecting psychological well-being and maintaining work–life balance. The EU has also adopted the General Data Protection Regulation (GDPR), which requires employers to implement robust measures for protecting personal data, including in remote work scenarios (European Parliament, 2016).

Germany: German law mandates that employers provide the necessary technological tools and appropriate working environments for those working from home, including compensation for internet, electricity, or home office furnishings (BMAS, 2022).

The Netherlands: Under the Flexible Work Act (2016), employees have the right to request

changes in workplace and working hours. Employers are legally obliged to review such requests and, in the case of refusal, must provide a well-reasoned and documented justification (Netherlands Government, 2016).
France: Since 2017, France has institutionalized the right to disconnect via its Labour Code, requiring employers to incorporate clear after-hours communication policies for remote employees and digital responsibilities (Code du Travail, 2017).
United States of America: In the absence of comprehensive federal legislation on hybrid work, some states—such as California and New York—have enacted specific regulations for remote work, including provisions on privacy protection, limits on digital surveillance, and transparency in the use of monitoring software (California Labor Code, 2021). Portugal: The 2021 Portuguese legislation obligates employers to cover remote workexpenses, including internet, electricity, and necessary equipment costs. Employers are also prohibited from contacting employees outside of designated working hours, except in exceptional cases (Lei n.º 83/2021) Italy: Italy has adopted rules requiring personalized hybrid work agreements, which clearly define the employer's financial obligations regarding technological expenses and remote work tools (Legge 22 maggio 2017). Advancements in artificial intelligence (AI) and augmented/virtual reality are profoundlytransforming the structure and organization of work. These technologies fosterdigitalization, automation, increase productivity, and facilitate real-time virtualcollaboration, leading to a paradigm shift in employment relationships (Brynjolfsson et al.,2014). These developments not only reshape how work is conducted but also redefine the very concept of employment.
The traditional employment model, with fixed hours from 9 to 5, is gradually being replaced by more flexible and decentralized forms of professional engagement. Reid Hoffman, co-founder of LinkedIn, predicts that conventional work will disappear by 2034 due to the impact of AI and new forms of labor engagement. According to Hoffman, "9-to-5 work is dying; by 2034 it will be gone," arguing that this shift is a direct consequence of the proliferation of artificial intelligence and evolving labor market models(Hoffman, 2024)
AI is creating new roles and alternative forms of employment, where individuals engage in multiple contracts across different sectors, reflecting a more flexible—yet also more precarious—economy.
However, beyond the undeniable benefits, these transformations also raise significant legal and ethical challenges. In this context, legal frameworks must evolve to ensure the protection of workers' rights in an increasingly technology-dependent environment.

3. Methods:

This study is based on a comparative legal analysis, examining existing labor legislation and international best practices. Through an in-depth review of how different countries are adapting their legal frameworks to hybrid work, the research provides an assessment of the effectiveness of various regulatory approaches.
Additionally, the study takes into account the impact of technological advancements, such as artificial intelligence and augmented virtual reality, in transforming the modern work

environment. This approach enables a comprehensive analysis of the legal and technological factors influencing the evolution of the hybrid work model.

4. Results and discussions

International practices show that effective legal regulation of hybrid work requires a balanced approach that combines operational flexibility with legal standards for the protection of employees' rights, including cybersecurity, the right to privacy, and technological support. This forms the foundation for building a more inclusive, sustainable, and future-oriented labor market.These successful approaches demonstrate that the legal regulation of hybrid work must include flexibility, protection of employee rights, and technological and financial support to ensure a fair and productive work ecosystem.

In the context of recent labor market developments and the increasing use of hybrid work models, it is necessary for Albania to undertake sustainable reforms in the legal framework governing labor relations. To improve the legal regulation of hybrid work, it is essential that legislation includes specific provisions that clearly and comprehensively address the key aspects of this work model.Building the legal infrastructure is a complex process that requires harmonizing a wide range of norms regulating labor relations. Failure to comply with these norms brings direct legal and ethical consequences for managers and employers, who remain responsible for not fulfilling their legal obligations. In this context, preserving the fundamental principles of labor law, such as equality and non-discrimination, fair compensation, general labor protection, and strict adherence to regulations, is essential for creating a fair and sustainable work environment—even in modern formats such as hybrid work.

The study suggests that hybrid work, as a typical form of remote work, presents both opportunities and challenges for businesses. Several conclusions and useful, feasible recommendations can be drawn, including:Updating labor laws to include specific provisions addressing hybrid work. Clearly defining the rights and obligations of employers and employees in the context of hybrid and remote work, to avoid uncertainty and ensure equal treatment;Individual employment contracts and rights in hybrid work require revision to clarify expectations regarding working hours, compensation, and job responsibilities;

Health and safety at work: Improving health and safety conditions, including ergonomic standards for home workspaces. It is important that the law includes provisions requiring employers to ensure suitable work conditions outside the office, support mental health, and address responsibility for work-related accidents;Dispute resolution: Special mechanisms should be established to address disputes that may arise from hybrid work relationships, including alternative conflict resolution methods such as mediation and arbitration;

Technological support and infrastructure: The law should mandate that employers provide the necessary technological equipment and cover part of the expenses associated with working from home (such as internet, electricity, and equipment maintenance costs). Technological support and digital infrastructure are key issues to ensure a fair and equal work environment where all employees have access to adequate tools;

Data protection and cybersecurity: Remote work increases the risk of data breaches. Employers must comply with data protection regulations, such as the GDPR, and implement security protocols to prevent unauthorized access to company and employee information;
The current labor law should be aligned with the harmonized rules set out for artificial intelligence, including Regulation (EU) 2024/1689;
Workplace monitoring and privacy: Digital tools for monitoring remote employees raise legal and ethical concerns about privacy. It is important to find a balance between performance monitoring and respect for employee autonomy, in line with the existing legal framework.
The right to disconnect: This modern concept refers to the employee's right not to engage in work-related electronic communications, such as emails or other messages, outside of working hours. The right to disconnect has been established in some European countries as a safeguard for mental well-being, work–life balance, and prevention of employee burnout. Recognizing the right to disconnect from work is an issue that cannot be ignored. It should be legally recognized as an employee's

5. **Conclusion:**

Hybrid work is not merely a temporary trend, but a lasting transformation in the world of work that requires legal adaptation to ensure fairness and efficiency. A modernized legal framework can foster a balanced, secure, and productive hybrid work environment, benefiting both employers and employees in an increasingly digital world. Its success depends on the ability of organizations to regulate labor relations in an inclusive and fair manner, combining flexibility with the protection of labor rights.This study supports the need for legal reforms that reflect the evolving nature of work in a digitalized world, ensuring a fair and safe environment for all parties involved.

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Perception of the quality of public services in the Vlora region before and after the territorial reform

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Abstract

The administrative-territorial reform undertaken in Albania in 2015 represents a profound intervention in the institutional architecture of local government, with the aim of consolidating administrative units, improving institutional efficiency and increasing the quality of public services for citizens. This paper aims to analyze the impacts of this reform in the Vlora region, a region with specific geographical, economic and cultural characteristics, by offering an interdisciplinary approach that combines institutional analysis with socio-economic and administrative assessment.
Through an analysis of statistical data, legal documents and local reports, the study addresses the transformation of the structure of local units in this region, the changes in the provision of public services, as well as the effects on democratic representation and sustainable development. The findings show that, although the reform has had a positive impact on improving local revenues and rationalizing services in urban areas, it has created new challenges in peripheral areas, where accessibility and civic involvement have weakened. The paper argues for a review of decentralization mechanisms and the development of instruments that guarantee institutional cohesion and territorial equity in service delivery. In this way, it contributes to the scholarly debate on territorial reforms in transition countries and offers concrete recommendations for policymakers and local administrations.

Key words: Territorial reform, Vlora region, Decentralization, Public services
JEL classification: H75, R50, R58,

1. Introduction

The Administrative-Territorial Reform undertaken in Albania in 2015 aimed at reorganizing local government units to improve the effectiveness and quality of public service delivery. The Vlora Region, as one of the regions of strategic importance for tourism, agriculture and regional development, experienced a profound change in its administrative structures, going from 25 local government units to only 7 municipalities. Before 2015, service delivery in the Vlora Region was characterized by administrative fragmentation and limited institutional capacities. Small local government units often lacked sufficient financial and technical resources to provide efficient services, especially in rural and remote mountainous areas.

Health services were provided mainly through primary care centers in cities and ambulances in villages. There were not a few cases when they lacked personnel and equipment. In terms of education, the demographic movements that occurred after the change of the system had caused that from the point of view of the number of students we had small schools, which were increasingly faced with a lack of qualified teachers. In terms of services such as cleaning, drinking water and maintenance of road infrastructure, many of these units, in many cases, did not have regular services, and in terms of quality they left much to be desired.

In the literature there are many studies that have studied the impact of the administrative reform in social and economic aspects. Rembeci (2018) analyzes the economic and demographic profile of the new municipalities after the administrative reform. Aliaj and Allkja (2023), make an analysis of the economic progress of the territorial reform by comparing it with the reforms in Estonia and Moldova.

After the implementation of the administrative-territorial reform in 2015, one of the most visible impacts is the concentration of financial resources available to local units. From the comparison of budget data for the periods 2010–2014 and 2016–2023, a steady increase in funds allocated to key sectors of public services results.

According to statistical data in the health sector, the budget has increased by 44%. This increase has been reflected in the construction and reconstruction of most health centers, the increase in staff capacities and an improvement in the expansion of coverage in rural areas. At the same time, new programs for primary health and the promotion of vaccination have been implemented.

For the education sector, the local budget has increased by 48%. Investments have been concentrated mainly in school infrastructure, in providing transportation for students coming from remote areas, as well as in the modernization and equipping of schools with digital tools and teaching materials. These investments have had a positive impact on the inclusion and enrollment in basic education in most schools.

Meanwhile, for local administration, the increase in the budget and the interventions of the central government have supported the digitalization of most services. Through the National Agency for the Information Society (AKKSHI), almost all civil status services have been digitalized, as well as a good part of the services that local government units previously offered through counters near their offices. These actions have led to improved financial transparency and have made it necessary to train employees of local government units. As a result of these actions, local government units have gone from a distributed and under-resourced structure, into a more consolidated and accountable system.

Budget growth has been aided by the improvement and introduction of new mechanisms of unconditional transfers, performance grants and fiscal decentralization. All these actions have contributed to the increase in the financial autonomy of local administration.

However, in peripheral administrative units such as Lukova, Brataj, etc., the impact of these changes has been smaller than in administrative units closer to the municipal centers.
The purpose of this study is to analyze the perceptions of citizens of the municipalities of the Vlora region on the impacts that the implementation of the territorial reform has had, according to statistical data and the questionnaire conducted, regarding the provision of public services and the analysis of citizens' perceptions regarding satisfaction with the provision of these services.

2. Methodology

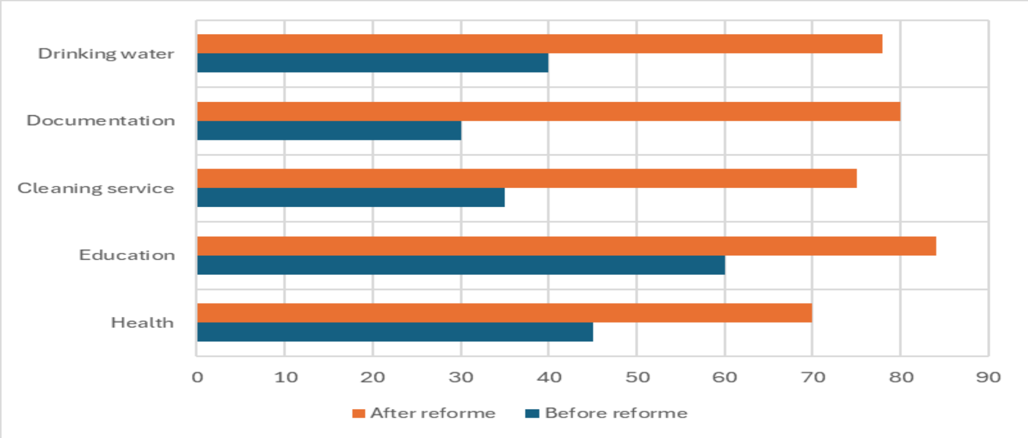
Descriptive statistical analysis based on data from INSTAT, the Ministry of Finance and the Vlora District Council served to present the changes in the main indicators of Local Units before and after the implementation of the territorial reform. For economic and financial data, statistical data from the periods before (2010-2014) and after (2016-2023) the reform were used.
Data regarding citizens' perception of the impact that the territorial reform had on their access to services provided by Local Government Units were obtained from a questionnaire in all municipalities of the Vlora district. The questionnaire designed aimed to collect citizens' assessment of the access and quality of public services, especially: education, health, access to documentation and cleaning and greening services. The questionnaires were designed based on the Likert scale.
The questionnaire was distributed via email, as well as through telephone interviews to include senior citizens. The data obtained were processed and analyzed using the Microsoft Excel program.

3. Analysis and results

Following the territorial reform, the consolidated municipalities in the Vlora Region (Vlora, Saranda, Himara, Selenica, Delvina, Konispoli, and Finiqi) benefited from increased budgetary resources, better managerial capacities, and the ability to provide more sustainable services in a centralized manner.
In the health sector, investments have been made in the renovation of health centers, increasing the number of ambulances, and improving logistics. In education, municipalities have been able to focus funds on school reconstruction, merging low-performing schools, and digitalizing teaching. As for other services, improvements include modern urban waste management systems, digital platforms for documents, and investments in the water supply and sewage network.
The first set of questions collected information about citizens' perceptions of the changes that have occurred in the quality of service provision after the implementation of the territorial reform.
The graph below illustrates citizens' perception of changes in the quality of public services in the Vlora Region before and after the Territorial Reform. Based on the responses received from

the questionnaires, the assessment was made on an index from 0 to 100, based on factors such as access, efficiency and citizen satisfaction with services.

Chart 1. Comparison of the quality of public services before and after the territorial reform



Source: Authors' calculation

The comparison of the pre-reform and post-reform period shows a significant improvement in inter-institutional coordination and in the quality of public services in most municipalities of the Vlora Region. However, challenges remain in the more remote and less populated areas, where distance from administrative centers still affects access to services.

The reform aimed to improve access to and quality of public services. In the main cities, such as Vlora and Saranda, significant investments have been made in waste management, public lighting, and road infrastructure. Modern administrative structures have been built and service to citizens has been significantly improved through digitalization.

However, in rural areas such as Brataj, Sevaster or Lukovë, accessibility to services has remained problematic. The distance from administrative centers, the lack of public transportation, as well as the lack of decentralized investments have deepened the feeling of exclusion from decision-making processes. This division of benefits raises questions about social justice and territorial equality in the implementation of the reform.

Referring to the graph above, we find that citizens' perception of the changes that occurred after the implementation of the reform shows an increase in the assessment of public services after the reform. From the questions referring to citizens' perception of health, it is found that citizens think that this service has improved by 25%, going from 40% to 65%. Likewise, for education, citizens think that it has also improved by 25%, going from 50% to 75%. Regarding citizens' perception regarding access to documentation and green cleaning services, we have a greater increase in the change, respectively 40 and 43%, from 30% to 70%, and cleaning from 25% to 68%. This increase is more noticeable especially in administrative units far from the center of municipalities, which had these services at a minimal level before the reform. There is also an increase in the perception of service quality for the provision of drinking water.

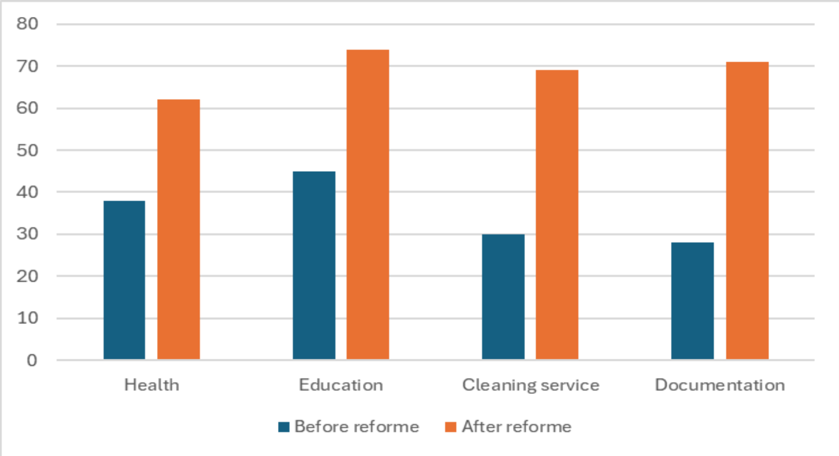
Before the reform, health services were fragmented and often centralized. After the reform, the number of health centers with full staff and equipment has increased by 35%. The results of the interviews indicate an increase in the access of women and children in rural areas to the services provided by the administrative units. Education in general before the application of the reform had problems related to both the maintenance of physical infrastructure and the transportation of students. After the reform, with the increase in investments in intervening in 60% of educational institutions such as schools, nurseries or kindergartens. This fact has led to an increase in the level of enrollment in basic education by 18%. The inclusion of former small administrative units within large municipalities has made green cleaning services, as well as the provision of drinking water, more accessible services for citizens. On the other hand, the digitalization of documentation and services, mainly those of civil status, has made the process of obtaining many services faster for citizens.

According to the data collected from the questionnaires, the assessment of the quality of public services by citizens has reflected significant improvements after the implementation of the territorial reform. The graph above shows the change in access, efficiency and quality of services such as health, education, green cleaning and access to documentation, with an increase from 25% to 43% in perception, respectively. These results have come not only as a result of physical investments in the various sectors that generate public services, but also the improvements made in the organization of the way services are provided. The centralization of decision-making in some of the analyzed services has increased the efficiency of these services and a more positive perception for citizens.

From the data collected from the questionnaires, the second graph shows the perception of citizens' satisfaction with receiving public services from the administrative units. The results presented in the graph prove that the changes have not only been in the administrative or procedural aspect, but the changes of the territorial reform have really influenced the receipt of services by citizens and have increased the trust of citizens in local institutions.

Referring to the data of the graph, we note that in relation to the health service, the satisfaction of citizens has increased by 24%, going from an assessment of 38% before the reform to an assessment of 62% after the reform. In relation to the quality of the educational service, both compulsory and preschool, we have an increase of 29% in the satisfaction of citizens. A greater improvement is perceived by citizens on the services that citizens receive in relation to cleaning, greening and access to necessary documents, presenting an improvement of 39% and 43% respectively. This perception of citizens regarding the improvement of the quality of these services is linked to the level of quality of provision of these services before the reform. In many of the administrative units that were attached to the main municipalities after the reform, green cleaning services were almost non-existent, while the change in citizens' perception of the quality of receiving documentation is also linked to the digitalization of civil status registers. This strong correlation between objective quality and subjective satisfaction is a clear indicator of the success of the reform in the Vlora region.

Chart 2. Citizen Satisfaction

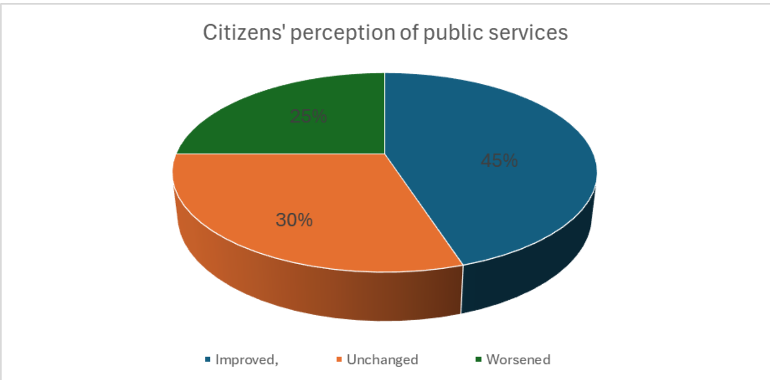


Source: Authors' calculation

The administrative-territorial reform has brought about a profound transformation in the way public services are provided in the Vlora region. Through the analysis of comparative data, statistical graphs and citizen perception, it results that services have become more accessible, of higher quality and more sustainable.Improvements are evident in health, where in addition to expanding coverage, the quality of treatment has also increased. In education, improvements in infrastructure and access have been reflected in increased school participation. In terms of sanitation and administration, investments in technology and coordination have reduced response times and increased efficiency. Increased budgets and positive citizen perception indicate a successful match between public policies and social expectations. However, some remaining challenges include the lack of human capacity in some rural areas and the need for continued digitalization.

Overall, the reform has served as a catalyst for improving services and strengthening local autonomy.The results of the questions aimed at identifying the general perception of citizens as to whether or not the territorial reform has had an impact on the public services provided by local government bodies are presented in chart number 3.

Chart 3. Citizens' perception of public services



Source: Authors' calculation

The Vlora region provides a clear example of the tension between efficiency and inclusion. While some municipalities have clearly benefited from the reform, other areas have faced increased challenges. The improvements that have occurred have not been distributed evenly and this has affected the citizens' perception of the reform. Local government needs to find ways to strengthen the capacities of peripheral units and to guarantee balanced representation and services. The graph above presents citizens' perception of the impact that the territorial reform has had on the provision of public services. Citizens were asked whether, in an overall assessment, they think that the implementation of the territorial reform has had an impact or not on the services that citizens receive from local government bodies. As can be seen, only 45% of citizens think that public services have improved, while only 25% think that the territorial reform has had a negative impact on the quality of public services in the Vlora region. These results necessitate a more in-depth and detailed analysis of all services provided by local government bodies in the Vlora region.

4. Conclusions and Recommendations

The territorial reform has brought about a significant institutional transformation and has produced significant economic and administrative effects in the Vlora region.

The implementation of the territorial reform in the Vlora region has reduced the number of local government units from twenty-five to seven. Not only the centralization of the provision of public services but also the centralization of their management has had a significant impact on the perception of citizens regarding the access, quality and efficiency of public services. Although only 45% of respondents think that in an overall assessment the territorial reform has had a positive impact, considering that only 25% think that it has a negative impact on the provision of public services by local government bodies, it can be considered that the territorial reform has been successful in the Vlora region. However, its success cannot be measured only by the efficiency of service provision, but also by territorial equality and the strengthening of local democracy. The territorial reform has had a positive impact on the efficiency of public services in the Vlora region. In the perception of citizens, the most noticeable improvement in the quality of public services is in the provision of documentation and in the provision of green cleaning services.

Despite the positive overall impact that the territorial reform is perceived to have had on the improvement of public services in the Vlora region, the provision of public transport services from remote areas to municipal centers, as well as the retention or recruitment of professional staff in these areas, especially in health and education services, are considered problematic.

Based on the above analysis, in order to increase citizens' perception of the impact of territorial reform in the Vlora region, it is recommended: (1) strengthening local administrative units in peripheral areas, (2) more equitable allocation of funds for infrastructure investments, (3) improving inter-institutional coordination, and (4) creating mechanisms for citizen participation at the micro-territorial level, (5) expanding family health centers, (6) improving the public school transportation system, and (7) further digitizing administrative services.

The analysis, results and conclusions could be much clearer if we had more data, and if the comparative analysis were done at the level of municipalities. Also, important conclusions would be drawn if the results were compared between the municipalities that are part of the region. This analysis would better highlight the differences within the Vlora region and would serve for a better recognition and planning of services at the regional level, in order to guarantee the provision of services in all municipalities that make up the Vlora region.

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Consumer Protection in the Age of Influencers: the case of Albania in the context of EU Integration

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Abstract

The rise of influencer marketing has transformed the global advertising landscape, providing brands with new ways to engage consumers. However, it has also introduced significant challenges for consumer protection, particularly in terms of transparency, false advertising, and ethical concerns. This is especially relevant for Albania, a non-EU member state in the process of EU integration, where influencer marketing practices are still evolving. While Albania has made strides in aligning its consumer protection laws with EU standards, it faces unique challenges due to its non-member status, particularly in regulating digital marketing and influencer endorsements.

This abstract explores the intersection of consumer protection and influencer marketing in Albania, emphasizing the country's regulatory framework, the role of influencers in shaping consumer behavior, and the gaps in enforcement and awareness. It further examines how Albania’s EU integration process presents both opportunities and challenges in strengthening consumer protection laws and aligning them with EU best practices. While influencers can play a positive role in promoting products and services, consumer protection must remain a priority to ensure that marketing practices are transparent, ethical, and truthful. Regulatory measures, such as the EU's consumer protection laws, provide a solid foundation for safeguarding consumer interests, but their effectiveness depends on proper enforcement and a shared commitment to ethical marketing practices.

Ultimately, this article argues that Albania must implement more robust regulations, enhance consumer education, and align with EU standards to ensure that influencer marketing does not undermine consumer rights as the country moves closer to EU membership.

Keywords: Influencers, Consumer Protection, EU Integration, Digital Marketing, Regulation
JEL classification: M31, D18, F15

1. Introduction to “influencer marketing

Over the past decade, influencer marketing has rapidly emerged as one of the most powerful tools in digital advertising. Unlike traditional advertisements, influencer marketing relies on the authenticity and relatability of social media personalities to engage consumers through platforms like Instagram, TikTok, and YouTube. This strategy allows brands to build trust-based relationships with targeted audiences, often avoiding the conventional regulatory oversight applied to commercial advertising. As studies have shown, consumers—especially youth—tend to perceive influencers as peers rather than promoters, which increases the effectiveness of endorsements and the influence on purchasing decisions (Boerman et al., 2017; Abidin, 2016).

As the world continues to expand its global e-commerce, influencer marketing has come to become an important pillar of modern advertising, promising billions of dollars in revenue per year. The influence industry has huge economic impacts, with its revenue forecasted to reach $20 billion globally by 2025. The main reason behind influencer marketing’s effectiveness is its ability to reshape consumer behavior – a recommendation from a trusted influencer often holds more value than an advertisement.

Still, as influencer marketing continues to grow rapidly, it brings to light serious concerns about how consumer rights and advertising ethics are being handled. Many influencers operate in a space that’s not clearly defined, where it’s hard to tell the difference between a genuine recommendation and a paid promotion. When influencers don’t openly share their connections with brands, it creates confusion and can mislead people into buying something they might not have chosen otherwise. This lack of clarity goes against the basic ideas of honesty and fairness that should guide all advertising.

In parallel, Albania's digital landscape is undergoing rapid transformation. With increasing access to mobile internet and growing social media usage, Albania has become a fertile ground for influencer marketing. The government's efforts to digitize services and promote e-commerce reflect its ambition to align with European Union standards, as part of the broader EU integration process. Initiatives such as the National Strategy for Consumer Protection (2023–2030) and the Digital Agenda for Albania aim to harmonize national policies with EU directives on digital markets and consumer rights. Despite this progress, a critical regulatory gap persists in protecting consumers from potentially misleading influencer marketing practices. Currently, Albania lacks specific legislation mandating disclosure of paid partnerships, labeling of sponsored content, or accountability mechanisms for influencers promoting harmful or deceptive products. The absence of clear legal guidelines allows for unchecked commercial influence, often affecting vulnerable groups such as minors and low-income consumers, who may not recognize the persuasive intent of influencer content (BEUC, 2023; European Commission, 2024).

This article aims to examine the current legal landscape surrounding influencer advertising in Albania; to analyze the extent to which EU consumer protection laws are being adopted or transposed; to evaluate the risks posed to consumers by non-transparent or unethical influencer marketing and to offer recommendations for policy reform and institutional capacity building.

1. Literature Review

With as many as 17% of people having made a purchase from a brand after seeing someone endorsing a product on a social media, influencer marketing is big business. An influencer is a content creator with a commercial intent, who builds trust and authenticity based relationships with their audience (mainly on social media platforms) and engages online with commercial actors through different business models for monetisation purposes (Michaelsen, F., Collini, L. et. al., 2022). Social influencers have built up trust with their followers over time. Through their personal connections and perceived authenticity, influencers create a direct channel to engage with targeted audiences, providing brands with an effective alternative to traditional advertising. They are seen as trustworthy and credible people, meaning when they talk positively about a product, their followers have trust in what they are saying. Consumers may not trust big brands, but they trust the people next door who seem to share their lifestyle or values. With the influencer endorsement market being forecast to grow to $143 billion by 2030, influencers and celebrities can be a smart investment for brands. An influencer today can be anyone who creates compelling and entertaining content, whatever the size of their audience. Relatability, intelligence, and authenticity mean far more in driving trust than content which is aspirational. The changes in consumer behaviour reveal that influencer marketing is on the rise, making it one of the strongest tools in the digital age (Okonkwo, Ifeanyi & Namkoisse, Emmanuel. (2023).

According to BEUC (2023), Influencer marketing is polyforme and could be done via paid publications, affiliated contents (e.g. the influences share a code or a discount link with their audience in exchange for a commission), retweets or a mention ("tag") of the professional or the brand etc.

Despite the fact that influencers are paid or receive gifts for this activity (free stay in a hotel, clothes, beauty products...), influencers don't always inform consumers about the paid partnership. Without a clear notice identifying the commercial nature of the promotion, consumers might be led to believe that it is a personal and spontaneous opinion. Is this practice legal? What are the obligations of an influencer towards consumers in EU and in Albanian context? Can the influencer be held responsible in case of purchase of a non-compliant product?

Some of the worst practices are summarized below:

Insufficiently labelled advertising: Whenever there is a business relationship between the influencer and the advertiser, that relationship must always be clearly and unambiguously identified at the beginning of the publication. The advertising can either be for a third-party company (a product, service or brand) or for the influencer's own company.

The European Commission and national consumer protection authorities of 22 Member States, Norway and Iceland released the results of a screening (“sweep”) of social media posts from influencers. The sweep found that nearly all (97%) of these influencers posted commercial content but only one in five (20%) systematically indicated that their content was advertising.

This lack of transparency can mislead consumers and undermine trust.

Promotion of Harmful Products: Influencers have been found promoting products that may pose risks to consumers, including: unhealthy foods high in fats, sugars, and salts (HFSS), particularly targeting children; risky financial products and services, unregulated health and cosmetic procedures. Such promotions can have detrimental effects on public health and consumer well-being.

In November 2024, reports surfaced alleging that “S…Clinic”, owned by Xh. M, a very popular Albanian singer and influencer, was utilizing counterfeit laser equipment for cosmetic procedures, which lacked FDA certification and posed potential health risks to clients. The allegations raised serious questions about the safety and transparency of procedures performed at the clinic and underscores the broader issue of influencers promoting products or services without adequate disclosure or verification, potentially leading to consumer harm.Another case which sparked a broader conversation about the responsibilities of influencers in promoting health-related products, especially those intended for infants, was the case of a well known Albanian influencer K.T. She shared her positive experiences with an infant formula, highlighting its natural ingredients and suitability for her own child. However, following her endorsements, several Albanian mothers reported adverse reactions in their infants after using it, including digestive discomfort, excessive gas, and increased fussiness.Critics argued that her promotion lacked sufficient disclosure about potential side effects and did not adequately inform consumers about the importance of consulting healthcare professionals before introducing new formulas to their babies' diets.

According to the sweep of The European Commission and national consumer protection authorities, 119 influencers promoted harmful products. Influencers who mainly target youngsters (12-16 years old followers) often promote products which are forbidden to minors under 18 (e.g. e-cigarettes and vaping devices) or fake products.

- Dropshipping: Many influencers run their own online shops.
- Micro-influencers are not monitored or regulated.
- Some influencers try to improve their image by buying subscribers or followers.

These issues call for strict ethical standards and regulatory oversight to ensure that the practice of influencer marketing meets the principles of truthfulness and consumer protection.

2. Regulation of influencers’ s activities under the EU legislation

EU consumer law provides that commercial communications need to be transparent. In their posts, influencers should not mislead consumers with false or untruthful information on the promoted products or services that fall under the Unfair Commercial Practices Directive. Any promotion of the products or services of a brand in a post that earns its influencer revenues or other types of benefits must be disclosed as an advertising activity. The Directive 2000/31/EC on Electronic Commerce (art. 6) as well as the Directive (EU) 2018/1808 "Audiovisual Media

Services" require all influencers in Europe to mention their commercial partnership as well as the company for which this communication is made. This information and a transparency obligation are applicable in every EU Member state.

In addition, influencers who sell products or services for their own account have the same legal obligations as online shops, such as providing consumers with legal guarantees or withdrawal rights as required by the Consumer Rights Directive.

On 17 February 2024, the Digital Services Act has entered into application in the whole EU for all online platforms. Under the Digital Services Act, influencers, as content creators, have to accept greater responsibility for the content they post online. They also must ensure that their content is appropriate and not misleading or illegal. The DSA harmonises obligations for all online platforms in the EU to reinforce the safety and trustworthiness of the online space. As a result, influencers uploading content need to declare whether such content contains commercial communications. Furthermore, influencers that qualify as traders need to provide information to ensure their traceability before they use an online platform to promote or offer their products or services.

Finally, under the Audiovisual and Media Services Directive, influencers offering audiovisual content and meeting the criteria to be considered audiovisual media service providers need to comply with specific rules on audiovisual commercial communications, incitement to violence and hatred and harmful content for minors. For example, audiovisual commercial communications of influencers need to be readily recognizable and must not be prejudicial to health or safety; influencers' content must not exploit minors' inexperience or credulity, and must not unreasonably show minors in dangerous situations.

As for online social media platforms that host influencers' content, they must be clearer and more transparent about how their content algorithms work. They must have a button allowing users to report illegal content published by an influencer, and react rapidly after a report. Finally, they are obliged to monitor posts themselves and remove them if necessary or even suspend accounts.

Regulation of influencers' activities in France

Since 9 June 2023, a law regulates the activities of commercial influencers in France. The text defines influencers as individuals or legal entities who "for a fee, communicate to the public by electronic means content intended to promote, directly or indirectly, goods, services or any cause whatsoever".

The new provisions apply to influencers, regardless of their location, as soon as they address a French audience. French influencers who live outside of the EU must designate a legal or natural person in Europe. This ensures the compliance of their contracts with French law and facilitates the response to requests from the authorities.

In France, according to the law n° 2023-451 of 9 June 2023 aimed at regulating commercial influence and combating abuses by influencers on social networks and the transposition of the directive 2005/29/CE on unfair commercial practices, influencers must specify that their communication results from a partnership with a brand or a trader and that they are paid to promote the products they present. All promotional content must include the words

“advertising” or “commercial collaboration”. This mention can be made orally, in a text or via the features integrated in the social networks (links). If the influencer mentions the partnership orally, in a video for example, he/she must specify it again in his/her description in the first three hashtags associated with the post.
Influencers in France must not undermine human dignity: they must not offend the sensibilities of their audience, they must not devalue another person based on physical, radical or religious criteria, they must not trivialise violence, etc. If the promoted content is aimed at children or teenagers, they must be informed that parental authorisation will be required. Influencers must also not commit acts of unfair competition, i.e. denigrate the products or services of a competing brand or of another influencer.
Additionally, influencers in France are forbidden to promote certain types of products, for instance:

- Plastic surgery and aesthetic medicine (including any action, intervention, procedure, technique and method)
- Products, actions, procedures, techniques and methods that are presented as comparable, preferable or substitutable to therapy
- Financial products and services (particularly crypto assets)
- Gambling (advertising to minors is prohibited)
- Products containing nicotine (electronic cigarettes, “IQOS” type heated tobacco devices)
- Subscriptions to sport coaching or sport forecasts

The French Directorate General for Competition Policy, Consumer Affairs and Fraud Control takes action against influencers who advertise products with an alleged health claim without any scientific proof supporting their efficiency

3. Influencers in Albania and the Legal Framework for Consumer Protection

Albania's digital ecosystem has witnessed significant growth, with a notable increase in social media usage among its population. This surge has led to an influencer culture, where individuals with substantial online followings collaborate with brands for promotional activities. The influencer advertising market in Albania is projected to reach US$3.31 million in 2025, reflecting its growing significance in the advertising sector.
Albania's primary legislation concerning consumer protection is Law No. 9902, dated April 17, 2008, "On Consumer Protection." This law aims to safeguard consumer interests by prohibiting unfair commercial practices, including misleading advertising . Specifically, it considers a commercial practice misleading if it contains false information or deceives consumers, potentially influencing their purchasing decisions.
While the law addresses general advertising practices, it lacks explicit provisions tailored to the nuances of influencer marketing. This absence creates a regulatory gap, leaving consumers vulnerable to undisclosed sponsored content and potential misinformation.
As Albania aspires to integrate into the European Union, aligning its legal framework with EU directives is imperative. The EU's Unfair Commercial Practices Directive (UCPD) mandates

that any commercial intent in advertising must be clearly identifiable to consumers. Influencers, when promoting products or services, fall under this directive's purview and are required to disclose any commercial relationships .

Furthermore, the Digital Services Act (DSA), effective from 2022, imposes obligations on online platforms to ensure transparency in advertising and to combat illegal content and disinformation . While the DSA primarily targets large platforms, its principles underscore the importance of transparent digital advertising practices, which are relevant to influencer marketing.

Law No. 97/2013 on Audiovisual Media: Overseen by the Audiovisual Media Authority (AMA), it regulates advertisements but does not specifically address influencer content.

Law No. 18/2017 on the Rights and Protection of the Child: Relevant when influencers target or feature minors in content.

The Criminal Code of Albania: Includes provisions against fraud and deceptive practices.

While these laws provide some coverage, enforcement remains limited, and none are tailored to the digital influencer environment.

Despite existing laws, several challenges persist in regulating influencer marketing in Albania:

- Lack of Specific Guidelines: The current legal framework does not provide detailed guidelines for influencers regarding disclosure of sponsored content, leading to inconsistent practices. Influencers often fail to indicate paid content, violating transparency norms.
- Enforcement Difficulties: Monitoring and enforcing compliance among numerous influencers across various platforms pose significant challenges for regulatory bodies. Consumer Protection Commission and AMA lack the capacity to track online content.
- Consumer Awareness: Many consumers may not be aware of the commercial nature of influencer content, making them susceptible to covert advertising tactics and are less likely to report violations..
- Cross-Border Influencer Activities: Influencers often operate across borders, complicating the enforcement of national laws and necessitating international cooperation.

4. Conclusions and Recommendations

Influencer marketing has become a pervasive force in the digital landscape, offering both opportunities and challenges. A survey conducted by BEUC reveals that over 50% of consumers have purchased products recommended by influencers. Many consumers struggle to distinguish between genuine content and paid promotions. There is a strong consumer demand for clearer regulations and accountability in influencer marketing.

To comply with consumer protection regulations, influencers are expected to:

1. Clearly disclose commercial relationships: Every post, reel, or story containing paid or sponsored content must explicitly state the commercial relationship. Recommended disclosure methods include labels like advert, or advertisement.

2. Prominent disclosure placement: Disclosures should be visible at the start of caption and/or prominently displayed on the first screen of content, ensuring readability with high contrast between text and background.
3. Avoid vague language: Terms like gifted, partner, or ambassador do not adequately convey the commercial nature of the post. Ambiguous acknowledgement, such as “thanks” or merely tagging a brand, are also insufficient.
4. Transparency in promotional codes and reviews: Sharing discount codes or promoting products without clarifying the business connection, or hiding disclosures within other hashtags, fails to meet transparency standards.

The European Union has taken significant steps toward addressing the challenges posed by influencer marketing, particularly in relation to consumer protection. Although there is currently no standalone EU regulation specifically targeting influencers, a combination of existing directives and regulations provides a comprehensive legal framework that applies to influencer activities. Key instruments include the Unfair Commercial Practices Directive (UCPD), which mandates that all commercial content be clearly disclosed to consumers; the Consumer Rights Directive, which strengthens consumer rights in online transactions; the Audiovisual Media Services Directive (AVMSD), which covers audiovisual commercial communication; and the Digital Services Act (DSA), which enhances transparency and accountability on online platforms. Despite these efforts, enforcement remains fragmented across Member States, and there are still challenges related to hidden advertising, targeting of vulnerable audiences (especially minors), and inconsistent disclosure practices. Recognizing these issues, the EU has initiated consultations and fitness checks aimed at improving legislation to better reflect the realities of the digital marketplace.

As Albania moves forward with EU integration, it has a unique opportunity to modernize its legal and institutional frameworks to address the challenges of influencer marketing. Aligning with EU standards will not only enhance consumer protection but also foster trust and integrity in the digital advertising market. Influencers have the potential to contribute positively to the economy and culture, but their influence must be balanced by accountability and regulation.

In conclusion, strengthening enforcement mechanisms, enhancing transparency obligations, improving monitoring tools, increasing influencer accountability across the digital advertising ecosystem and supporting consumer empowerment through education and clearer complaint procedures are essential next steps for the EU and also Albania to ensure a fair, trustworthy, and consumer-safe online environment.

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- Law No. 18/2017 “On the Rights and Protection of the Child”

Implementation of sustainable practices and the impact of the institutional environment

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Abstract

In recent years, the concept of sustainability has become one of the key concepts in the academic world and also in business practice. Concerns regarding environmental issues and social responsibility have increased the importance of research related to the field of sustainability. Moreover, many researchers in the field of management have always been concerned with ways to achieve competitive advantage for organizations. The implementation of sustainability practices has been seen by many researchers and business practitioners as a way to achieve competitive advantage. So far, most of the research has been conducted in developed countries, while in developing countries there is a significant lack of research related to the field of implementation of sustainable practices. The purpose of this study is to present an overview regarding the level of implementation of these practices in Kosovo. This study also aims to reveal the causal relationship between the institutional environment and the implementation of sustainable management practices along the supply chain. The study uses the survey method for data collection. The selection of cases was done through a random sample using the business register from the Kosovo Business Registration Agency. The questionnaires were sent through the Google Forms platform. Regression analysis was used to test the hypotheses of this study. With little awareness of sustainability and disregard for environmental effects, firms in Kosovo are still in the early phases of implementing sustainable supply chain management practices. Meanwhile, regression analysis reveals coercive and mimetic forces are positively related to the implementation of sustainable management practices.

Key words: sustainability, institutions, supply chain management, environment
JEL Code: Q56, M14, Q01

1. Introduction

Supply chains are becoming more important in business competition than individual companies. Research on sustainable development has grown in tandem with its growing significance. In order to achieve harmony with nature and boost economic performance, businesses must change their supply chain models to incorporate environmental protection, transparency, employee benefits, and safety concerns. They should also concentrate on creating and expanding environmentally friendly supply chains. The idea of the supply chain has become more significant in recent years as people have become more conscious of how supply chain operations affect resource depletion, waste levels, and environmental pollution (Giunipero et al, 2008). In many countries, including Kosovo, environmental issues like pollution, climate change, and the depletion of natural resources have sparked grave concerns about their detrimental effects on the environment, society, and economy. Human activity has caused an 80% increase in greenhouse gas emissions since 1970 (Hutt, 2016). Thus, many scholars have highlighted sustainability and environmental friendliness as the future of supply chain management (Walker & Jones, 2012; Seuring, 2011; Vermeulen & Kok, 2012; Gilinsky et al, 2015; Kumar et al, 2019; Ciliberti et al, 2008; Diabat & Al-Salem, 2015; Distelhorst et al, 2015; Dubey et al, 2017; Giannakis & Papadopoulos, 2016). There is a lack of research on organizational factors and the effects of sustainable supply chain management. Existing models are generally developing slowly and lack theoretical support. The intricacy of cause-and-effect relationships, the interplay between factors and effects, and the requirement for empirical validation are among the identified drawbacks. Nowadays, gaining a competitive edge requires supply chain management to integrate social and environmental responsibility. The complexity of supply chains is increasing due to a number of factors, including the globalization of economies, digitalization, shorter product life cycles, shifting consumer expectations, and the sensitivity of environmental and social issues. Studies on sustainable supply chain management have grown in number as sustainability has gained importance (Seuring et al, 2022). Recently, organizations have come to understand the significance of adopting sustainable practices (Cantele & Zardini, 2018). Growing socio-environmental problems like air pollution and climate change have made the concept of sustainability more popular in recent years (Khan et al, 2020). Most researchers agree that implementing sustainability requires the triple bottom line (TBL). The goal of the environmental component is to incorporate eco-efficiency, emissions, consumption, and renewable resources—the green value drivers—into business plans (Trianni et al, 2019). The social dimension requires the capacity to distribute human rights, social initiatives, and working conditions equitably (Hristov & Chirico, 2019). Companies that use sustainable supply chain management techniques help to achieve sustainable competitive advantage through improved financial performance, social responsibility, and superior and efficient resource utilization (Govindan et al, 2020; Vaio & Varriale, 2019). If businesses go above and beyond the call of duty, the reputation that comes from their involvement in sustainability practices can boost their competitive edge and open doors to business with other businesses, including suppliers, rivals, or clients who share their values (Darnall et al, 2008).

Businesses can lower production costs by reducing waste or waste by, for instance, using recyclable materials or imposing reduced packaging on suppliers by large manufacturing organizations (Ageron et al, 2011). Scholars and practitioners have recently focused more on the pressures from different stakeholders, including consumers, non-governmental organizations, and government regulatory bodies, who expect businesses to make greater commitments to sustainability. In the supply chain, managers are increasingly implementing sustainable practices due to concerns about declining well-being and resource depletion. Growth that satisfies the needs and desires of the current generation without jeopardizing the capacity of future generations to satisfy their own needs is known as sustainable development (WCED, 1987). The majority of research in the field of sustainable supply chain management has focused on how developed nations are implementing sustainable practices (Hong, 2022). There is little research on sustainability initiatives in the context of particular developing countries, and supply chain sustainability practices in these nations are still in their infancy (Silvestre, 2015; Esfhabodi et al, 2016). Additional research from various nations is required to identify trends and alternative routes to sustainability because sustainability practices vary depending on the context (Jia et al, 2018; Khan et al, 2019).Consumer preferences have changed recently to take into account not only the price and quality of products but also the effects that their use has on society and the environment. Demands for corporate social and environmental responsibility have grown in tandem with the problems associated with organizational sustainable development (Khan, 2019). Recently, supply chain management has placed a greater emphasis on sustainability than on cost and efficiency (Beske, 2012; Khan & Yu, 2019). The purpose of this study is to investigate how institutional factors—specifically, normative, coercive, and mimetic forces—affect the adoption of sustainable practices and the degree to which they are being used in Kosovo.

To enhance their environmental, social, and financial performance, businesses in Kosovo must comprehend the elements that affect the adoption of sustainable practices. Pressure and incentives from both internal and external groups or stakeholders are the primary drivers behind the adoption of sustainable management practices generally and the enhancement of environmental performance. Due to the growing pressure from stakeholders to give environmental and social issues top priority, many businesses are adhering to sustainable standards (Seuring & Muller, 2008). However, a low adoption rate of Sustainable Supply Chain Management (SSCM) is the result of senior management's reluctance to integrate sustainable practices into the company's core operations and the tremendous pressure that consumers and government regulators put on businesses (Zhang & Awasthi, 2014; Khan et al, 2020; Xie, 2019). Businesses that adopt sustainable practices that consider social and environmental aspects gain a competitive edge and long-term financial gains (Carter & Rogers, 2008; Markley & Davis, 2007).

Environmentally friendly practices in Kosovo are increasingly being shaped by international cooperation, civil society initiatives, and government policies. The OGP pledge made by Kosovo encourages openness, responsibility, and public participation in decision-making procedures. The Pristina Action Plan (2024-2025). These include independent project oversight and participatory budgeting, which can lead to more sustainable resource management and urban development.

The urgency of shifting to sustainable resource use and waste management is becoming more widely recognized, even though laws pertaining to the circular economy may still be in their infancy. Such a regulatory framework aligns with broader EU standards that encourage recycling and environmentally responsible production practices. Activity Related to the Social Contract Engagement of the public: Enhancing public involvement in local governance is the main goal of USAID's Social Contract Activity, which incorporates sustainable practices. This initiative aims to provide organizations with the chance to evaluate these participation barriers and then develop action plans that take into account the priorities and needs of the community as determined by the feedback they received. In order to create an environment that is conducive to sustainable development, trust between citizens and their local governments is crucial. Sector-Specific Sustainable Practices Agriculture in Kosovo, sustainable agricultural genetics are critical to both environmental preservation and food security.

These could be water conservation, organic farming, or ecologically friendly land management techniques. All manufacturing and industrial sectors should adopt cleaner manufacturing techniques and technologies that reduce emissions and waste production. This cover investing in energy-efficient technologies and following environmental regulations. Initiatives for sustainable urban planning, which prioritize green spaces, public transportation, and sustainable housing development, are becoming more and more popular, especially in urban areas like Pristina. This study will investigate the following hypothesis:

H1= Coercive forces are positively related to sustainable supply chain management practices.

H2= Normative forces are positively related to sustainable supply chain management practices.

H3= Mimetic forces are positively related to sustainable supply chain management practices.

The survey approach is the foundation of the study, which gathers data and offers empirical proof of how businesses can help the planet meet its needs while also improving organizational and industry performance. A review of the literature is presented in the first section of the study, followed by the methodology in the second, data analysis and discussion in the third, and study conclusions in the final section.

2. Literature review

Sustainable supply chain management

The Latin sustinere (sus-, from below, and tenere, to hold) is the root of the word "sustainability," which implies long-term support or sustainability. Sustainability cannot be defined and operationalized as a continuous variable (e.g., increased sustainability) until supply chain operations are environmentally regenerative. In other words, even though a less damaging supply chain activity may be preferable to one that is environmentally hazardous, it is not sustainable (Pagell & Shevchenko, 2014). Additionally, charity and corporate social responsibility are unquestionably important, but they might not be enough to make a business operation sustainable, claim Markman and Krause (2016). Charitable contributions to the impoverished, for instance, are admirable and responsible, but they frequently do not address the underlying causes of poverty or create long-term prosperity. The Brundtland Commission first proposed the idea of sustainable development in 1987, defining it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). Organizations that wish to become sustainable must resist the urge to balance these three factors and instead learn to prioritize ecology, society, and commerce (Montabon et al, 2016). Sustainability was a key concept in 48.17% of papers published between 2010 and 2018, according to Carter et al (2020). The study claims that the development of conceptual theories, qualitative data analysis, and econometric modeling have all gained popularity in SSCM research. "Meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, customers, pressure groups, communities, etc.), without compromising its ability to meet the needs of future stakeholders as well" is the definition of corporate sustainability in the context of organizations [Dyllick & Hockerts, 2002, p.131]. According to a 2014 study by the Association of Chartered Certified Accountants (ACCA), population growth, financial market volatility, water scarcity, climate change, and declining food supplies are the top environmental concerns, followed by the depletion of natural resources. Environmental sustainability practices have grown in popularity in recent decades due to growing environmental concerns (Brundtland Commission, 1987). Addressing supply chains, which account for over 90% of a consumer company's environmental impact and 80% of its greenhouse gas emissions, offers the greatest opportunity to improve sustainability practices (Bove & Swartz 2016).

Sustainable supply chain management practices

The combination of supply chain management and sustainability theory is known as sustainable supply chain management. By incorporating social and environmental concerns into the supply chain's design and optimization, SSCM broadens the application of traditional concepts. This makes it possible to analyze how sustainable the economy, environment, and society are (Dubey et al, 2016, Bai & Sarkis, 2010). Ahi and Searcy (2013) distinguish between green and SSCM by defining SSCM using 12 definitions and green SCM using 22 definitions. They conclude that by integrating the environmental dimension into economic and social aspects, SSCM is a continuation of green SCM. SSCM as a management philosophy and SSCM as a collection of management procedures are the two primary categories into which Dubey et al (2016a) conduct a thorough analysis of SSCM definitions based on a review of the literature. Environmental initiatives include things like mid-range product design, support for green products, conservative compliance and audits, ISO 14001 certification of suppliers, and top management's dedication to eco-friendly supply chain management (Sarkis et al, 2011; Zhu & Sarkis, 2004; Zhu et al, 2005; Zhu et al, 2007). Working and economic conditions, employee equity and education, employee and social health and safety, and benefits to the local community are just a few of the issues that businesses specifically affect (Blanchard & Das, 2017). A company's internal and external actions to enhance the supply chain's sustainability in all three dimensions are known as supply chain sustainability management (SSCM) practices (Paulraj et al, 2015). Beske et al (2014) divided SCM practices into five categories: supply chain continuity, collaboration, risk management, strategic direction, and sustainability proactivity.

Most significantly, Zhu et al (2008) proposed the most widely cited classification of GSCM practices into five groups: eco-design (ED), investment recovery (IR), customer collaboration (CC), internal environmental management (IEM), and general planning (GP). In contrast, Kim and Lee (2012) divided environmental logistics practices (ELPs) into three groups: environmental process design (EPD), environmental sourcing and packaging (ESP), and IEM. Strategic orientation, supply chain continuity, collaboration, risk management, and sustainability proactivity are the five categories into which Beske et al (2014) divide SSCM techniques. According to Paulraj et al (2015) there are four essential components of sustainable supply chain management techniques: collaborative sustainability initiatives with suppliers and customers, sustainable product design, and sustainable process design. In a similar vein, Esfahbodi et al (2016) concentrate on four aspects of sustainable supply chain management practices: investment recovery, sustainable production, sustainable design, and sustainable distribution. When adopting sustainable practices, businesses encounter a number of challenges. These obstacles include senior management's lack of commitment, the inability to align short-term and long-term plans, the difficulty of altering company policies and practices, the high investment requirements, the absence of environmental standards and regulations, the difficulty of raising customer awareness, the lack of resources from suppliers, and other managerial, economic, and other issues (Moktadir et al, 2018; Murillo-Luna et al, 2011; Trianni et al, 2017).

Institutional theory and sustainable supply chain management

The desire to conform to acceptable behaviors in the external environment influences organizational decisions and behaviors in addition to the objective of enhancing organizational processes and efficiency. These could include government rules, professional associations' behavioral standards, market norms and expectations, and rivals' actions. Because it is grounded in and considers the external organizational environment to explain behavior in organizations, institutional theory serves as the primary theory employed in this study. Government regulations, consumer expectations, and competitive pressure are the primary drivers of sustainable supply chain management (SSCM) practices among Chinese manufacturers and traders (Dai et al, 2021). One of the primary forces behind the adoption of sustainable practices is the pressure from the government, which is applied through social and environmental regulations. Businesses are encouraged to adopt sustainable supply chain practices by competitive success in doing so, which boosts profits. Businesses are reportedly under pressure to adopt socially conscious management techniques and environmentally friendly products due to consumer demands. Technical expertise and top management leadership are examples of sustainability competencies that support the adoption of SSCM practices (Dai et al, 2021). Organizations can adopt green practices for two reasons, according to institutional theory: (1) by enforcing laws, taxes, and penalties, which are the responsibility of regulatory bodies under industry bodies' governance; and (2) by offering incentives for the adoption of socially and environmentally responsible best practices (Zailani et al, 2012). Since the publications of Rowan and Meyer (1977) and P. Selznick (1948), institutional theory has emerged as a primary theoretical framework for examining organizational behavior. Over the years, institutional theory has evolved into a legitimate theory for understanding organizational behavior, despite alterations and critiques. According to Meyer and Rowan (1977), institutional norms that have been rationalized seem to be reflected in organizational structures and procedures. They also stress that norms take the shape of myths that organizations adopt in order to acquire credibility, assets, stability, and a better chance of surviving. According to Suddaby (2010), the debate over the main question of institutional theory in organizational research has historically concentrated on why organizations adopt behaviors that are consistent with behavioral norms but contradict the accomplishment of rational objectives, as well as why organizations engage in legitimate activities in the symbolic rather than the material realm. The application of institutional theory to sustainable supply chain management has gained popularity in recent years (Beske & Seuring, 2014). Many scholars believe that institutional theory offers a useful framework for comprehending how businesses react to social demands and sustainability expectations. These external stakeholders, which include governments, non-governmental organizations, and other actors, can exert pressure on organizations to adopt and implement sustainable practices in their supply chain operations and support social and environmental goals. Additionally, isomorphism—the process by which organizations adopt comparable practices and structures in order to conform to societal norms and expectations—is emphasized by institutional theory. This indicates that in addition to economic considerations, organizations are driven by the need to establish and preserve their social legitimacy. Organizations can better understand the demands and expectations they face from the outside world and create plans to align their operations with sustainability standards and principles by integrating institutional theory into sustainable supply chain management.

This institutionalization logic holds that companies adopt sustainability practices more because of external isomorphic pressures than because of financial considerations. However, in a brief essay, Suddaby (2010) highlights that neo-institutional theory has departed from the initial tenets and objectives. Suddaby goes on to stress that institutional theory ought to focus on the ideological aspects of institutions, particularly their interpretative and symbolic components. 40 distinct drivers of SSCM were identified in a literature review by Saeed and Kersten (2019), with market and regulatory pressures being the most prevalent. The drivers were separated into primary and secondary categories, as well as internal and external, to aid in prioritizing sustainability projects. There is more external pressure on organizations to embrace sustainability than there is internal pressure. Customer demands and regulatory pressures are two significant external forces.

Glover et al (2014) emphasize that energy efficiency, waste reduction, pollution reduction, emission reduction, and decreased use of hazardous materials are all important components of environmental sustainability. The Indian auto component industry's sustainable supply chain management is the subject of another study by Shibin et al (2017), which emphasizes the importance of institutional pressures and top management commitment. It examines the connections between coercive, mimetic and normative pressures, top management trust and participation, supply chain connectivity, and bottom-line triple bottom-line performance using a theoretical model based on institutional theory and resource-based perspective. According to the study, institutional forces have an impact on environmental, social, and economic performance through strategic resources and capabilities. Coercive pressures have a positive effect on top management participation, while mimetic and normative pressures have no discernible effect. The study also reveals that different aspects of institutional pressures have varying effects on top management participation. More sustainable industries and nations with stronger legal and cultural frameworks are more likely to secure sustainability reports. Mimetic pressure has less of an impact on insurance adoption than normative and coercive pressures (Martínez-Ferrero & García-Sánchez, 2017). According to the study, companies are under more pressure to implement sustainability insurance from country-specific factors—like cultural development and legal enforcement—than from industry-level factors. Mimetic pressure has no effect on the adoption of green initiatives in PLCs, but normative and coercive pressures have a major impact (Abdul Aziz et al, 2017). Additionally, this study shows that professionals, trade associations, and regulatory bodies have a moderately broad influence on Malaysian PLCs' adoption of green initiatives. The phase of implementation is progressive rather than proactive. Mimetic and coercive pressures are significant factors in organizational adoption of green IS & IT, according to Chen et al (2011). These factors account for 35.6%, 29.7%, and 27.6% of the differences in practices pertaining to pollution prevention, product care, and sustainable development, respectively. The findings of Huang et al.'s study from 2022 indicate a nonlinear inverted U-shaped relationship between manufacturing firms' green innovation and their current and new technological knowledge fusion. The relationship is positively moderated by environmental identity and mimetic pressure. According to Esfahbodi et al (2016), SSCM practices improve environmental performance but not always economic performance, and governance pressures are a prerequisite for their successful adoption. Mimetic and coercive pressures are significant factors in organizational adoption of green IS & IT, according to Chen et al (2011). These factors account for 35.6%, 29.7%, and 27.6% of the differences in practices pertaining to pollution prevention, product care, and sustainable development, respectively.

3. Methodology

The study will use surveys to collect data from manufacturing enterprises, related to other supply chain management practices. The measurement instruments will be adapted from the literature review. The survey will include two parts: institutional impact and sustainable supply chain practices. The instrument for measuring institutional coercive forces will include four questions and will be adapted from Zhu et al., (2005). The normative forces instruments are adapted from Ates et al (2012) and Ehrgott et al (2011). The mimetic forces instruments are adapted from Chatterje and Ravichandran (2013) and Carter and Jennings (2004). Respondents will be asked to indicate their agreement with the questions according to their perceptions about the forces that force their enterprises to implement sustainability practices starting from 1 to 5 measurement scales. Also, regarding sustainability practices, questions will be adapted from measurement instruments identified in the literature.

Model specifikacion

To examine the influence of institutional pressures on the adoption of sustainable supply chain management (SSCM) practices, a multiple linear regression model was developed. The dependent variable is the extent of SSCM adoption (SSCM_ADOPT), and the independent variables include coercive pressure (Coercive), normative pressure (Normative), and mimetic pressure (Mimetic).

The regression model is specified as:

$$SSCM\_ADOPT_i=\beta_0+\beta_1 Coercive_i+\beta_2 Normative_i+\beta_3 Mimetic_i+\beta_4 Age_i+\beta_5 Size_i+\varepsilon_i \quad (1)$$

Where:

- SSCM_ADOPT this is the result of the adoption of SSCM for the firm i
- Coercivei, Normativei and Mimetici, represent institutional pressure dimensions
- Agei and Sizei as control variables
- εi is the error term

Control variables included firm size and industry type to account for firm-specific and contextual variations.

First assumption if the relationship between the independent variables and the dependent variable is linear was checked through residual plots. All independent variables are linearly related to our dependent variable**.** To check for multicollinearity if the independent variables are not too highly correlated with each other, the Variance Inflation Factor (VIF) test is used. The value of VIF<5 indicates of no multicollinearity issue in the study. Using (i) composite reliabilities and item loadings, (ii) convergent validity (AVE), and (iii) discriminant validity, the measuring model's suitability for all constructs was assessed. The fact that all outer loadings were above the 0.70 indicates strong validity of all constructs.

Table 20. Descriptive statistics of the sample

Age	=<5	12	13.04 %
	5-10	28	30.43 %
	11-20	36	39.13 %
	=>20	16	17.39 %
	Total	92	
Type of enterprise			
	Manufacturing	69	75.00 %
	Wholesale	13	14.13 %
	Retail	10	10.87 %
	Total	92	
Export/Import			
	Export	58	63.04 %
	Import	29	31.52 %
	Neither	5	5.43 %
	Total	92	

Position of repondents			
	Senior executive	21	22.83 %
	Senior manager	34	36.96 %
	Managers	29	31.52 %
	First-line managers	8	8.7 %
	Total	92	

The composite reliability as determined by Dillon-Rho Goldstein, and the values of Cronbach's α exceeded the 0.60 threshold demonstrated the reliability of the items (Sarstedt et al, 2017). Furthermore, the convergent validity values of every construct exceeded the 0.50 threshold. A variable's normal distribution can be estimated using the Kolmogorov-Smirnov and Shapiro-Wilk tests. Samples under 50 can be tested using the Shapiro-Wilk test, which can also be applied to samples of up to 2000. A variable with a normal distribution has a test limit of 0.05; if this value is exceeded, the variable is not normal (Knief & Forstmeier, 2021). All variables in this study have a normal distribution, according to the Shapiro-Wilk test.

4. Results

The regression analysis provides important insights into how different dimensions of institutional pressure—**coercive, normative**, and **mimetic**—affect the **adoption of sustainable supply chain management (SSCM)** practices across firms. Hierarchical regression analysis is used to include the effect of control variables in the model. After running analyses the results show the positive relationship of age and negative relationship of size.

The data from the survey revealed that control variables in the model age had a significant impact on how respondents felt, with a coefficient of .332 in the first model and .383 in the second model. Additionally, the size of the group being surveyed also played a role, with coefficients of -.312 and -.291 in the two models. The presence of coercion (coerc12) and social norms (norm12) had the most significant impact on how affected individuals felt, with coefficients of -.610 and .724 respectively. But, the effect of coercive forces is not positive as hypothesised. Despite these findings, the coefficient for imitation (mim12) was not significant, indicating that this factor did not have a strong influence on perceived impact.

Table 21. Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.328[a]	.107	.087	.52660
2	.499[b]	.249	.205	.49140
a. Predictors: (Constant), Size, Age				

b. Predictors: (Constant), Size, Age, Mim12, Norm12, Coerc12

The hierarchical regression model explains a substantial proportion of the variance of control variables in SSCM adoption (**R = 0.328**). After including the second block of independent variables the value of R increases to R=0.499 indicating that institutional pressures, particularly normative, play a meaningful role in shaping firm behavior. The relatively high F-statistic (F= 5.700, p < 0.000) also indicates a good overall model fit.

Table 22. ANOVA table

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.968	2	1.484	5.352	.006[b]
	Residual	24.681	89	.277		
	Total	27.649	91			
2	Regression	6.882	5	1.376	5.700	.000[c]
	Residual	20.767	86	.241		
	Total	27.649	91			
a. Dependent Variable: sust12						
b. Predictors: (Constant), Size, Age						
c. Predictors: (Constant), Size, Age, Mim12, Norm12, Coerc12						

Overall, the results of the regression analysis show that age, size, Coerc12, Norm12, and Mim12 all have significant impacts on the outcome variable. Age has a positive unstandardized coefficient of .211, indicating that as age increases, so does the outcome variable. Size, on the other hand, has a negative unstandardized coefficient of -.222, suggesting that larger sizes are associated with lower values of the outcome variable. Coerc12, Norm12, and Mim12 also show significant relationships with the outcome variable, with Norm12 having the highest standardized coefficient of .724. This set of data indicates that there is a significant negative relationship between size and the dependent variable. The unstandardized coefficient of -.238 suggests that for every unit decrease in size, there is a corresponding decrease of .087 in the dependent variable. This relationship is statistically significant with a t-value of -2.730 and a p-value of .008. Therefore, we can conclude that as the size of the variable decreases, the dependent variable also decreases, supporting the hypothesis that there is a negative relationship between size and the dependent variable. The standardized coefficient of -.312 indicates that size accounts for 31.2% of the variance in the dependent variable.

Table 23 Regression coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.268	.151		28.195	.000
	Age	.183	.063	.332	2.899	.005
	Size	-.238	.087	-.312	-2.730	.008
2	(Constant)	3.357	.302		11.120	.000
	Age	.211	.067	.383	3.168	.002
	Size	-.222	.083	-.291	-2.665	.009
	Coerc12	-.378	.136	-.610	-2.782	.007
	Norm12	.499	.134	.724	3.714	.000
	Mim12	.070	.077	.114	.906	.367
a. Dependent Variable: sust12						

According to the frequency table above, the majority of respondents (34.78%) believed that the problem at hand had some impact on them. Not far behind, 19.57% of respondents said they were neither affected, and another 19.57% said they were only slightly affected. The lowest percentage of respondents (11.96%) felt extremely much affected, while a smaller percentage felt relatively much affected (14.13%). All things considered, the data demonstrates a variety of reactions to the problem.

Table 24 Implementation of sustainable practices

Frequency table					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither	18	19.57	19.57	19.57
	A little	18	19.57	19.57	39.13
	To an extent	32	34.78	34.78	73.91
	Relatively much	13	14.13	14.13	88.04
	Extremely much	11	11.96	11.96	100.00
	Total	92	100.0	100.0	

5. Discussion

Implementation of sustainable supply chain practices

Based on cumulative frequency 73.91% of organizations in the study agree with sustainable practices from neither to an extent. 26.09% agree from relatively to extremely much with sustainable practices. The level of implementation of sustainable practices in Kosovo is still low. Many businesses in Kosovo still rely on single-use plastics and lack recycling programs. Additionally, there are limited regulations in place to promote renewable energy sources or enforce environmental standards. Overall, the results indicate that although some Kosovo organizations are starting to adopt sustainable practices, widespread adoption is still a ways off. Progress in this area is being hampered by the absence of laws and incentives encouraging companies to give sustainability top priority. It will be imperative that lawmakers enact stricter regulations in the future to promote and compel environmentally conscious business practices in Kosovo. Then and only then will the nation be able to make real progress toward a more sustainable future.

Influence of Coercive Pressure

Despite being negative ($\beta = -0.378$, $p < 0.007$), the coercive pressure variable is significant. The theoretical expectation that formal institutional mandates, government regulations, and compliance requirements have a significant and positive impact on businesses' adoption of sustainable practices is not supported by this. Coercive pressure may not be as successful in encouraging sustainable practices as previously believed, according to the negative coefficient. This might suggest that companies are figuring out ways to meet rules without really embracing sustainability. The lack of political support in developing countries is the most frequently mentioned barrier to SSCM implementation in the literature (Clarke & Boersma, 2015; Oelze, 2017). Among these are the lack of regulations (Latip et al, 2022, Huq et al, 2014) and the lax enforcement of existing ones (Govindan et al, 2021; Denu et al, 2023; Ehrgott et al, 2013). In certain situations, businesses may decide to pay pollution fees or fines because they are less costly than cleanup or preventative costs because they do not take into consideration the negative financial externalities associated with the environment (Lam, 2011). This can lead to a vicious cycle in which businesses keep putting short-term profits ahead of long-term viability. Businesses might not immediately reap the rewards of investing in sustainable supply chain practices if there are regulations and enforcement in place. Governments and regulatory agencies must intervene and establish a framework that encourages and rewards businesses for SSCM implementation in order to eventually create a business environment that is more socially and environmentally responsible.

Influence of Normative Pressure

The findings also demonstrate that normative pressure plays a significant role in the adoption of SSCM ($\beta =0.499$, $p<0.000$). This result is consistent with other research (Abdul Aziz et al, 2017; Martínez-Ferrero & García-Sánchez, 2017). According to this, companies may be more inclined to adopt sustainable supply chain practices if they experience pressure from outside parties like competitors, stakeholders, or government agencies. Businesses can better understand the reasons behind their sustainability initiatives and make well-informed decisions to enhance their supply chain practices by recognizing the impact of normative pressure on SSCM adoption. Industry standards, professional networks, and stakeholder expectations—

such as those of clients, non-profits, or certifying organizations—are the usual sources of normative pressures. According to this research, businesses are feeling more and more pressure to meet sustainability standards that are widely accepted in their industry and professional communities. The importance of normative pressures suggests that stakeholder legitimacy and peer influence continue to be powerful drivers of SSCM practices.

Influence of Mimetic Pressure

Mimetic pressure has a positive but non-significant effect ($\beta = 0.070$, $p < 0.367$). This implies that although businesses may follow the example of their supposedly successful rivals in adopting sustainable supply chain practices, the impact is less pronounced than that of normative forces. Furthermore, the results of other research papers (Huang et al, 2022; Chen et al, 2014) contradict these findings. Mimetic isomorphism might be more prevalent in settings with a lot of uncertainty or little enforcement of regulations, where businesses look to others for guidance on what is a successful or acceptable practice. Nonetheless, it seems that formal institutional factors have a greater influence in the context of this study than informal imitation.

6. Conclusions

First, the aim of this study is to increase the understanding of the implementation of sustainable practices. Second, to explain the relationship between institutional environment and sustainable practices in Kosovo. Based on the frequency table the implementation of sustainable practices is low in Kosovo. Normative forces influence positively implementation of sustainable practices which is in line with other studies (Dai et al, 2021; Shibin et al, 2017; Martínez-Ferrero & García-Sánchez, 2017), but not with government regulation which are negatively related to implementation of sustainable practices. Government agencies in order to increase the level of implementation of sustainable practices need to establish clear processes for monitoring businesses. Another approach should be implementing stricter regulations and penalties for organizations that do not comply with sustainability standards, in order to incentivize greater adherence to environmentally-friendly practices. One potential suggestion for government to increase implementation of sustainable practices is to provide financial incentives or subsidies for businesses and individuals who adopt sustainable measures. Organizations looking to start or enhance their sustainability initiatives, should set clear goals, engage employees at all levels, and measure progress effectively. Additionally, education and awareness campaigns about the importance of sustainability could be crucial in changing mindsets and behaviors towards more environmentally-conscious choices at both individual and institutional levels. This study has also limitations. One limitation is regarding small sample. Another limitation is the data are collected in one point of time. One potential future research direction could be to explore the role of government policies and regulations in shaping sustainable practices within different industries. Another possibility is to include different factors like leadership, corporate culture, technical capabilities on the implementation of sustainable initiatives in organizations. An important area for consideration is analyzing the link between social responsibility initiatives, environmental sustainability goals, and economic performance within a broader institutional context. Explore case studies of companies that have successfully integrated sustainable practices into their operations and the positive outcomes they have experienced

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Apendix

Measurment scale of institutional pressures

Scale	Items
Coercive pressures (Coerc)	Coerc1- How influential are laws and regulations regarding social responsibility and environmental protection?
	Coerc2- The market for your product already has laws, regulations, and standards for social responsibility and environmental protection.
	Coerc3- Relevant departments increase the firm's oversight regarding compliance with laws, regulations, and standards of social responsibility and environmental protection.
	Coerc4- Enforcement of the law increases the penalty for firms' violations of relevant laws, regulations, and standards.
Normative pressures (Norm)	Norm1- Consumer expectations for ecologically sustainable products, product safety and increasing demands.
	Norm2- Product exports must meet environmental and safety standards.
	Norm3- Consumers demand a good image regarding environmental and social protection.
Mimetic pressures (Mim)	Mim1- The leading business in your industry has begun to implement sustainable management (environmental protection) in the supply chain.
	Mim2- Businesses that have implemented sustainability practices (environmental and social) in the supply chain in your industry have good environmental, social and economic performance.
	Mim3- Most businesses in your industry have begun to implement sustainable supply chain management practices.

Measurement scale of sustainable practices

Ecological product design (Ekod)	**Ekod1- Using life cycle analysis to assess the friendliness of products.**
	Ekod2- Designing products for the lowest impact of raw materials on the environment.
	Ekod3- Designing products to reduce the use of raw materials or energy.
	Ekod4- Designing products to reduce greenhouse gas emissions from the production process
	Ekod5- Designing products for recycling or reuse.
	Ekod6- Design of products for disassembly.
	Ekod7- Creating a recycling system for waste products.
Sustainable packaging (Pack)	Pack1- Healthy materials in all end-of-life scenarios.
	Pack2- Maximizing the use of recyclable materials.
	Pack3- Use of clean production technology and best practices.
	Pack4- The packaging meets environmental standards.
	Pack5- Eco-labeling of product packaging.
	Pack6- Minimization of packaging materials.
Environmental protection management (Mgm)	Mgm1- Commitment to production by senior managers.
	Mgm2- Support for environmental protection from middle-level managers.
	Mgm3- Cross-functional cooperation for environmental improvement.
	Mgm4- Promoting and enforcing environmental laws and regulations.
	Mgm5- Establishing agencies for environmental protection and monitoring.
	Mgm6- ISO 14001 certificate.
	Mgm7- Regular inspection and maintenance of environmental protection equipment and facilities.
	Mgm8- Regular inspection and maintenance of equipment and facilities for environmental protection.

Human rights (Hum)	Hum1- We strictly respect labor laws, no child labor.
	Hum2- We pay a "living wage" higher than the country's minimum wage.
	Hum3- We offer our employees safe and healthy working conditions.
	Hum4- We do career planning for staff development.
	Hum5- We provide opportunities for continuing education for employees.
Philanthropisem (Fil)	Fil1- We often donate to charities.
	Fil2- We often volunteer at local charities.
	Fil3- We help develop local education and culture.
	Fil4- We promote social responsibility in our industry.

Safety (Sig)	**Sig1- We offer our customers safe products.**
	Sig2- We ensure the safe movement of product in our facilities.
	Sig3- We ensure that our locations operate safely.

Smart city and big data in insurance. What could be the impact Of Smart City on insurance in Albania

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Abstract

The growth of the Smart Cities and rising Big Data have brought about transformational changes in many industry fields, including insurance. Smart Cities use advanced technologies like the Internet of Things, Artificial Intelligence, and real-time data analytics to improve urban living by creating operational efficiencies, safety, and sustainability. The paper highlights the likely impact that Smart City initiatives would create for the insurance industry in Albania. It explores the means through which the incorporation of such smart infrastructures as Connected Cars or intelligent traffic systems, smart homes, or environmental monitoring affords risks more accurate assessments, individual insurance products, and a reduction in claim frequencies. The paper talks about how usage-based and dynamic pricing models are enabled through Big Data so that insurers may be capable of providing those plans, along with the challenges and opportunities arising from data protections, being legally compliant, and having customers that are willing to accept. Utilizing global case studies of Smart Cities, the article provides insights into how Albania could capitalize on these technologies to develop its insurance industry, providing better service delivery and risk management strategies.

Keywords: Smart Cities, Big Data, Insurance Industry, Internet of Things (IoT), Artificial Intelligence (AI), Machine Learning (ML), Risk Assessment,
JEL Codes: G22, O18, R10, C55, L86

7. Introduction

Definition: A Smart City is an urban area that leverages digital technologies and data-driven solutions to improve the quality of life of its citizens, improve the efficiency of urban services,

and ensure sustainable economic, social, and environmental development. This concept integrates information and communication technologies (ICT), the Internet of Things (IoT), and Big Data analytics. to optimize infrastructure, public services, governance and civic engagement (Albino, Berardi and Dangelico, 2015)
Other of this definition: "A city that performs well in a future-oriented way in economy, people, governance, mobility, environment and life, built on the smart combination of..." "the gifts and activities of self-determined, independent, and aware citizens." (Giffinger et al., 2007)
Smart Cities focus on areas such as: Smart Governance (digital public services and e-participation), Smart Mobility (sustainable and connected transport systems), Smart Environment (energy efficiency and environmental monitoring), Smart Life (healthcare, security and culture), Smart people (education, creativity and inclusion), Smart Economy (innovation, entrepreneurship and productivity).
Big Data refers to data sets whose size, complexity, and rate of growth exceed the capabilities of traditional data processing technologies to capture, store, manage, and analyze. It encompasses the characteristics of data sets that are: Volume, Variety, Velocity, Authenticity (the uncertainty and quality of the data), and Value (the potential to extract meaningful insights)—often described as the "5Vs."
The concept of smart cities is linked to the concept of big data. It is a city that uses modern technology to improve the quality of life, the efficiency of services and urban sustainability. This includes:

- data collection from sensors for lighting, traffic, pollution, water, weather and waste, to cameras and IoT devices for security, mobility and environmental management,
- processing and analyzing this data in real time through the use of artificial intelligence,
- as well as the use of this data for city management and decision-making based on this data**,** for urban risk management, transport services and energy supply.

A graphical presentation of big data applications and their role in the Smart City is given below, fig. 1.

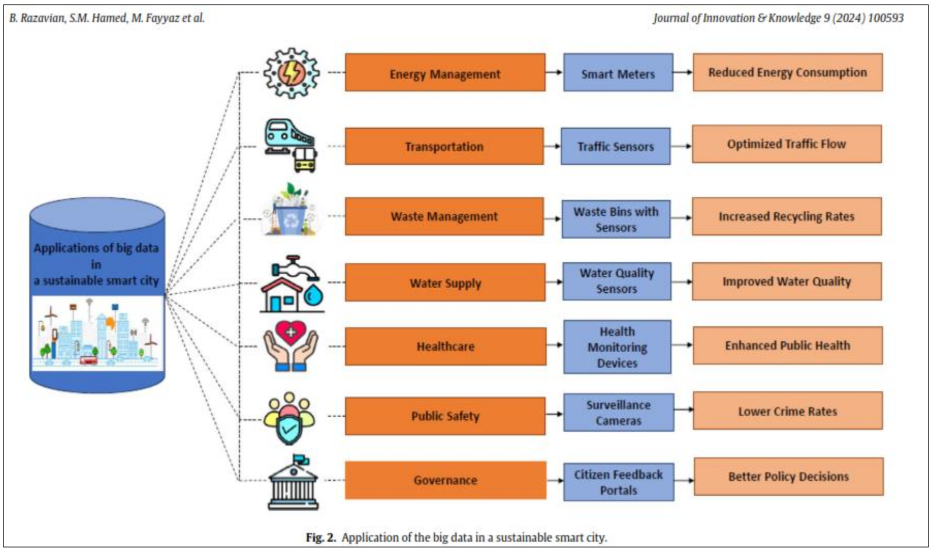

Figure 1. Big data applications and their role in smart city

8. Methodology

This article uses a qualitative comparative analysis (QCA) combined with a data-driven literature review. Sources include policy documents, statistical databases (e.g., XPRIMM), smart city reports, government communications, and scholarly articles. Comparative case study methods were used to analyze initiatives in Switzerland, the Netherlands, Singapore, Dubai, and Albania. We also integrated secondary data from global smart insurance applications and national insurance statistics for Albania (2024). The analysis focuses on how Albania can adopt global best practices to integrate Big Data and smart infrastructure into its insurance ecosystem, fig. 2.

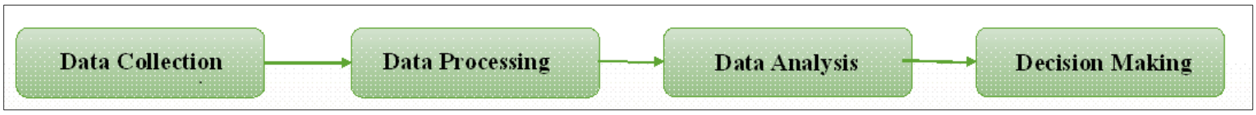

Figure 2. Workflow.

Global Perspective

Some of the cities and countries in which smart cities are being developed are taken as examples,

Switzerland, Zurich, is one of Europe's smartest cities, known for its sustainable transport and energy. Swiss insurers use data from these infrastructures for usage-based insurance (UBI), rewarding safer behavior and energy efficiency.

Dynamic risk modeling is facilitated by municipal sensor networks, improving the accuracy of underwriting and claim processing (IBM, 2020)

Netherlands

Amsterdam is integrating IoT into traffic, water, and pollution management. Dutch insurers are applying this data to property and health insurance. For example, flood forecasting models affect property prices in low-lying areas. This data-driven approach helps insurers optimize prices and mitigate risks (European Commission, 2019)

In Singapore, AI, a national digital identity, and a government-linked health database are being incorporated. Insurers are applying behavioral insights from wearables to dynamically adjust life and health premiums.

Real-time road data improves auto insurance modeling, allowing insurers to adjust premiums based on driving behavior and environmental conditions. Source: McKinsey & Company (2022)

Dubai

Dubai uses AI for city-wide traffic control and public safety. In Dubai, they use intelligent CCTV data to assess responsibility for accidents and improve response times.

Home insurers rely on smart devices and sensors to prevent fires or floods before they happen. This integrated data enables insurers to reduce risks, providing a more dynamic and personalized insurance service (Deloitte (2020), table 1, fig. 3.

Table 1. Impact of Smart Cities on Insurance Industry [35 – 47]

City	Smart City Features	Insurance Impact	Data / Metrics / Results
Barcelona	- IoT-based smart lighting, parking, water systems - Smart mobility (Bicing system) - Real-time air quality monitoring	- **Usage-based insurance (UBI)** for mobility users - Lower motor insurance premiums due to reduced accident risk - More accurate **risk assessment** for environmental-related claims	- **40% drop** in traffic congestion in smart zones → fewer claims - **Bicing** accident rates reduced by **13%** in 2022 vs. 2018
Singapore	- Smart Nation sensors & AI analytics - Autonomous vehicle testing - Smart homes with sensors & IoT - Digital health services	- **Health insurers** offer discounts for healthy behaviors tracked via **HealthHub** - Property insurers assess fire/flood risk via smart building data - Cybersecurity insurance growth due to smart infrastructure	- **Prudential Singapore**: 25% clients use fitness apps → eligible for premium discounts - Cyber insurance market grew **12.5%** YoY (2023)
Dubai	- Blockchain-based government services - AI surveillance for traffic & public safety - Drone monitoring for infrastructure	- **Faster claims processing** via blockchain - Reduction in insurance fraud - Real-time disaster impact modeling (for property & travel insurance)	- Average claims processing time reduced from **7 days to 2 days** using blockchain - Fraud cases reduced by **22%** (Dubai Police, 2022)
Zurich (Switzerland)	- Integrated environmental & health monitoring - Smart energy & smart building initiatives - Open data for insurers	- Better **environmental risk models** for property and health insurers - Insurers offer lower premiums for "smart certified" homes	- Premium discounts of up to **15%** for smart homes (Swiss insurers, 2023) - Air quality-linked health policy launched by Swiss Life

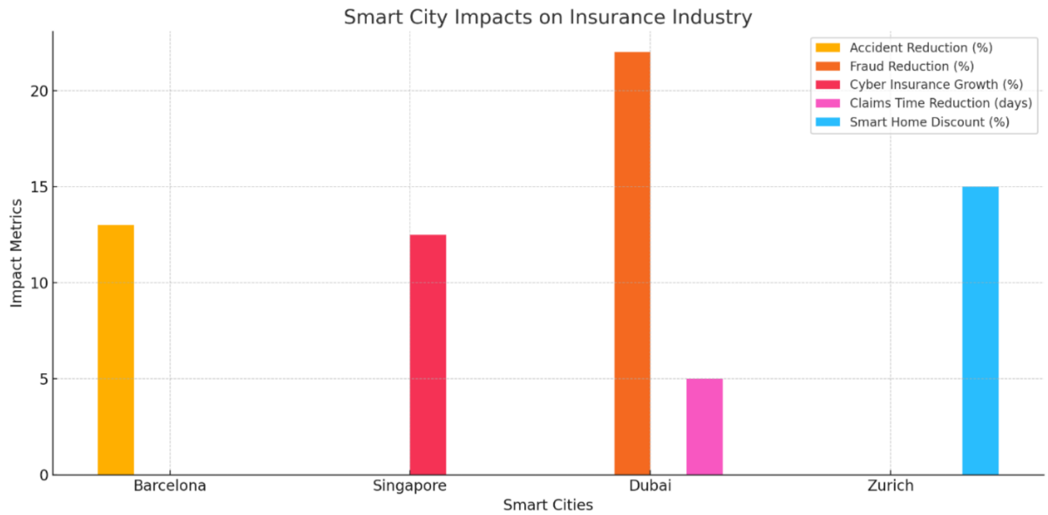

Figure 3. Smart City impacts on Insurance Industry [27 – 34]

9. Current Efforts of the Albanian Government for Smart Cities (2025)

Albania is one of the countries that has not yet fully started the process of introducing smart cities. The Albanian government has begun to make efforts to realize this process, starting with the digitalization of all service processes to people. It also has a program to digitize 20 cities, which includes a $ 118.5 million agreement with Presight (UAE) for artificial intelligence-driven surveillance, traffic control and command centers. [8] (Middle East AI News, 2025), for Intelligent Surveillance Systems (Intelligent monitoring infrastructure throughout the country in cooperation with the Albanian State Police), (Tirana Times, 2025), which includes the purchase of equipment for this purpose, equipment that will enable real-time traffic and accident monitoring, behavioral profiling for driver risk assessment, digital verification of claims and fraud prevention, (Presight AI (2025), Tirana Electric Transport Project (An $88 million investment backed by the EU and Germany to introduce e- BRT bus lines)[10], (AP News, 2025), Tirana Vertical Forest (Sustainable multi-story building that integrates over 3,000 plants and 145 trees into urban design. (Wikipedia, 2025). There are also private initiatives such as Veriflot Local Innovation, an Albanian high-tech startup, offers Easyflot GPS fleet tracking and is developing Veriflot Assist—a digital platform for claims and damage reporting that streamlines post-accident processes and communicates with insurers in real time. This innovation aims to reduce claim processing times and fraud, providing a more efficient service for both insurers and customers table 2.

Table 2. Insurance market in Albania (2024). Source: Albania Tech (2023)

Indicator	Value
Gross Written Premiums (GWP)	24.5 billion ALL (249.67 M EUR)
Annual GWP growth	+7.02%
Total contracts	1,595,687 (+8.84%)

Non-life GWP share	91.51%
Life insurance share	8.45%
Motor insurance	6.239 billion ALL (+30.17%)
Compulsory insurance share	61.45%

10. Advantages of smart cities

We can see these advantages in:

- **The Role of Big Data in Insurance:** Real-time risk assessment through sensor data, fraud detection and prevention, personalized insurance offers, dynamic pricing models (e.g., pay as you drive).
- **On the opportunities for Albanian Insurers** to the use of telematics for vehicle insurance, property insurance based on in real-time environmental risk data, personalized health insurance through wearable devices, collaboration with technicians and city planners.
- **Infrastructure and Insurance** including Connected Cars **(Opportunity** for usage-based insurance), smart traffic systems (which improve driving safety data, smart homes (which includes sensors for fire, water, theft hazards), table 3.
- **Environmental Monitoring** that helps with property insurance and disaster preparedness.

All of these, in addition to meeting people's demands and needs, also bring benefits to the Insurance Sector, which are:

- Better risk profiling.
- Reduced frequency and cost of requests.
- Improvement in fraud detection.
- Commitment and the best customer service.

Table 3. Global Case Studies and Applications

Country	Smart Focus Areas	Insurance Applications
Switzerland	Sustainable Infrastructure	UBI, Sensor-Based Dynamic Pricing
Netherlands	Urban IoT, Water Management	Flood Risk Models, Health Pricing
Singapore	AI, National Data Infrastructure	Behavioral Pricing, Health/Life Integration
Dubai	AI, Surveillance Systems	Smart Home/Vehicles Risk Modeling
Albania	AI Network, Urban Mobility	Fraud Detection, Usage-Based Insurance

Challenges in Albania

The implementation of smart cities in Albania presents major challenges that require large investments in technology, equipment and human preparation for implementation and use. Some of the most important are:

•**Data Privacy** – Legal regulation and enforcement as surveillance and mass data collection raise legal and ethical concerns, as public trust and compliance with GDPR are essential (OECD, 2020)

•**Regulatory Delay:** Legal frameworks for the use of AI and insurance data are underdeveloped. Albania should prioritize aligning its insurance and smart city laws with the GDPR and new AI regulations (Balkan Insight, 2025)

•**Technology Adaptation:** Insurers need to improve digital infrastructure and train staff to manage real-time data flows (World Bank (2023)

•**Public Education:** Low digital literacy will slow consumer adoption of smart products. Public education on the benefits of smart insurance solutions will be essential for widespread adoption (Albanian Government (2025)

11. Conclusion

Albania's commitment to Smart Cities, particularly through partnerships like Presight AI and innovations like Veriflot, reveals significant potential for transforming the insurance industry. By adopting global best practices and addressing regulatory and ethical challenges, Albania can evolve into a digitally agile insurance ecosystem with personalized products, efficient claims management, and predictive risk control.

By leveraging data from IoT and AI systems, insurers can offer more tailored and dynamic insurance solutions, improve the overall customer experience while manage risks more effectively.

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Leveraging AI for Personalized Digital Marketing Campaigns in Albania

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Abstract

This article analyzes the usage of AI tools for the enhancement of personalized digital marketing campaigns in Albania, which were obtained from a survey interviewing 85 digital marketing entrepreneurs and online marketing business owners. While the advancement of AI technologies profoundly changes global marketing approaches, Albanian marketing firms are adopting tools like machine learning, predictive analytics, and customer segmentation for more effective marketing efforts. The article was intended to study the level of progress, gains, and challenges that AI technology adoption poses in the context of local digital marketing. The results reveal that 68% of participants have started applying AI-powered tools in their campaigns, primarily for automated content generation, audience segmentation, and campaign performance monitoring. Most participants reported better customer engagement and higher conversion rates because they were able to increase the level of personalization offered to the customers. However, the study also reveals many challenges, such as a lack of sufficient technical know-how, a high cost of implementation, and the absence of targeted AI tools for the Albanian market. The study focuses on the increased awareness regarding the use of AI in marketing within Albania while also noting the shortage of materials, AI technologies, and trained personnel available to small and medium-sized enterprises (SMEs). The article concludes with recommendations for how firms can leverage the unique opportunities offered by AI in a fast-shifting global economy.

Key words: Artificial Intelligence, Digital Marketing, Albania.
JEL classification: C02, C61, C63

1. Introduction

Over the last few years, the inclusion of Artificial Intelligence (AI) into digital marketing has developed for the better, as it allows businesses internationally to formulate more personalized and efficient campaigns that harness more data. With the progression of algorithms, AI is assisting marketers in comprehending customer actions, automating steps, and providing the right content at the right moment. Despite these changes revolutionizing advanced economies, countries such as Albania are slowly starting to adopt AI technologies in their marketing efforts.

The growing number of online businesses raises the curiosity of how marketing through AI can be amplified and the engagement of the customer improved in the case of Albania. The purpose of this article is to analyze the possibility of AI for developing a personalized digital marketing campaign in Albania based on the responses of the 85 digital marketing entrepreneurs and companies who were surveyed.

The objectives of the study are to understand the degree of AI integration into the particular industry, to identify the features and strategies that have already been employed, gauge the value that has been attained to date, and understand the barriers that the professionals face within the industry. For a developing Albanian digital economy, knowing how businesses are using AI technologies is critical to understanding the potential for development, creativity, and competitiveness.

Now that customer expectations are at an all-time high and the competition is fierce online, personalization is no longer a luxury but a necessity. Within this context this study illustrates how businesses in Albania can leverage AI technology to provide personalized digital experiences, change existing limitations, and comply with global marketing standards. This sets out to aid marketers, entrepreneurs, and policy developers towards enabling better and more sustainable digital marketing environments in Albania.

1.1 Aim of the Study

This study investigates the penetration and usage of Artificial Intelligence (AI) technologies for tailoring marketing campaigns in the Albanian context. The focus is on the attempts made by professionals in digital marketing and other online companies in Albania to integrate AI technologies into their operations, how these technologies improve personalization, and the perceived positive and negative effects of these technologies. The objectives of the study are gathered through an examination of survey data from 85 participants working in the field of digital marketing. The results of the study will showcase the level of AI personalization in marketing practices in Albania and the gaps that probably exist as well as how these gaps may be addressed.

1.2 Objectives

The goal behind this article is to analyze the automation of marketing strategies in AI in Albania. More specifically, the article seeks to:

• Determine how much companies and digital marketers in Albania utilize AI technologies.

• Recognize the existing techniques and tools of AI that are most applied in the personalization of digital marketing.

• Determine the perceived advantages of the use of AI on customer engagement, conversion rates, and overall marketing performance.
• Understand the most critical issues and challenges that limit the use and adoption of AI in digital marketing in Albania.
• Determine what marketers expect AI automation of marketing solves their problems in the future.

1.3 Article Questions

This study is guided by the following article questions:
• What is the present extent of the use of AI technologies in customized digital marketing campaigns in Albania?
• Which AI tools are predominantly utilized by marketers and the business industry in Albania?
• What are the principal benefits derived from the adoption of AI by businesses for their digital marketing strategies?
• What barriers do the businesses located in Albania encounter when trying to adopt and implement AI for customized marketing strategies?
• What are the anticipated gaps and provisions which companies expect to have concerning AI powered digital marketing in Albania?

1.4 Significance of the Study

This article is considered important since it offers an initial glimpse into the application of AI in personalized digital marketing of Albania, which is still evolving but neglected in the local scene. The competition within digital marketing is fierce, so knowing how to use AI to engage customers and benefit businesses is vital for the growth of Albanian firms in the local and global markets. This article is beneficial for marketers, business owners, politicians, and technology creators as it reveals the possible levels of AI implementation and especially the challenges that exist. At the same time, the analysis provides useful information toward the general debate regarding the use of AI in developing economies, which can assist in the technology-induced transformation of Albania's marketing industry.

2. Literature Review

2.1. The Role of AI in Digital Marketing

Undoubtedly, artificial intelligence leads in marketing innovation and has transformed how different companies engage with their target customers. By means of vast amounts of data, artificial intelligence (AI) systems may detect trends in consumer behavior and preferences and thereby guide marketing activities. This enables marketers to quickly provide correct relevance in real-time while greatly lowering manual labor as campaign efficacy increases (Chaffey, 2021). Apart from strategic NLP-driven customer journey mapping, additional instances of artificial intelligence in marketing include programmatic advertising, chatbots and virtual assistants, and tailored content. These advances have raised the accuracy and potency of resource targeting and distribution. Marketing research show that artificial intelligence marketing techniques better keep and involve consumers than more traditional approaches (Kietzmann et al., 2018). These changes have compelled digital marketing to replace a lack of client attention and one-way contact with more intricate and data-driven strategies. Though regional differences in access and implementation still persist, global corporations are using these technologies. For economies in transition, such as Albania, still undergoing a digital revolution, knowing how to use artificial intelligence for marketing integration is absolutely vital. Companies need more than just IT infrastructure if they want artificial intelligence applied into marketing. Apart from their capacity to direct policies, they also have to be informed and enthusiastic to plan. The main challenge is in the field of digital development, where marketing arms Race is facing a whole new set of challenges but may also have possibilities thanks to the integration of artificial intelligence, which could provide clever setup based on AI approaches driving internationally competitive marketing.

2. 2 Personalization in Marketing Strategies

Digital technology and the beginning of personalization in marketing techniques have made real-time marketing customizing possible. Marketing messages, interactions, and recommendations fit for their requirements and behavior are expected by consumers. Consequently, good marketing plans depend much on personalizing. Research indicates that tailored marketing does increase consumer involvement as well as conversion rates and supports more brand loyal customers (Arora et al., 2008). By developing thorough consumer segments, audience profiles, and behavior prediction, artificial intelligence enables companies to reach even more. For example, whereas automated email campaigns offer tailored messages to consumers, e-commerce sites use recommendation engines to promote items depending on sales and visits. Rust & Huang (2021) discuss in eCommerce how automated email campaigns catered for particular consumers and recommendation engines considerably help in the goals of a company. Natural language capable artificial intelligence chatbots can offer a variety of services like customer query answers and customer decision assistance. They can dramatically improve personalization. Offering better tailored services, however, calls more modern technologies and a deeper awareness of consumer preferences. In Albania, where tailored marketing is lacking, they remain somewhat free. While companies are beginning to see the advantages of providing tailored experiences, problems include inadequate technical knowledge and poor access to quality data limit complete implementation. But with the growing availability of artificial intelligence technology, tailored marketing will probably be the main tactic used by Albanian companies trying to raise consumer happiness and promote development.

2.3 AI Adoption in Emerging Markets

When it comes to the use of artificial intelligence (AI) in digital marketing, emerging economies present particular potential as well as challenges. While advanced economies have AI technologies at their disposal that help to increase the intensity of marketing activities, emerging nations typically lag behind due to weak digital infrastructure, expensive implementation, and lack of qualified personnel (Bughin et al., 2018).Notwithstanding these obstacles, artificial intelligence adoption is attracting more and more attention in Eastern Europe and the Western Balkans where companies are realizing the competitive edge AI provides is so important. AI can help local businesses in these areas with exact identification of client needs, higher operational efficiency, and exploratory activities into other areas. Still, the effective acceptance of artificial intelligence technology calls for proven investment in technological infrastructure, staff training, and a mix of the favorable legal conditions. The studies on the phenomena of artificial intelligence acceptance in developing countries highlight the need of the government policies meant to support digital transformation and a suitable environment for technology innovation (Papadopoulos et al., 2020). Public-private collaborations, financing projects, and academic industrial cooperation developed to bridge current skill gaps and maximize AI progress are equally crucial. In Albania especially, the internet economy is expanding but many companies still use fundamental digital marketing strategies. Lack of suitable artificial intelligence solutions and insufficient resources create other difficulties as well. Still, as awareness of the possibilities of artificial intelligence rises, more and more local and global application of these technologies is under focus. Understanding how other developing countries have embraced artificial intelligence adoption can help Albania to acquire wise information as it approaches more digital economy.

2.4. Digital Marketing Landscape in Albania

Along with social media, internet use, and online commerce, Albania's digital marketing scene has undergone moderate and consistent expansion over the past ten years. With Facebook, Instagram, and Google Ads helping more companies to reach larger audiences, more of them are realizing the value of an online presence. Albania lags technologically among other digital marketing paradise. While many organizations have embraced basic web advertising, less have embraced an AI driven marketing strategy (INSTAT, 2022). Lack of highly skilled personnel, poor technological infrastructure, and lack of awareness of the efficacy of AI tools, all of which are vital for this sector—are some of the challenges the Albanian digital marketing sector faces, according to the paper (Toto & Dervishi, 201). Furthermore, most of the small and medium-sized businesses (SMEs), which account for a significant portion of the Albanian economy, struggle with limited resources to invest into advanced digital technologies. Notwithstanding these obstacles, a good number of Albanian marketers are eager to adopt artificial intelligence for campaign performance enhancement, workflow automation, and customer experience personalizing. The epidemic suggested even more the acceleration of the digital revolution as companies actively sought fresh online customer touch points. Policies of the government are oriented at developing the sector in their attempts to increase technological transformation and innovation. Still, there is a huge need to concentrate on education, infrastructure, and legislation that support technological progress if artificial intelligence is completely utilized in digital marketing in Albania. The cultivation and knowledge of the environment and its importance in the whole economy helps one of the foundations of the methodical development of the digital marketing ecosystem: hence, the degree of AI usage may be raised.

1. Methodology

3.1 Article Design

This research utilizes a quantitative approach to study the use and integration of Artificial Intelligence (AI) in personalized digital marketing campaigns in Albania. The objective of the study is to understand the extent to which AI technology is already being used in marketing, evaluate the advantages and obstacles that come with it, and analyze the perception of professionals on AI's contribution to increased personalization in marketing. This study seeks to analyze how AI is being integrated into digital marketing in reside in realities of Albanai's developing digital economy.

3.2 Instrument

The primary article instrument used in this study was a structured online survey designed to gather quantitative and qualitative data from participants. The survey had 25 questions with multiple-choice or Likert scale or open form answers. To maintain clarity in the structured presentation of ideas, four main segments were created in the survey:

• Demographic and business segmentation.
• AI tool usage in digital marketing.
• Benefits and Challenges of AI adoption.
• Expectations from the users and help required for AI implementation

This technique enables the capture of numeric responses to rating scale questions for further statistical treatment, as well as open-text comments to provide more context around the respondent's experience.

3.3 Participants

In total, there were 85 participants that filled out the survey. They were chosen through purposive sampling so that only people who were engaged in digital marketing and managing businesses online in Albania would be included. The participant group included professionals from digital marketing, business owners, and representatives of online businesses who could participate meaningfully with the use of AI in marketing. This sample was able to capture several perspectives across different roles and business classes within the Albanian digital marketing industry.

3.4 Data Collection Method

The survey was conducted between February 25, 2024, and March 5, 2024, with the aim of collecting the data needed for the report. Emails, social media platforms, and professional digital marketing and entrepreneurship forums in Albania served as the main channels for the survey's distribution. This approach was adopted to ensure a target audience was easily reached and engaged with. Subsequently, the data gathered was processed with frequency distributions, percentages and cross-tabulations to detect patterns and trends of primary importance in the responses. Qualitative answers to the open questions were also accordingly thematically analyzed to gain a fuller understanding of the role of AI in enhancing personalized digital marketing in Albania. Through this method, the study managed to collect relevant data on the application of AI, issues that businesses contend with, and growth potentials in the context of Albania's digital marketing industry.

2. Data analysis and interpretation

The information gathered from the survey of 85 digital marketers and businessmen in Albania reflects how AI is being incorporated for personalized advertising campaigns targeted towards potential customers. The collected data depicts some demographic category distributions, most utilized AI tools, benefits of AI, and the major business barriers. As illustrated in Table 1, the sample consisted of various professionals. 35.3% were Entrepreneurs, followed by Digital Marketing specialists at 29.4% and business owners at 23.5%. The other 11.8% were occupied in other related positions in within the digital marketing sphere. Such a varied sample guarantees an all-rounded perspective of different business functions regarding AI applications.

Table 25.Participant Demographics

Category	Number of Respondents	Percentage (%)
Digital Marketing Entrepreneurs	30	35.3%
Digital Marketing Specialists	25	29.4%
Digital Marketing Company representatives	20	23.5%
Other	10	11.8%

Table 2 shows that chatbots stand out as the most popular one used (47.1%), followed by recommendation engine (35.3%), automated email marketing systems (29.4%), and even predictive analytics (23.5%). It also noteworthy that 17.6% of respondents stated that they do not use AI tools at all in their marketing activities. This statistic reflects the need for further AI adoption in Albania.

Table 26.Current AI Tools Used

AI Tool	Number of Users	Percentage (%)
Chatbots	40	47.1%
Recommendation Engines	30	35.3%
Automated Email Marketing	25	29.4%
Predictive Analytics	20	23.5%
None	15	17.6%

Respondents outlined the advantages as cited in Table 3 regarding using AI in their digital marketing strategies. The commonest benefits noted were increased customer engagement at (58.8%), higher sales conversion levels at (52.9%), time saving automation at (47.1%), and better targeted marketing at (41.2%).

Table 27.Perceived Benefits of AI

Benefit	Number of Responses	Percentage (%)
Improved Customer Engagement	50	58.8%
Higher Conversion Rates	45	52.9%
Time-Saving Automation	40	47.1%

Better Audience Targeting	35	41.2%

Despite all the advantages, respondents noted that there are several challenges preventing them from utilizing AI (see Table 4). Most major hurdles are insufficient knowledge (64.7%), excessive costs of implementation (58.8%), restricted availability to suitable AI resources (47.1%), and data security risks (35.3%). These obstacles indicate that more support and funding are needed to fully adopt AI-powered personalization, albeit the willingness is evident.

Table 28.Main Challenges in AI Adoption

Challenge	Number of Responses	Percentage (%)
Lack of Technical Expertise	55	64.7%
High Implementation Costs	50	58.8%
Limited Access to AI Tools	40	47.1%
Data Privacy Concerns	30	35.3%

The results of this research corroborate some trends already discovered in regard to how AI is utilized in digital marketing in Albanian, as well as noting some concerns that are particularly relevant to Albania. AI powered technologies like chatbots, recommendation systems, and automated email marketing as discussed in the literature are widely used across the globe to provide personalized customer experiences (Chaffey, 2021; Rust & Huang, 2021). This was captured during the survey where 47.1 % of respondents from Albania reported using chatbots as 35.3% stated that they use recommendation engines to enhance customer engagements. These numbers indicate that, albeit Albania is an emerging market, local companies have adopted some advanced AI technologies that facilitate customization and are in line with international trends in digital marketing.The survey found that 17.6% of participants are not using any AI tools, which aligns with literature suggesting that emerging markets lag in AI adoption for reasons such as low technical skills and high costs (Bughin et al., 2018; Papadopoulos et al., 2020). This is further supported by the barriers discussed in the results, where 64.7% of respondents mentioned lack of skills and 58.8% noted high implementation costs as significant barriers. These obstacles show there is a gap that must be filled by training and funding more AI solutions that are suitable for Albanian needs.From the data received, the findings are consistent with global studies in improvement. The greatest single benefit was improved customer engagement (58.8%) and increased rate of sales (52.9%), which underlines the articles assertion that business growth relies on increased client satisfaction that comes from improved service personalization (Arora et al, 2008).

The findings of the survey suggest that Albanian businesses, while striving to incorporate AI into their digital marketing methods, still have a long way to go. Unlike global norms, Albania continues to struggle with major impediments that restrict assimilation. The increasing interest coupled with the initial achievement of AI tools provides evidence of likely further development if concern is taken through proper educational, financial, and calculated supportive measures.

3. Conclusions

The aim of this article is to examine the role and adoption of AI in the digital marketing campaigns of Albania through the data collected from 85 surveys conducted with professionals such as digital marketers, entrepreneurs, and online business owners. The study tried to address the gap in knowledge about how AI is affecting the local digital marketing ecosystem in Albania by looking at how AI technologies are utilized by Albanian businesses, the benefits AI provides and what challenges these businesses encounter.

The results show that while AI adoption is increasing in Albania's digital marketing sector, it lags significantly behind the trends in most global markets. Chatbots, recommendation systems, and other automated email tools are on the rise as means to enhance customer engagement and demand in Albania, as they are in other parts of the world. Respondents appreciated the ability to improve customer engagement, increase conversion rates, and enhance efficiency with automation, all of which corroborates global literature reporting AI's high marketing effectiveness.

Nonetheless, this particular research demonstrated that Albanian enterprises have severe restrictions that hinder their ability to fully adopt AI for their specific needs and purposes. These obstacles included lack of sufficient know-how, high costs of AI implementations, unavailability of appropriate AI tools, and issues related to data privacy. These findings validate prior literature claiming that in many emerging economies, there is always difficulty dealing with limitations of resources, lack of knowledge, and severe infrastructural slacks when attempting to utilize more advanced technologies such as AI.

In order to increase the adoption of AI in the Albania's digital marketing space, some strategic initiatives must first be put in place. These comprise investment in professional trainings, localization of AI, enhancement of the digital infrastructure, and greater funding for pro-AI businesses. Also, collaborating among the business sector, educational sector, and the public sector will help in crafting an environment that is innovative and willing to share knowledge.

To summarize, Albania is still in the formative stages of embracing AI in digital marketing, but emerging trends and early achievements in the field signal hope for further expansion inline with what is currently being witnessed. With appropriate intervention, Albanian businesses stand to gain in surpassing competition by using AI for personalized marketing, which in turn will contribute towards building a robust digital economy.

4. Recommendations

Given the conclusions of this analysis, multiple strategic approaches are recommended for the effective implementation and broader acceptance of Artificial Intelligence (AI) in personalized digital marketing campaigns in Albania. These recommendations seek to solve the primary issues noted by the survey participants and assist Albanian businesses in utilizing AI to its maximum potential regarding marketing performance.

1. Provide Specialized Training Opportunities

The strongest AI adoption barrier is the shortage of specialized personnel. To address this, businesses should emphasize spending on professional development and training programs tailored to marketing AI. Such programs would help equip digital marketers with the skills necessary to successfully operate AI technologies through collaboration with universities, professional training centers, and international specialists.

2. Increase Funding for Implementation of AI

As for the barriers, high implementation cost is among the most significant. Government institutions, private investors, and industry associations must design funding programs, grants, and tax benefits targeted towards SMEs to facilitate the purchase of AI assistance technologies. Removing this financial barrier will increase the rate of use of AI solutions in the Albanian market.

3. Create adaptable AI products and boost their visibility

The existing AI applications are made for massive global markets and do not serve the specific needs of Albanian firms. Local technology companies and startups have the potential to build AI products that would work best with Albania's unique language, culture and market conditions. This would increase the effectiveness of local marketing campaigns and make AI more widely used.

4. Improve policies surrounding data protection and its security systems

The fear of inadequate privacy protection slows the application of AI. Development of clear national regulations to protect customer information and encourage trusting AI technologies should be developed and enforced. Furthermore, businesses need to adopt strict internal privacy standards in their data management systems.

5. Encourage active participation and sharing of information between parties

Barriers can be broken down and cooperation improved by industry networking events, conferences, and forums where companies share their experiences with implementation of AI, market attention, AI technologies, and even integrating deeper business understanding. It allows communities free-forming towards more innovative and AI embraced marketing without worrying about the more sceptical businesses looking to block change.

Applying these measures would facilitate and expedite the efforts for an AI driven digital marketing industry in Albania, giving advertisers the ability to provide tailored quality experience to their customers.

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The Impact of European Integration on the Labor Market in Albania: Challenges, Opportunities, and Perspectives

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Abstract

This paper analyzes the effects of the European integration process on the labor market in candidate countries for European Union (EU) membership, with a special focus on Albania. European integration brings a series of labor market reforms, including alignment of employment policies, increased labor mobility, and adaptation to the demands of an increasingly digitalized economy. The aim is to analyze key trends, challenges, and opportunities brought by European integration to the labor market, as well as to evaluate the policies and reforms being undertaken in Albania to meet EU standards. The comparative analysis includes Western Balkan countries and current EU member states, focusing on unemployment, employment structure, the impact of technology, and migration.

Key words; labor market, European integration, Albania, employment policy, migration
JEL classification; J21, J61, F15
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1. Introduction

The European Union (EU) integration process has significantly impacted the dynamics of labor markets in candidate countries. Albania, as a potential member country, has undertaken considerable reforms to align its employment policies with the European acquis (the legal and institutional framework that comprises the EU system), which is one of the main pillars candidate countries must harmonize with during the accession process. However, challenges such as high informality, skill mismatch, and migration continue to pose serious obstacles. This paper aims to analyze these dynamics and assess the broader impact of European integration on labor market development.
Purpose and Objectives. This paper aims to deeply analyze the impact of the European integration process on the development of the labor market in Albania, based on comparative facts and recent institutional developments.Specific objectives are:To assess Albania's institutional and legal progress in compliance with the acquis Communautaire in the field of

employment;
To analyze structural challenges hindering the Albanian labor market from functioning according to EU standards (such as unemployment, informality, migration, and skill mismatch);To compare Albania's performance with other Western Balkan countries and EU member states on key employment indicators;To highlight the role of EU financial instruments (IPA, Erasmus+, Cohesion Funds) in strengthening capacities for labor market development;To provide data-based recommendations for effective policies supporting the integration of the Albanian labor market into the European space.

2. Literature review

Research on the impact of European integration on the labor market highlights both opportunities and challenges.According to Galgóczi, Leschke & Watt (2011), the integration process promotes labor mobility, increases productivity, and develops employment institutions in transition countries.However, Böhning and Schloeter-Paredes (2014) note that brain drain and transitional unemployment are common in countries in the early stages of integration.In the Western Balkans region, Bartlett (2020) emphasizes that structural reforms often remain slow and fragmented, negatively affecting labor markets and alignment with European employment standards.Reports by the European Commission (2023) suggest that integration can offer a strong institutional framework for labor market reform by promoting formalization, social security, and employment equality.In summary, the literature suggests that European integration holds significant potential for improving labor markets in aspiring countries like Albania, but success depends on the depth of undertaken reforms and institutional capacity for effective implementation.

Labor Market Challenges in Albania

Albania's labor market faces several deep and complex challenges that make it fragile and inefficient in providing sustainable employment opportunities. These structural problems have a direct impact on the functioning of the market economy, social welfare, and the approximation process with European standards.One of the most prominent challenges affects especially young people. According to INSTAT data (2023), unemployment for the 18–29 age group is around 21.5%, one of the highest in the region. This results from the mismatch between qualifications provided by the education system and actual labor market needs (ETF, 2022).Another major challenge is high informality. More than 30% of employed people in Albania are engaged in the informal sector, primarily in agriculture and trade, without employment contracts and outside the social security system (INSTAT, 2023). This phenomenon harms the state's revenue collection capacity, affects access to social services, and increases individuals' economic insecurity (ILO, 2022).Labor force emigration is also a challenge with long-term consequences. According to the World Bank (2023), about 1.4 million Albanians live abroad, most of whom are of working age and often highly educated. This phenomenon, known as "brain drain," reduces the country's talent pool and weakens the development capacity of strategic sectors.Marginalized groups, including women and rural populations, face additional obstacles in labor market inclusion. The employment rate for women in Albania in 2022 was 52.1%, compared to 68.5% for men (INSTAT, 2023). These differences are linked to the lack of gender equality policies in employment, childcare responsibilities, and the lack of support infrastructure in rural areas.All these challenges highlight the need for deep structural interventions in the labor market to enable Albania to meet the conditions of a functional market economy and integrate successfully into the European Union.Reforms Undertaken in Albania Over the Years (2018–2023)Over the past five years, Albania has undertaken a series of important reforms to meet the standards of European Union membership. These reforms have included justice, public administration, the economy, education, and institutional capacity building in the labor market sector.

1. Justice System Reform.

Justice reform has been one of the main priorities of European integration, aiming to build an independent, transparent, and trustworthy judiciary. The vetting process, which began systematically after 2018, involved evaluating the integrity, assets, and professional skills of judges and prosecutors. In 2019, around 30% of the judiciary had undergone vetting, while by 2022 this number surpassed 85%, contributing to the cleansing of the system from corrupt elements (Balliu, 2020).

2. Public Administration Reform.

Regarding public administration, Albania has implemented reforms to increase transparency, accountability, and service access for citizens. In 2018, the first e-services systems were implemented, which expanded significantly in subsequent years. By 2022, over 95% of public services were accessible online through the e-Albania platform (IDM, 2020).

3. Economic Reform.

Albania has focused its efforts on improving the business climate and achieving sustainable economic growth. Improving the legal infrastructure for investments, simplifying procedures for business registration, and digitalizing tax services are among the measures that have positively influenced the economic environment (IDM, 2020). According to the World Bank and other international sources, economic growth followed these yearly rates:
In 2018, Albania recorded a GDP growth of 4.1%, driven primarily by the construction and services sectors (Trading Economics, 2024).In 2019, growth fell to 2.1% due to a slowdown in foreign direct investment and the impact of the earthquake at the end of the year (BTI, 2024).In 2020, the economy contracted by -3.5%, as a result of the global COVID-19 pandemic and restrictions on economic activity (World Bank, 2023).The year 2021 saw a strong recovery with 8.5% growth, thanks to fiscal measures and support for key economic sectors (IEA,

2023).In 2022, growth stabilized at 4.0%, reflecting a consolidation of economic recovery and an increase in domestic consumption (World Bank, 2023).These data show a positive trend towards sustainable growth but also the need to deepen structural reforms, especially in diversifying the economy and supporting long-term potential sectors.

4. Pre-University Education Reform.

Another key component of EU standards approximation has been improving the quality of basic education. In this regard, Albania took an important step in 2019 by participating for the first time in the TIMSS (Trends in International Mathematics and Science Study), an international assessment testing students' knowledge in mathematics and science based on global standards (TIMSS, 2019). This participation represented an effort to measure the education system's performance comparably with EU countries. In 2023, Albania participated for the second time, demonstrating continued commitment to transparency and quality improvement in education (TIMSS, 2023). The 2023 TIMSS results have been used by policymakers as a basis for new reforms in the school curriculum, improving teaching methodologies, and professional development of teachers (MAS, 2023). This progress is especially important for the labor market, as aligning education with real economic needs is a core criterion for EU integration.

5. The Role of EU Financial Instruments.

Programs such as IPA, Erasmus+, and the Cohesion Funds provide essential financial support for employment projects and institutional strengthening. These funds have helped improve training systems and public employment services, but absorption capacity remains limited (OECD, 2021). One of the most concrete aspects of EU assistance for aspiring countries like Albania is access to financial programs and funds aimed at strengthening institutional capacities and improving the labor market. Through IPA II and IPA III, Albania has financed projects related to skills development, equipping vocational training centers, establishing labor market information systems, and training public administration employees in employment policy management. Erasmus+ has helped increase academic and professional mobility for Albanian youth and improve curricula in higher education institutions (European Commission, 2023). However, the main challenge remains the limited institutional capacity to absorb and manage these funds. According to the OECD (2021), the lack of qualified human resources and weaknesses in inter-institutional coordination continue to limit the effectiveness of EU fund use in Albania.

3. Research Methodology

The core analysis of this paper is based on a combined methodological approach, integrating both qualitative and quantitative techniques to assess the impact of European integration on the labor market in Albania. The use of statistical data from official international sources such as

Eurostat, OECD, the World Bank, and INSTAT forms the basis for comparative evaluation with other regional countries and EU member states.The qualitative method was conducted through structured interviews with Albanian policymakers and labor market experts to gain deeper perspectives on institutional challenges, barriers to reform implementation, and successful practices that can be adapted from EU countries. From a comparative standpoint, Albania's position was evaluated against other Western Balkan countries – including North Macedonia, Kosovo, Bosnia and Herzegovina, Serbia, and Montenegro – in indicators such as unemployment, employment structure by sector, digital transformation, and labor force migration. According to Eurostat data (2023), unemployment in Albania in 2022 was 11.2%, compared to 14.4% in North Macedonia, 20.3% in Kosovo, 15.4% in Bosnia and Herzegovina, and 9.5% in Serbia. In contrast, the average unemployment rate in the European Union was only 6.2%. These data suggest that Albania remains closer to the regional countries than to the EU labor market level (Eurostat, 2023). Employment structure represents another essential element in this analysis. In Albania, around 34.5% of employed individuals are engaged in the agricultural sector – a significantly higher percentage compared to the EU average, where this indicator is below 5%. This indicates an economy still reliant on low-productivity sectors and the need for diversification into new industries and value-added services (Eurostat, 2023). Digital transformation is another component that strongly affects labor market competitiveness. The OECD report (2022) highlights that only 31% of the Albanian population possessed basic digital skills in 2021, compared to an EU average of 54%. This digital skills gap reflects the lack of investment in modern education and professional training and requires a review of policies for human capital development. Finally, migration remains a significant factor in regional analysis. According to World Bank data (2023), over 1.4 million Albanians live abroad, making Albania one of the countries with the highest percentage of diaspora in Europe. This situation is comparable to Bosnia and Herzegovina and Kosovo but significantly more pronounced than in countries like Serbia or Montenegro. The emigration of youth and qualified professionals – known as “brain drain” – creates major gaps in the domestic labor market and undermines the country’s long-term development capacity (World Bank, 2023). The combination of quantitative data and qualitative analyses has enabled the construction of a clear overview of Albania’s current position and strategic needs to improve it toward approximation with the European labor market development model.

4. Results

The comparative analysis developed between the Western Balkan countries and EU member states provides a clear framework to understand Albania’s structural differences and specific needs for labor market development. The results show that despite the progress made, Albania still lags behind EU countries in several key indicators, while similarities with the region highlight shared challenges that require coordinated responses. Unemployment in Albania, which stood at 11.2% in 2022 (Eurostat, 2023), is higher than the European average of 6.2%, but lower than in some regional countries such as Kosovo (20.3%) and Bosnia and Herzegovina (15.4%). This indicates an intermediate position where Albania still has much to do to meet

EU standards in employment. In terms of employment structure, the dominance of the agricultural sector with 34.5% of total employment in Albania (Eurostat, 2023) reflects an economy still oriented toward low value-added activities. Compared to the below 5% level in EU countries, this indicator signals a strong need for economic transformation and the development of sectors such as technology, manufacturing, and modern services. The digital skills gap is another aspect that risks hindering integration. Only 31% of Albania's population possesses basic digital skills (OECD, 2022), compared to 54% in the EU. This reality requires systematic investments in professional training and technology-oriented education. Migration remains a multidimensional issue. With over 1.4 million Albanian citizens living abroad (World Bank, 2023), Albania is among the countries most affected by brain drain in Europe. Comparisons with regional countries show this is a common phenomenon, but more pronounced in Albania, reflecting a lack of confidence in the domestic labor market and opportunities for personal and professional development. In conclusion, the analysis clearly shows that Albania must intensify efforts to improve its labor market through deep structural reforms, investments in education and skills, increased labor market inclusion, and the development of migration management policies. Only in this way can the country move sustainably toward meeting EU standards and establishing a functional, inclusive, and competitive labor market.

5. Discussion

Based on the analysis of structural indicators and Albania's performance compared to the European Union and Western Balkan countries, several key recommendations emerge for improving the labor market and accelerating the European integration process.

1. Reforming the Education and Vocational Training System

The Albanian education system often does not align with the dynamic demands of the labor market. Developing competence-based curricula, integrating information technology, and fostering close cooperation with the private sector are essential to boost youth employability and reduce structural unemployment. Vocational education should focus on practical skills and be closely connected to sectors with development potential, such as tourism, technology, and energy.

2. Strengthening Employment Services and Active Labor Market Policies

Public employment services should be modernized to play a more proactive role in mediating between job seekers and employers. This includes digitalizing services, training staff, and creating interactive databases to profile labor demand and supply. Active labor market policies – such as employment subsidies, short-term jobs, and targeted training – should be reinforced to integrate vulnerable groups into the labor market.

3. Strategies for Managing Migration and Brain Gain

Facing the brain drain phenomenon, a national strategy is needed to promote the return of Albanian professionals from the diaspora through financial and professional incentives. This could be achieved by creating specialized employment platforms, supporting the creation of new businesses, and fostering collaborations with universities and companies in the diaspora.

4. Greater Inclusion of Women and Rural Areas in the Labor Market
Women and rural populations are often marginalized from the formal labor market. Policies for gender equality and access to work should be supported through improved care infrastructure (nurseries, public transport), training for women entrepreneurs, and promotion of employment in the social economy and formalized informal sectors.
5. Structured Social Dialogue and Partnerships Among Actors
Promoting social dialogue between the government, trade unions, and employer organizations is essential for building a European model of labor relations. This dialogue should be institutionalized through equal representation mechanisms and regular consultations on employment policies and social reforms.
6. Effective Use of European Union Funds (IPA, Erasmus+, Cohesion Funds)
Albania has great potential to benefit from EU financial instruments, but absorption capacity remains limited. Strengthening public administration's capacity to design, manage, and monitor EU-funded projects is needed. Increased cooperation with international organizations and civil society would facilitate the implementation of projects supporting labor market development.
These recommendations should be seen as part of a long-term national strategy for the full integration of Albania into the European Union and the development of a sustainable, inclusive, and growth-oriented labor market.

6. Conclusion

Albania has made significant progress in aligning with European standards in the field of the labor market, undertaking institutional, legal, and social reforms aimed at increasing formality, improving workforce skills, and expanding labor market inclusion. However, the challenges remain deep and multifaceted.
The dominance of the agricultural sector, high informality, skill mismatch, and the emigration of youth and qualified professionals limit sustainable development potential. At the same time, the digital skills gap and the exclusion of vulnerable groups, such as women and rural populations, from the formal labor market further undermine the effectiveness of current policies.
To accelerate European integration and build an inclusive and competitive labor market, Albania must focus on deep structural reforms, sustainable investment in human capital, and stronger institutional cooperation. Effective use of EU programs and the development of an efficient administration are key factors in this direction.
This paper aims to contribute to the scientific and policy discourse on integrating the Albanian labor market into the European space, offering a solid foundation for informed and actionable policymaking that would bring the country closer to successful integration with long-term benefits for its citizens.

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The Impact of Predatory Pricing on the Insurance Industry

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Abstract

The impact of predatory pricing in the insurance industry, which is crucial for the financial stability and security of both individuals and corporations, is examined in this study. Predatory pricing, which is an abuse of a dominant market position, can significantly affect the insurance industry by reducing competition and making it challenging for new players to enter the market. The study examines how predatory pricing practices affect the financial sustainability of smaller insurers, reduce the variety of insurance products available, and raise systemic risks in the market. The study also assesses the impact of these practices while accounting for the current legal frameworks and supervisory interventions.
The study suggests more effective enforcement tools and stricter regulatory oversight to combat predatory pricing. The proposed regulations aim to preserve market competition and ensure a stable and equitable environment for the insurance industry as well as consumers.

Keywords: Predatory pricing, insurance industry, competition.
JEL classification : L11, L13, D43, G22.

1. Introduction

Insurance companies support the health and vibrancy of our economy in many ways. Through risk management and the prevention of unforeseen losses, the insurance market improves the investment climate, which has an impact on the economy. Additionally, insurance fosters the nation's social and economic development. (Prof.Acos.Dr Elvin Meka, Msc.Elisa Korsita, 2022)
In order to determine rates, insurance companies estimate correlations between observed attributes of an insured risk and prior loss history. Location, kilometers driven, age, gender, vehicle type, driving history, credit history, claims history, education, and occupation are among the noted criteria for auto insurance. Similar factors are taken into account by insurers

for homeowners' insurance, although they pertain to homeowners claims as opposed to auto claims. These include of the home's age, construction type, location, credit history, and claims history. (Phd, 2020)

Market competition serves as the most effective form of consumer protection against unfair price discrimination. It drives prices down from the highest market-clearing levels to the lowest feasible price at which insurers can provide coverage. Indeed, in some states, insurance rating regulations assume that prices are not considered excessive in a competitive market environment. (Ibid.)

The phenomenon of predatory pricing has significant implications for the market, both in the short and long term. In the short run, this strategy may create a consumer-friendly atmosphere with lower prices. However, this immediate effect can place considerable financial pressure on the companies employing such a strategy, and in some instances, they may struggle to absorb the losses, leading to their eventual exit from the market.

In the long term, the consequences of predatory pricing can be damaging to the market as a whole. If the predatory firm successfully drives its competitors out of the market, it can establish a monopolistic position. In the absence of competition, the firm may exploit consumers by raising prices. Furthermore, the lack of competitive forces can stifle innovation, causing the market to stagnate, as the monopolistic firm has little incentive to enhance its products or services. (Drishti, 2024)

2. Insurance Market in Ancient Times

The earliest examples of insurance practices were seen in ancient Babylonian and Chinese traders. These traders would spread their goods among several ships navigating dangerous waters in order to reduce the risk of loss during maritime transport. The Code of Hammurabi, which dates to around 1750 BCE, contains one of the first written risk management guidelines. (Thompson, kein Datum)

According to this system, a borrower would pay an additional premium to the lender in return for the cancellation of the debt if the shipment was lost or stolen. The Achaemenid rulers were among the first to introduce formal insurance for their subjects, with records maintained in notarial archives. Furthermore, the practice of insuring valuable gifts presented to monarchs was also documented; by registering such offerings, the donors could later seek royal assistance by verifying the gift's existence in times of need. (Ibid., kein Datum)

Early risk-sharing techniques were developed by the people of Rhodes, Greece, around 1000 B.C., when they developed the general average idea. This theory, which still serves as the foundation for modern maritime law, states that all merchants who have goods on board the ship must pay a proportionate share of the loss if the cargo is lost, whether piracy or deliberate discarding to protect the ship during a storm. In order to lessen the financial burden of such occurrences, merchants usually paid for a portion of the insurance, with the shipowner bearing the remaining responsibilities. (Cooper)

In ancient Rome, funerals were common, and affluent Romans would frequently spend enormous sums of money to have themselves or their departed loved ones remembered.

Romans enjoyed elaborate graves and large, extravagant funerals, which occasionally included entire villas constructed to hold a family's urns. During these huge and costly events, Romans would establish burial societies to assist cover the costs. For as long they lived, they would pay these societies a monthly due, which we could compare to an insurance premium. Following their passing, the funeral society would cover the cost of the patron's burial, funeral, and any additional memorial services. (Ibid.)

3. Types of Insurance

Based on the balancing of insurance operations and the determination of the business result, insurance is classified into...

I. Life Insurance

II. Non life insurance

I. Life insurance refers to a financial arrangement in which the policyholder makes periodic premium payments to an insurance provider, who, in turn, commits to disbursing a predetermined sum or annuity to a designated beneficiary, either at a specified future date or earlier in the event of the insured individual’s death. Life insurance policies may encompass multiple risk components; for instance, an old-age life insurance policy may offer a payout upon the insured reaching the age of 65 and, subsequently, provide continued benefits to a surviving spouse following the insured's death, lasting until the spouse’s own passing. (European System of Accounts (ESA 2010), 2010)

II. Non-life insurance entails a contract whereby the policyholder pays the insurer regular premiums and the insurer agrees to pay the beneficiary a predetermined sum in the event of certain events other than a person's death. Such events include illnesses, fires, accidents, and similar incidents. In the majority of European nations accident insurance that covers life-related risks is classified as non-life insurance. (Ibid.)

Although insurance companies exhibit considerable diversity in how they structure their operations, certain classifications are commonly observed. These typically include: fire insurance (which may also cover business interruption); accident insurance (encompassing theft, all-risk coverage, goods in transit, glass breakage, monetary loss, credit, and fidelity guarantees); liability insurance (such as employer’s liability, public liability, product liability, and professional indemnity); as well as motor, engineering, marine and aviation insurance, along with life insurance and pension schemes. (G.)

4. The Concept of Predatory Pricing

It has long been believed that one of the first practices that big businesses were accused of using was predatory pricing. Investigative journalists like Ida Tarbell helped popularize the idea in the late 1800s. Tarbell harshly criticized John D. Rockefeller in her seminal work, "The History of the Standard Oil Company," alleging that Standard Oil's drastically lowered prices had driven her brother's employer, the Pure Oil Company, out of the oil refining industry. She devoted a chapter, "Cutting to Kill," to criticizing what she described as Standard Oil's

deliberate plan to undercut and eradicate competition by lowering prices aggressively. (DiLorenzo, 1992)
The case for predatory pricing is clear. The predatory company initially reduces its pricing till it is less than what its rivals are charging on average. The rivals then have to cut their prices below average, which means they lose money on every sale. They risk losing dominance in the market if they don't reduce their prices, and if they do, will eventually go bankrupt. The predatory firm raises its price to make up for the money it lost while using predatory pricing, and it continues to enjoy monopoly profits after the competition has been driven out of the market. (Ibid.)

4.1 Treaty on the Functioning of the European Union

European Antitrust policy is developed from two central rules set out in the Treaty on the Functioning of the European Union:
Article 101 of the Treaty prohibits agreements between two or more independent market operators, which restrict competition. Article 101(ex Article 81 TEC)
The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market, and in particular those which:

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;
(b) limit or control production, markets, technical development, or investment;
(c) share markets or sources of supply;
(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts. (101)

Article 102 of the Treaty prohibits firms that hold a dominant position on a given market to abuse that position, for example by charging unfair prices, by limiting production, or by refusing to innovate to the prejudice of consumers. (Antitrust and Cartels)
(TFEU)Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.
Such abuse may, in particular, consist in:
(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
(b) limiting production, markets or technical development to the prejudice of consumers;
(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts. (Ibid.)

Predatory Pricing in the Insurance Industry

In the hypothetical scenario, the insurance company engages in predatory pricing by establishing a vertical alliance with a single pharmaceutical company. To implement this strategy, the two entities enter into an exclusionary dealing agreement. Under the terms of the agreement, the insurance company commits to purchasing a specified volume of prescription drugs via its insured clients at a negotiated price. For the arrangement to be mutually beneficial, the pharmaceutical company must completely refrain from supplying prescription drugs to any competing insurance providers. By lowering the supply of prescription medications on the market, such an alliance could raise the costs for other insurance companies by raising the prices of the remaining medications. The other insurance companies would be forced to depend on the remaining pharmaceutical companies and a diminished supply of prescription drugs as a result of the collusive agreement between the insurance company and the pharmaceutical company. The predominant view among economists is that the decrease in the pharmaceutical market's supply will lead the way to an increase in drug prices. As a consequence, this exclusive dealing arrangement would obligate the other insurance companies to raise their premiums in order to offset the rising costs. (Caryn Beth Gordon Assoc. Gittleman, 1995).If the contracting insurance company could withstand a loss of profits in the short-run, then it could stand to gain substantially in the long run by establishing a monopoly. With a limited choice between insurance companies, the collusive agreement could actually prove detrimental to consumers in the long run. Instead of extensive choices among health insurance companies, the effects of predatory pricing might force consumers to choose between only a few or one insurance company. Under the rule of reason analysis, this collusive agreement might not survive court scrutiny if the results do, indeed, limit consumer choice in the long run. (Ibid.)

Insurance Market- A Model of an Oligopoly

Until the early 1990s, the insurance markets in the transition economies of Central and Eastern Europe were characterized by a high level of concentration, with one or a few state-owned insurance companies dominating the market often with the leading firm holding over 90% market share. With the onset of the 1990s, private investors began entering most sectors of the economy, including the insurance industry. The entry of these new firms contributed to a decline in market concentration and an overall increase in competition. (Tipurić, D., Pejić Bach, M., & Pavić, T. (2008)., 2008).The state monopoly in the Albanian insurance market was dismantled in 1999. However, it was not until after 2005 that the market experienced substantial development. The growth in the number of insurance providers and the overall expansion of the market led to a notable increase in competition within the sector. (Gentiana Sharku– Sali Shehu)

5. Conclusions

It is impossible to overstate the importance of competition in the insurance industry since it lowers risk and uncertainty. Insurance is a type of financial product that lowers or eliminates the cost of loss or the impact of loss brought on by various risks. Insurance is a vital tool for intermediation, indemnity, and risk transfer. Because the world is characterized by risks and uncertainties, insurance is crucial. It does this by giving economic agents safety and security, lowering uncertainty, and calming down erratic economic conditions. It also stabilizes financial systems and shields them from outside shocks.Setting prices to maximize profits is the goal of any business. Businesses can get a competitive advantage by setting the appropriate insurance premium pricing. Pricing is determined by supply and demand, just like in any other business. Customer sensitivity: Getting the best deal is a top priority for insurance customers. Many clients may decide to transfer insurance companies in response to even minor changes in premium costs. Profit maximization: Insurance businesses can increase their market share and maximize profits by using optimal pricing, particularly in more lucrative markets.
To conclude a reliable and stable insurance industry is one of the fundamental prerequisites for a functioning economy. Such reliability and stability cannot be ensured solely by market mechanisms; therefore, the activities of insurance companies, reinsurance undertakings, and insurance intermediaries are governed by restrictive and prescriptive regulations, which primarily take the form of legal rules governing insurance, reinsurance, and intermediation in insurance.The supervision of compliance with these rules, as well as ensuring accountability for any breaches thereof, is referred to as the supervision of the insurance industry. The purpose of insurance supervision is not to prevent the failure of insurers at all costs, to replace the role of courts or arbitrators in resolving private legal relations between service providers and their clients, or to substitute law enforcement authorities. Rather, the responsibility of the supervisory authority is to carry out ex-post controls focused on ensuring compliance with regulatory requirements.

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The Importance of Green Hotels in the Hospitality Industry; Best Practices

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Abstract

Due to increasing environmental concerns, shifting consumer preferences, and government restrictions, the hospitality industry recently witnessed a paradigm shift towards sustainability. All these have resulted in green hotels, which are hotels that implement environmentally friendly practices such as waste management, energy conservation, and sustainable supply chain management. They have an interest in minimizing the effects these hotels impose on the environment through new technology and green management practices that also provide high quality services to the customers. Apart from the benefit of sustainability in the hotel industry to the environment, sustainability is of significant value with regard to enhancing customers' loyalty, a company's brand, and costs. The hospitality industry has started embracing greener policies due to growing customer pressure for environmentally friendly hotels, which have grown in recent years due to raising the public's awareness level towards environmental matters. The aim of this research is to study the most effective green hotel practices in the Balkans and Europe and establish the level to which they minimize their environmental footprints, increase operational efficiency, and attain customer satisfaction. This paper looks into how hotels can cut down on energy consumption and carbon footprint by considerable margins through studying energy-saving technologies such as solar energy, smart thermostats, and LED light bulbs. Two practices of conservation of water that are in sync with the concept of water smart hotels are low-flow fixtures and rain water harvesting. Waste management practices, including recycling practices and prohibiting the use of single-use plastics, support sustainability in the hotel industry. This paper also assesses the contribution of green certifications like Earth Check, Green Key, and LEED to promoting and supporting sustainable hotel operations. To analyse the long-term economic and environmental benefits of using sustainable practices, the study compares green hotels with conventional hotels. The results counter concerns like high initial cost and variable regulations, and highlight the financial and image gains of sustainable hospitality practices. In order to achieve a greener future for the hospitality industry, the study concludes with recommendations to legislators and industry stakeholders on how to promote the use of environmentally friendly hotel practices worldwide.

Keywords: Green Hotels, Sustainable Hospitality, Energy Efficiency, Waste Management, Green Certifications
JEL classification: Q01, Q25, Q28, Q42, Q56, R11

Introduction

Green hotels are a new trend in the hospitality industry. Sustainable or eco-friendly hotels refer to the properties that implement environmentally sound operations. They include characteristics such as saving energy, lessening waste, conserving water, and utilizing green, recyclable building and operating materials. Hoteliers are taking the lead in launching such practices and sustainable development of the hospitality industry is becoming more common. It is evident that the sustainable trend was a direct response to the need for reducing environmental impacts, as the consumer demands are changing and regulations regarding environmental policies are differing. The current world has seen more asbestos awareness going green and the tourism industry is being asked by demand driven organizations to redesign its operational systems so that they become sustainable. Green hotels have become a reality and it is a fact that the concept has become a favourite choice for many people, especially the tourists who are environmentally friendly. There are several pieces of research demonstrating that people have switched from traditional holiday patterns to green stays. Hence, it has been found out that among the guests, there is certainly a tendency that is growing to pay more for an environmentally friendly hotel. The continuous movement of the green hotel sector is evidence that the issue of sustainability has become interesting to consumers and that hotels making sustainability their core business collaborates. Alongside the customers' choices governments' demands and the industry are driving the shift to sustainable practices. Governments and organizations have induced stricter regulations on environmental issues like plastics, waste, and energy. Furthermore, the hospitality industry has picked up on green certifications such as LEED (Leadership in Energy and Environmental Design), Green Key, Earth Check, and ISO 14001 to mention a few as benchmarks of sustainability performance. The examples of these principles are that the buildings would reflect the establishment of natural ecosystems, the ground on which the buildings are built, or any other principle which the organization feels it might be beneficial towards sustainability.

Not only do green hotels reduce their environmental impact, but they also have many other benefits. By accepting energy conservation, water conservation, and waste management policies, hotels not only can contribute to the ecological cause but also may increase their savings in the long run. Hotels by employing some practical measures such as LED lighting, energy management systems, and renewable energy sources like solar or wind power can greatly reduce their power consumption and carbon emissions and consequently save lots of money on the electricity bill. It is the same with water conservation which can be realized by means of rainwater harvesting and the use of low-flow fixtures such as toilets, taps, and showers which are friendly to both the environment and the company’s water footprint. Also, the practice of proper waste management which includes the composting of the biodegradable waste, reusing, avoiding the use of plastics, and the recycling of the materials will surely make the hotel look environmentally and economically healthy. Furthermore, through green hotels, brand reputation and customer loyalty can be strongly enhanced. Sustainability is considered a corporate responsibility and a moral obligation by many travellers at the moment. Thus, those hotels that practice sustainability fully are likely to have a good brand reputation, target the eco-conscious guest, and build a good relationship with the customers. Besides, there are a lot of corporate clients and event planners who prefer hotels with a well-recognized commitment to the environment, which of course results in higher income for green hotels. Employee satisfaction and retention can be raised at the same time, as the employees are more satisfied and stay long in the organization that really understands them and shares their values. Nevertheless, there still exist some challenges that make green hotels becoming universal an arduous task. The biggest challenge of the first type is the high initial costs of implementing sustainable technologies and infrastructure. Although the long-term costs of energy-efficient systems and renewable energy sources are positive, the initial costs can be unaffordable for small or independent hotels. Availability of financing options including government subsidies, green loans, and tax incentives might address this barrier and more hotels may be encouraged to move towards sustainable operations. Another challenge is the need for specialized knowledge and expertise in sustainability practices. This results in poor energy management, wrong handling of waste or even non-compliance with certification standards for the hotel operators who may not have the necessary skills and knowledge to implement green initiatives effectively. Thus, training programs, workshops, and collaborations with sustainability consultants may be useful to fill this knowledge gap and support the effective implementation of green practices in the hospitality industry. A problem of regulatory inconsistencies is also present for green hotels. However, while some countries have well defined and rather strict environmental rules, others may not have proper controls or sustainable strategies. To this end, the harmonization of sustainability regulations across various countries and the promotion of measures that support sustainability can reduce the barriers to the integration of environmental measures by hotels. The purpose of this study is to determine the best sustainability strategies in green hotels, assess the effectiveness of these strategies in improving operational performance and guest satisfaction, and assess the role of green certifications in improving sustainability performance. Unlike previous studies, this paper compares green hotels with traditional hotels to understand the variances in environmental and economic performance. Some research questions are; what are the most successful sustainability strategies in green hotels, how does the green initiatives affect the costs and guests' satisfaction and what are the challenges of implementing green strategies in hotels. Thus, the findings of this research will be useful in understanding the changes that are occurring in the hospitality industry and recommendations for improving sustainability initiatives worldwide.

2. Literature Review

The enormous environmental footprint of the hospitality industry, particularly in the context of energy, water, and waste management, is a significant concern, thus leading to the development of this sustainability aspect. Energy and water are the primary resources used in the hotel industry, while waste in the form of solid waste, wastewater, and greenhouse gas emissions is also generated by them (Gössling, Hall, & Weaver, 2015). Research has established that hotels are profligate in the use of resources, thus calling for sustainability efforts in the sector (Bohdanowicz & Martinac, 2007). Researchers and policymakers agree that green practices should be incorporated into the hospitality operations in order to alleviate the adverse environmental effects. However, the literature reviews reveal that there are five major areas in which sustainable actions can be taken to address the environmental effects of hotels: Energy efficiency and renewable energy, Water conservation, Waste reduction and management, Sustainable sourcing and supply chain management, Eco-friendly building design and innovation. Energy consumption is a key cause of the ecological problems that the hospitality industry is now facing, according to a report by the International Tourism Partnership (ITP, 2017). The hotel business is the largest user of energy for heating, cooling, lighting, and food preparation. Scientists have made known them believe more than once that raising energy efficiency is a top solution that a hotel can be applied for reducing its environmental impact while improving the profit (Pirani & Arafat, 2016). Energy saving measures can involve the use of LED bulbs, smart thermostats, automated energy control systems and high efficiency appliances which can reduce energy consumption by 20-30% without affecting the guests' experience (Subbiah and Kannan as cited by Tan, 2022). Moreover, the majority of hotels have embraced the use of renewable energy sources, which include solar panels, wind energy, and geothermal energy to mitigate their carbon emissions. Some of the current examples include Scandic Hotels in the Nordic countries, which has vowed to use only renewable energy (Scandic Sustainability Report, 2023). However, the use of passive design principles such as adequate insulation and energy conservative building designs can greatly minimize the need for heating and cooling. For instance, the Boutique Hotel Stadthalle in Vienna operates on a net zero energy basis, which shows the feasibility of such technologies (US Green Building Council, 2020). These energy conservation policies not only help in environmental management but also have economic advantages since the costs of many energy conservation measures are recovered within 3–5 years (Bohdanowicz & Zientara, 2012). Water conservation is now a significant issue in the hospitality industry, especially in water shortage areas where tourism can stretch the availability of water (Han & Hyun, 2018). Towels are another area where hotels can conserve water, with towel reuse programs being particularly effective in encouraging guests to reduce their water usage (Hotel Design, 2019). Hotels use water a lot in guestroom showers, laundries, kitchens, and for landscaping. Installing low-flow faucets, showerheads, dual-flush toilets, and managing towels can reduce a hotel's water consumption drastically. Studies by engineer's reveal that these measures can cut water usage in guestrooms by 30-50% (Engineering Research, 2020). Furthermore, studies have shown that towel and linen reuse programmes are successful in reducing water and detergent consumption; for instance, laundry water usage was reduced by 40% in some studies (Han and Hyun, 2018). The reuse of greywater for irrigation and toilet flushing and the harvesting of rainwater are the practices apparently that have worked out. Such undertakings reduce the need for city water supplies to a great extent and increase hotel operations' yield of sustainability. Nevertheless, guest compliance is an issue; for instance, research indicates that if guests are informed properly and offered incentives such as discounts for participating in the reuse programs, then participation will be high (Tao & Liu, 2020). Waste management and reduction are also important in the sustainability of hotels as the sector one of the largest contributors to plastic pollution in the world through items like water bottles, toiletries, and food containers that are used once then thrown away. Waste management has become a big issue and many hotels have now adopted recycling management systems that sort out the different wastes that include paper, plastics, glass and metals. Some of the big hotel chains like Marriott International have even gone as far as setting goals to reach zero waste to landfill (Marriott Sustainability Report, 2022). Another major problem in hotel operations is food waste, and previous studies have shown that between 30-40% of food produced in hotel kitchens is wasted (Radwan et al., 2012). Hotels have also started composting and donating food, and some hotels give away the remaining food to shelters.

Furthermore, the goal of eliminating single-use plastics has become a focus of many hotels, and even large hotel companies like IHG Hotels have replaced small shampoo bottles with refillable dispensers. On its own, this shift has led to the reduction of 200 million plastic bottles every year (IHG Green Report, 2021). The environmentally friendly practices mentioned above are not only good for nature, but they also have the secondary advantage of bringing happiness to the guests, as a result of the guests being more and more involved in a hotel's sustainability progress when making a selection (Han et al., 2020). It is not a secret that sustainable procurement and supply chain management have been the key areas in the sector of sustainability for some time now. Hotels with sustainable procurement policies typically focus on organic food that is locally sourced which reduces the carbon impact of transportation and also benefits the local economy. Research has found that the use of local ingredients improves the guest experience by providing a more authentic and distinctive dining experience (Tao & Liu, 2020). Also, the use of environmentally friendly cleaning products, biodegradable amenities, and sustainable textiles reduces environmental pollution. Hotels that make ethical sourcing decisions, such as using FSC certified wood and recycled materials for renovations, further show their sustainability commitment (Bohdanowicz & Zientara, 2012). Moreover, green procurement can have a positive effect on guests' perception, since environmentally friendly guests are willing to pay more for green accommodations (Han et al., 2020). Hotel building design and innovation are also climate friendly and an important part of the hotels' sustainability strategy. This paper on green building design highlights the integration of energy efficient construction, sustainable materials and innovative technologies to reduce the resource consumption of a hotel. Passive design principles that involve the use of natural light, ventilation and insulation are very important in reducing energy consumption. Hotels built to Passive House standards consume 50—70% less energy as compared to similar hotels (USGBC, 2020). New technologies such as green roofs and living walls are also energy-saving and additionally reduce the urban heat island effect. The modern building solutions like AI energy demand controlling systems can also play a significant role in adjusting heating and cooling in accordance with the situation of occupancy. These design principles and technologies are becoming more and more popular and many of them are encouraged by government incentives and green certification programs to make them available for hotel developers worldwide.

3. Methodology

This research employs a qualitative, multi-method approach to explore and examine green hotel best practices. The study consists of two main components: (1) A review of the academic literature and industry reports on sustainable hotel management (presented in the previous section), and (2) Case study analysis of exemplary green hotels to observe best practices in action. This mixed approach allows for both a broad understanding of the established knowledge and a deep dive into the practical implementations. To get the information, we first did a thorough review of the literature by gathering scholarly articles, industry white papers, and official reports on green hotels, sustainable tourism, and hospitality management. The literature search was made for the last 20 years, with the current years' emphasis (2015-2023) aimed at obtaining the latest trends and data. The search queries used were “green hotels,” “sustainable hotel practices,” “eco-friendly hotels,” “hotel sustainability performance,” and “sustainable tourism.” The academic databases (Science Direct, JSTOR), Google Scholar and relevant organizational websites (e.g., United Nations World Tourism Organization, United Nations Environment Programme) were the primary information sources. We entered data on what practices have been studied, their reported benefits, the challenges noted, and any quantitative results (percentage reduction in resource use or effect on guest satisfaction). This literature foundation helped in the development of the best practices framework and provided benchmarks against which to evaluate the case findings. Case Selection: Hotels that met the criteria include: hotels that have received recognized eco-certifications (such as Green Key or EU Ecolabel) or awards for sustainability, hotels frequently cited in sustainable tourism discussions or case studies. We also tried to include small boutique hotels and larger chain hotels and a variety of countries (e.g., Slovenia, Croatia, Austria, Montenegro, Denmark, etc.). We examined approximately 100 hotels and as typical examples in several European and Balkan countries, chosen based on the following criteria: Recognized eco-certifications (e.g., Green Key, EU Ecolabel, LEED), Appearance in the discourse of sustainable tourism or previous case studies, Diversity in size and ownership (both large chains and boutique hotels) Geographic variety (e.g., Slovenia, Croatia, Austria, Montenegro, Denmark, Albania, Serbia). These include Hotel Bohinj in Slovenia, a boutique hotel with its sustainable program as the highlight; Scandic Hotels in Nordic countries, a chain of huge proportions with immense environmental leadership; Aqua Dome in Austria, an energy-geothermal hotel; Valamar Riviera hotels in Croatia, an operator that holds a Green Key certificate; and Viceroy Kopaonik in Serbia, a Balkan resort known for its approach to the environment. These cases provided concrete instances of various practices in the categories identified by the literature. The analysis was mainly qualitative and focused on best practice identification and narrative synthesis, not statistical analysis. However, where multiple cases offered numeric data (e.g., percentage reductions) we compared those figures to arrive at a reasonable range of the impact that best practices yield.

4. Best Practices in Green Hotels: A Case Study of Europe and the Balkans

Hotels in Europe and the Balkans use solar and wind energy in their energy saving measures. Some of the hotels include Viceroy Kopaonik Serbia that uses solar heating systems to reduce the use of fossil fuels, while Austria's Aqua Dome Hotel uses geothermal energy to regulate the indoor temperatures sustainably. Energy management is also automated and a standard practice, Scandic Hotels have installed intelligent lighting and heating systems to control energy consumption and has greatly minimized the electricity consumption. Water conservation strategies are widely adopted across the region. One of the practices that Grand Park Hotel Rovinj in Croatia has adopted is rain water harvesting which has greatly minimized the use of fresh water in activities such as gardening and other purposes that do not require drinking water. The Radisson Blu Scandinavia in Denmark has installed low-flow fixtures that have been able to conserve water up to 40%. Italy's Alpenpalace Luxury Hideaway has embraced the greywater recycling technology that allows wastewater from sinks and showers to be reused for landscaping and yard maintenance. Environmental waste management is still of utmost importance to most of the green hotels. Ekho Lake House in Montenegro follows a zero waste strategy, which includes no use of single-use plastic in the hotel and composting food waste in order to minimize its contribution to the environment. Hotel Galleria in Serbia minimizes food waste by collaborating with local food banks to give away leftover food. Valamar Riviera Hotels in Croatia have appropriately launched recycling initiatives that separate the trash very diligently in order to minimize the amount of trash to be dumped in the landfill and to optimize the recycling yield. Sustainable procurement and the use of green amenities are also vitally important aspects of the green hotel practices. Adriatic Hotel in Croatia concentrates on organic food production by offering farm to table cuisine, thus making sure that its supply chain aids the local farmers and reduces the carbon footprint associated with food transportation. In France, Hotel Keppler offers biodegradable toiletries to avoid the use of plastic and Château de Berne features locally made furniture an decor to encourage sustainable procurement. Green hotel concept has also been embraced in Albania. The Marina Bay Luxury Resort & Spa in Vlorë has adopted sustainable methods such as the use of solar panels, segregation of waste, and the use of green cleaning agents. The resort also promotes eco-tourism in activities such as nature treks, marine conservation and other similar activities which attract environmentally friendly tourists. In the same manner, The Plaza Tirana has applied energy conservation technologies in construction and smart control of temperature, thus reducing energy consumption while at the same time providing comfort to the guests. Hotels with green certifications enjoy legal advantages and higher guests' satisfaction. It has been noticed that certified hotels have better operational performance as many sustainability practices are cost saving and lead to better resource management. LEED certified hotels such as W Barcelona in Spain have been able to cut down on energy consumption through the use of sustainable architecture and integration of renewable energy. Those hotels that are Green

Key certified such as Valamar Hotels in Croatia have shown evidence of good waste management, water management, and guest participation in the sustainable practices. These certifications not only prove a hotel's environmental responsibility but also improve the hotel's market position to eco-friendly guests. Community engagement and responsible tourism are becoming topical among the green hotels in the Balkans and Europe, it has been noticed. Some of the companies engage in social responsibility and support sustainable tourism and preservation of the culture. For example, Vila Miqesia in Albania works with local crafters to sell handmade products and souvenirs, which are beneficial for the local population and provide guests with a local experience. Hotels in the area also focus on educational activities and provide sustainability forums and environmentally friendly tourism activities that make the guests aware of the need to preserve the environment. In general, the practices that are practiced by the green hotels in Europe and the Balkans show that sustainability is not only limited to energy conservation and waste management. The use of renewable energy, water conservation, and sustainable procurement of products are not only practices that are friendly to the environment but also provide benefits to the guest. Thus, as eco-tourism continues to develop, the green hotels in the region have a perfect chance to fulfil the needs of the new type of tourist and contribute to the improvement of the environment.

5. Findings and Discussion

Implementation of green policies by the hospitality industry has many advantages such as environmental, cost and image advantages. The hotels that implement energy management systems reduce their usage of energy by 20-30% because they use alternate energy sources such as wind and sun power, light emitting diode (LED) bulbs and energy management systems. Some other actions that assist in decreasing operational expenses are greywater recycling and rainwater harvesting. Besides the cost benefits, the green initiatives have a direct impact on the guest satisfaction. According to the survey conducted by Booking.com in 2023, 76% of guests would choose hotels with sustainability policies. The hotels that have adopted green measures like linen reuse and recycling programs have greater customer loyalty and better positive reviews. Sustainability initiatives are more concrete and have more impact on reputation and repeat business from the environmentally friendly tourist. Green certifications like LEED, Green Key, and EarthCheck also help increase the market position of a hotel. In addition to certifying the companies' sustainability emphasis, these certifications also help make hotels more appealing for corporate customers, tour operators, and green travel agencies. Besides this, being certified as well, the hotels can get financial advantages, tax incentives, and government incentives for long-term sustainability investments. However, there are some challenges while shifting towards sustainable operations. This is because the main challenge is the high initial costs of installing renewable energy systems, eco-friendly materials, and sophisticated waste management systems. Although the long term costs are positive, the initial costs are a deterrent to the implementation of green initiatives by the smaller hotels. Government and financial institutions can help with this by providing subsidies, low interest loans, and grants to encourage sustainability transitions in the hospitality industry. Another challenge is the absence of sustainability specialization among hotel operators and front-line staff. Eco-friendly practices in energy management, waste management, and sustainable procurement need specialized knowledge and expertise. To this end, sustainability training programs for hospitality professionals have been developed by industry associations and educational institutions to help closure gaps in knowledge and skills on the implementation of eco-friendly practices. The wide implementation of green practices is also hampered by regulatory inconsistencies across different regions. While some countries have very strong environmental laws that support green tourism, others have no or almost no regulations or ways of enforcing the existing ones. To this end, standardized policies that support sustainability across the industry need to be put in place to overcome this barrier. Successful case studies of green hotels are accompanied by real benefits of sustainable hospitality. Hotel Bohinj in Slovenia cuts down on operational costs through the use of geothermal heating, a zero waste policy, and locally sourced food. Within the Nordic nations, Scandic Hotels also dominate in environmentally friendly hospitality with LEED accredited hotels and smart energy management systems. Valamar Riviera Hotels in Croatia have particularly dominated in sustainable procurement, water management, and recycling and achieved Green Key status and emerged leaders in green-friendly hospitality.

6. Conclusion and Recommendations

Green hotels are an emerging concept that can do incredible good to the environment as well as the bottom line of the hospitality sector. Incorporating green strategies into such hotels not only helps in maintaining the environment, but also leads to the saving of expenses like the cost of energy and use of water. Apart from that, green hotels are increasingly becoming popular with the eco-friendly visitors, hence boosting their guest satisfaction and brand equity. Nonetheless, there exist some drawbacks holding back the deployment of the use of green techniques on a high scale in the hospitality industry such as; initial high investment costs, non-homogenous country regulations, and limited technology. To overcome such obstacles, governments and other stakeholders ought to introduce economic incentives such as subsidies or tax rebates in a bid to stimulate the use of green technology as well as renewable energy. The economic incentives can be used to offset the high start-up costs of employing sustainable technologies. Also, the development of international sustainability standards for the hospitality sector for the different regions will enhance comparability and consistency of sustainability objectives that hotels should meet, and this will promote the implementation of green practices for the hotel sector. This article also suggests that the hotel staff training sessions must also be conducted so that the staff is capable of identifying and sustaining energy management systems, waste management programs, and water conservation practices. Also, hotels can themselves contribute to the sustainability by inviting their guests to help them in their sustainability efforts and providing them with the option to participate in the sustainability efforts, i.e., through provision of recycling bins in the hotel rooms and not replacing towels and linen every day. For future studies, it would be required to identify the long-term financial yield of the green hotel investments and contrast the results for the different regions of the world.

Furthermore, the application of emerging technologies such as AI and IoT to drive sustainability in hotels must be researched. The impact of the COVID-19 pandemic on sustainability efforts in the hospitality sector should also be investigated to determine the impacts of the pandemic on sustainability efforts in the hospitality sector.

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The Intersection of Data Exchange Markets and Supply Chain Management: Opportunities, Challenges, and Future Directions

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Abstract

The convergence of data exchange markets and supply chain management (SCM) is transforming organizational capabilities for operational efficiency, transparency, and innovation. This paper investigates the evolving relationship between these two domains, outlining historical developments, current applications, and emerging trends. Utilizing a multi-case study approach—featuring Maersk, Amazon, and Walmart—it explores the strategic role of technologies such as blockchain, AI, and IoT in facilitating scalable, secure, and interoperable data exchange. A SWOT analysis highlights the strengths, weaknesses, opportunities, and threats of this integration. Despite substantial benefits, several barriers persist, including privacy concerns, regulatory challenges, and resistance to collaboration. Recommendations are proposed for advancing resilient and data-driven supply chain ecosystems.

Keywords: Data exchange, Supply chain management, Blockchain, Interoperability, Digital transformation
JEL Classification: L14, M11, O33
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1. Introduction

In today's hyperconnected global economy, **data** has emerged as a critical asset, reshaping industries and redefining competitive advantage. Among the most transformative developments is the rise of **data exchange markets**—platforms and ecosystems where data is collected, shared, and monetized across organizational boundaries. These markets, enabled by advancements in cloud computing, big data analytics, and API-driven infrastructures, have created new avenues for collaboration, transparency, and real-time intelligence. At the same time, **supply chain management (SCM)** has undergone a radical transformation, evolving from a linear, logistics-centered discipline into a digitally enabled, networked function that is integral to value creation, customer satisfaction, and operational resilience.

The intersection of data exchange and SCM is not merely a technological convergence—it is a strategic alignment with profound implications for business performance, innovation, and risk management. **Data-rich supply chains** generate vast amounts of structured and unstructured information daily, from inventory levels and transportation status to supplier compliance and demand forecasts. Yet, much of this data remains locked in silos or underutilized due to lack of interoperability, trust, or effective exchange mechanisms. Meanwhile, **data exchange platforms** such as AWS Data Exchange, Snowflake, and decentralized blockchain solutions are increasingly capable of facilitating the secure and scalable transfer of sensitive information across partners, industries, and geographies.

This convergence presents **unprecedented opportunities**. With effective integration, organizations can enhance end-to-end visibility, optimize inventory levels, improve demand forecasting, and accelerate decision-making. Moreover, data exchange supports key global priorities, such as traceability for food and pharmaceuticals, environmental sustainability through emissions tracking, and supply chain resilience in the face of geopolitical disruptions and pandemics.

However, this evolution is not without **challenges**. Many supply chains continue to operate on legacy systems with limited integration capacity. Concerns around **data privacy, intellectual property, compliance with regulations** like GDPR and CCPA, and organizational resistance to sharing data remain significant barriers. Additionally, **scalability and standardization**—particularly across complex, global, and multi-tier supply networks—pose technical and governance hurdles.

This paper explores the intersection of these two domains. It traces the historical development of both fields, analyses their synergies, and identifies the challenges that must be overcome to unlock their full potential. Through detailed case studies of industry leaders like Maersk, Amazon, and Walmart, the research demonstrates how emerging technologies such as **AI, IoT, and blockchain** are enabling new forms of integration. A SWOT analysis further distils the strategic landscape, highlighting both barriers and opportunities.

In doing so, the paper aims to contribute to a more nuanced understanding of **how data exchange can act as a catalyst for supply chain transformation**, enabling businesses to thrive in an increasingly complex and data-driven world.

2. Literature review

Data Exchange Market

The data exchange market has evolved rapidly over the past two decades, becoming a cornerstone of the digital economy. At its core, this market facilitates the buying, selling, and sharing of data assets across organizations and platforms. It is powered by technologies such as **application programming interfaces (APIs)**, **cloud-based platforms**, and **decentralized systems** like **blockchain**, which collectively enable real-time, secure, and scalable data transactions.

Key platforms such as **Snowflake**, **AWS Data Exchange**, and **Databricks** have emerged as intermediaries that support not only data access but also data integration, transformation, and governance. These platforms are essential for enabling **Data-as-a-Service (DaaS)** models, where organizations can subscribe to or license external datasets to support analytics, forecasting, and strategic decision-making.

Despite this technological progress, several challenges persist. **Data standardization**, **interoperability**, and **metadata consistency** are often lacking across sectors. Furthermore, concerns over **data privacy**, **ownership**, and **ethical use** are intensified by growing regulatory oversight, particularly under frameworks such as the **General Data Protection Regulation (GDPR)** and the **California Consumer Privacy Act (CCPA)**. These issues underscore the need for both technological innovation and governance structures that ensure trust and compliance in data exchanges.

Historical Background

The histories of **data exchange** and **supply chain management (SCM)** have evolved along parallel tracks—one rooted in information systems, the other in the movement of goods—but began converging meaningfully as digital technologies matured. Understanding this convergence requires tracing each domain's development and identifying pivotal points of interaction.

Evolution of Supply Chain Management

SCM began as a manual, localized process in ancient trade routes such as the Silk Road, where coordination depended on physical records and personal networks. The **Industrial Revolution** introduced mechanization and infrastructure like railways and steamships, expanding the scale and complexity of supply chains. By the mid-20th century, globalization and **containerization** revolutionized logistics, allowing for standardized, large-scale international trade.

From the 1970s onward, **information technology** began reshaping SCM. **Enterprise Resource Planning (ERP)** systems emerged to integrate procurement, production, and distribution processes. The 1980s and 1990s saw **Just-in-Time (JIT)** and **lean manufacturing** principles take hold, requiring tighter coordination between suppliers and manufacturers—an early demand for better data flow.

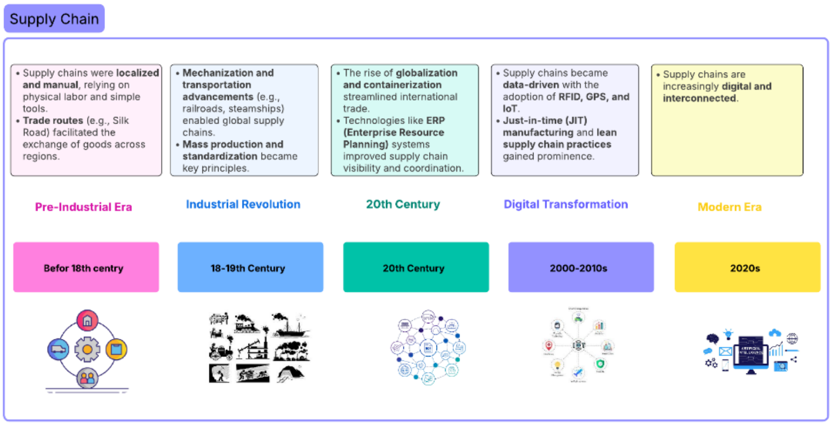

Figure 1: Supply chain timeline

Rise of Data Exchange

Concurrently, **data exchange** began as a closed-loop process within large institutions using magnetic tapes, punch cards, and later Electronic Data Interchange (EDI). EDI, developed in the 1960s and standardized in the 1980s, marked the first widespread use of automated, machine-readable document exchange between firms—particularly in retail and manufacturing supply chains. This was the **first major point of interaction** between SCM and structured data exchange.

The **internet boom** of the 1990s enabled faster, broader connectivity. Companies began sharing data over secure networks, and early **data marketplaces** emerged in sectors like finance and logistics. As supply chains globalized, the need for real-time data exchange became critical, especially for coordinating cross-border manufacturing, tracking shipments, and aligning inventory systems.

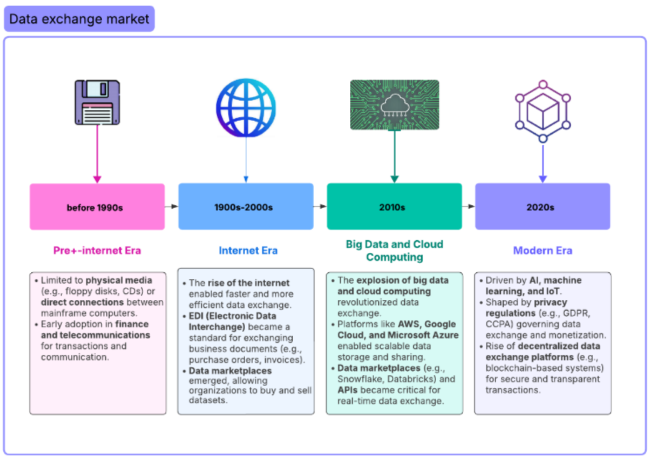

Figure 2: Data exchange market timeline

Integration in the Digital Age

The **2010s** brought exponential data growth and technological maturation. **Cloud platforms**, **APIs**, and **big data analytics** allowed firms to access and act on supply chain data at scale.

Companies like Amazon began using AI and real-time data exchange to optimize logistics dynamically. SCM became increasingly digital, and **data exchange markets matured** into commercial platforms offering on-demand datasets and integration tools.

In the **2020s**, convergence deepened. Technologies like **blockchain** enabled secure, transparent supply chain data sharing—used by Maersk's TradeLens to digitize global shipping or Walmart to trace food provenance. Simultaneously, regulations like **GDPR** and **CCPA** imposed new requirements on data handling, directly affecting SCM systems reliant on customer, supplier, and logistics data.

A Strategic Intersection

Today, SCM and data exchange are no longer discrete systems but **mutually reinforcing frameworks**. SCM depends on the real-time, cross-organizational data flow that exchange markets enable; data markets thrive on the vast, valuable datasets that supply chains produce. Their historical paths, once independent, are now intertwined—shaping the future of global trade and data economies.

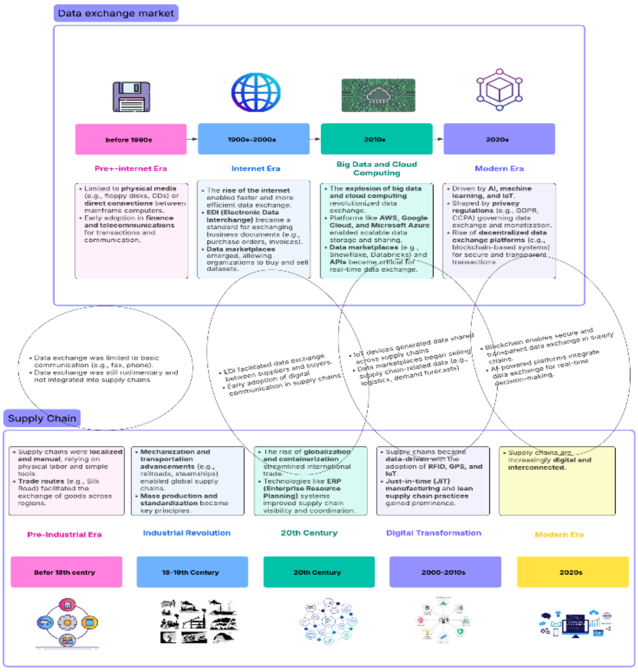

Figure 3: Data exchange market and Supply Chain timeline and crossover

Gaps in Literature

Despite the increasing centrality of data in supply chain management, organizations face persistent challenges in realizing its full value through efficient and secure data exchange. While advances in cloud computing, IoT, and AI have expanded access to data, many supply chains remain constrained by technical, regulatory, and organizational barriers that prevent seamless integration and real-time collaboration. These limitations hinder efforts to optimize operations, enhance visibility, manage risk, and meet growing demands for sustainability and responsiveness.

To unlock the transformative potential of data-driven supply chains, several critical issues must be addressed:

Fragmented Data Systems and Silos

Data in many organizations remains trapped in disconnected systems across departments or supply chain partners. These silos limit visibility and impede coordination. For example, a manufacturer may lack access to a supplier's real-time inventory data due to incompatible systems, leading to production delays and inefficiencies.

Interoperability Challenges

Supply chains involve a diverse array of stakeholders—suppliers, logistics providers, retailers—using varied platforms and data standards. The absence of universally accepted protocols complicates data integration and hinders end-to-end visibility, particularly in international operations where regional technology disparities persist.

Data Privacy and Security Concerns

With the rise in data exchange, safeguarding sensitive information has become increasingly complex. Regulations like the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA) require strict compliance. Balancing openness with confidentiality remains a core challenge for firms exchanging proprietary or customer data.

Scalability Issues

Modern supply chains generate massive volumes of data. Many current systems are ill-equipped to handle the speed, scale, and granularity required for real-time decision-making. For instance, logistics providers managing thousands of daily shipments often struggle to disseminate tracking data to all stakeholders efficiently.

Regulatory and Compliance Complexity

Operating across multiple jurisdictions exposes firms to a web of data governance rules. Varying international standards for data privacy, trade, and digital infrastructure demand significant legal expertise and operational overhead. Non-compliance can result in fines, reputational harm, and halted operations.

Technological and Infrastructure Limitations

Although emerging technologies offer new capabilities, adoption remains uneven. High implementation costs, integration complexity, and a shortage of skilled personnel pose significant barriers—especially for small and mid-sized enterprises lacking IT resources or digital maturity.

Resistance to Collaboration and Data Sharing

Cultural and strategic concerns can deter data sharing, even when mutual benefits exist. Fear of exposing competitive insights, losing control over proprietary information, or disrupting traditional business relationships often leads to reluctance among supply chain actors.

3. Methodology

Research Objectives

This study aims to investigate how data exchange can be effectively integrated into supply chain operations by addressing the following key research questions:

1. What strategies and technological frameworks can be implemented to enhance interoperability across diverse data exchange systems within global supply chains?
2. How can organizations ensure robust data privacy and security while facilitating transparent and efficient data exchange among supply chain stakeholders?
3. What scalable architectures and platforms can manage the increasing volume, velocity, and complexity of supply chain data in real time?
4. How can firms navigate the evolving landscape of regulatory requirements to maintain compliance in cross-border data exchange?
5. What roles do emerging technologies, such as blockchain, artificial intelligence (AI), and the Internet of Things (IoT), play in overcoming existing barriers to data integration and optimization?
6. How can cultural, strategic, and organizational resistance to data sharing be addressed to promote greater collaboration and trust across the supply chain network?

Effectively addressing these questions is critical to unlocking the full potential of data-driven supply chains. By enabling real-time visibility, operational agility, and informed decision-making, efficient data exchange serves as a catalyst for supply chain resilience, sustainability, and competitiveness. This research seeks to offer practical insights and policy guidance for industry practitioners, technology developers, and academic researchers working to advance supply chain management in an increasingly digital and interconnected world.

Research Design and Data Collection

Research Design

This study adopts a **qualitative case study methodology** to explore the integration of data exchange technologies within supply chain management (SCM). The case study approach is well-suited for investigating complex, real-world phenomena where context is critical and variables are interdependent. By focusing on leading global organizations that have implemented advanced data exchange systems, the study aims to generate rich, contextualized insights that address the research objectives.

The selection of Maersk, Amazon, and Walmart as case studies allows for a comparative analysis across different supply chain models—logistics, e-commerce, and retail—each representing unique operational challenges and technological solutions. These cases were chosen through purposive sampling based on their documented use of data exchange platforms and technologies such as blockchain, artificial intelligence (AI), and Internet of Things (IoT), and their relevance to issues of interoperability, scalability, compliance, and collaboration.

Data Collection

Data for this study was gathered exclusively from **secondary sources**, including:

- **Academic journals and peer-reviewed literature**, offering theoretical foundations and prior empirical findings;
- **Industry reports** from consulting firms (e.g., McKinsey, Deloitte), which provide detailed insights into technological trends and organizational practices;
- **Corporate publications**, including white papers, case studies, press releases, and official websites of Maersk, Amazon, and Walmart;

- **Regulatory and technical documentation** related to GDPR, CCPA, and emerging technologies (e.g., blockchain standards, IoT frameworks).

This secondary data approach is appropriate for exploratory research on established organizations with well-documented digital transformation initiatives. It enables triangulation from diverse, credible sources and ensures a comprehensive understanding of each company's approach to integrating data exchange in its SCM operations.

Together, the research design and data collection methods establish a robust foundation for analysing how data exchange platforms influence supply chain performance and innovation across different industries.

Analysis Framework

To evaluate how data exchange mechanisms impact supply chain management (SCM), this study adopts a **qualitative multiple-case analysis** approach. Drawing from three representative industry leaders—**Maersk, Amazon, and Walmart**—the framework identifies how diverse data exchange technologies are applied to address real-world supply chain challenges. Each case was selected based on its documented integration of advanced data exchange systems and its relevance to one or more of the research questions.

Framework Structure

The analysis follows a **thematic matrix model**, aligning each case study with four core analytical dimensions:

1. **Technological Enablers** – Tools and platforms used (e.g., blockchain, AI, IoT, APIs)
2. **Operational Challenges Addressed** – Key issues tackled (e.g., silos, scalability, compliance)
3. **Strategic Outcomes** – Improvements in transparency, efficiency, compliance, or agility
4. **Alignment with Research Objectives** – Direct links to the study's guiding research questions (Q1–Q7)

Analytical Dimensions and Case Integration

Company	**Technologies Used**	**Key SCM Focus**	**Research Questions Addressed**
Maersk	Blockchain (TradeLens), APIs	Interoperability, customs visibility	Q2, Q3, Q6, Q7
Amazon	AI, ML, IoT, AWS Data Exchange	Demand prediction, real-time logistics	Q1, Q4, Q6
Walmart	Retail Link, EDI, Blockchain	Supplier coordination, regulatory compliance	Q1, Q5, Q6, Q7

Each company represents a different supply chain archetype:

- **Maersk** as a logistics and freight provider focused on transparency and document flow across global trade networks.

- **Amazon** as a digitally native e-commerce and fulfilment powerhouse leveraging predictive analytics and scalable infrastructure.
- **Walmart** as a high-volume retailer dependent on supplier collaboration, compliance, and traceability.

Thematic Categories

The findings from these case studies are synthesized into the following thematic categories to assess impact and generalizability:

- **Interoperability and Integration (Q1, Q2):** The ability to standardize data exchange across diverse platforms and stakeholders.
- **Data Security and Compliance (Q3, Q5):** How data governance frameworks ensure privacy, traceability, and adherence to regulations.
- **Scalability and Performance (Q4):** How data systems handle growth in volume, complexity, and velocity.
- **Emerging Technologies (Q6):** The functional role of blockchain, AI, and IoT in optimizing and securing data exchanges.
- **Collaboration and Culture (Q7):** Organizational and strategic changes needed to foster trust and openness across supply chains.

Analytical Objective

This framework enables a comparative evaluation of how data exchange practices contribute to:

- Enhancing SCM efficiency and agility
- Supporting regulatory and ethical compliance
- Promoting resilient and collaborative ecosystems

By mapping these practices against real-world technologies and business outcomes, the analysis framework ensures that insights are both context-specific and broadly applicable to future supply chain innovations.

4. Findings

Benefits of Integration

The integration of data exchange markets into supply chain operations offers clear, measurable advantages across industries.

Key benefits identified in the case studies include:

- Real-Time Visibility: Platforms like Maersk's TradeLens and Walmart's Retail Link enable continuous tracking and status updates, improving responsiveness and operational agility.
- Operational Efficiency: Amazon's use of AI and IoT for predictive analytics streamlines inventory management and logistics, reducing costs and minimizing waste.
- Improved Compliance: Walmart's blockchain-based traceability solutions facilitate adherence to food safety regulations and align with international privacy frameworks such as GDPR and CCPA.

- Enhanced Collaboration: Data standardization and shared portals foster closer supplier relationships and better planning, as evidenced in Walmart and Maersk's systems.

Challenges

Despite these advancements, several persistent barriers limit broader adoption:

- Interoperability Gaps: Diverse IT infrastructures and data standards continue to prevent seamless data exchange across supply chain stakeholders.
- Scalability Constraints: As data volume and complexity grow, even established players like Amazon face challenges in maintaining consistent performance across global operations.
- Regulatory Complexity: Varying privacy laws and compliance obligations add legal and administrative burdens, particularly for cross-border data flows.
- Cultural Resistance: Concerns about data ownership, security, and competitive exposure remain significant, particularly in traditional or highly competitive industries.

Case Study Insights

Each case illustrates a unique aspect of successful data integration:

- Maersk demonstrates how blockchain fosters interoperability and trust among global trade partners.
- Amazon showcases how predictive data analytics and IoT can optimize large-scale logistics.
- Walmart highlights the value of real-time supplier collaboration and regulatory compliance through integrated data sharing tools.

Together, these examples affirm that effective data exchange enhances resilience, visibility, and efficiency, but also reveal that tailored approaches are needed to address organizational context, scale, and regulatory environments.

5. Discussion

The findings support the central thesis that data exchange is a strategic enabler of modern supply chain performance. As supply chains grow more complex and demand greater responsiveness, the need for integrated, real-time data becomes critical.

The case studies validate and expand upon the existing literature. They illustrate that technological innovation alone is insufficient success also depends on aligning organizational structures, data governance policies, and partner ecosystems. For example, Maersk's TradeLens initiative was only successful because it coupled blockchain deployment with stakeholder engagement and standardized protocols.

Moreover, this research reveals that scalability and regulatory compliance are not just technical issues but strategic imperatives. Amazon's robust infrastructure allows it to manage massive data flows efficiently, while Walmart's systems are designed with compliance at their core—demonstrating how digital maturity correlates with resilience.

However, the underexplored challenges in the literature—such as ethical AI use, cultural resistance to data sharing, and decentralized platform limitations—are increasingly relevant.

As blockchain and AI become more prevalent, addressing these concerns will be critical to sustainable and equitable integration.

7. Conclusion

This study explored the intersection of data exchange markets and supply chain management, focusing on how emerging technologies and platforms are transforming global supply networks. Through the analysis of three industry-leading case studies—Maersk, Amazon, and Walmart—it is evident that data exchange enhances visibility, efficiency, compliance, and strategic agility.

However, unlocking these benefits requires overcoming significant barriers, including interoperability issues, regulatory complexity, and organizational resistance. The successful implementation of data exchange solutions hinges not only on technological infrastructure but also on strong governance, trust, and collaboration among stakeholders.

As digital transformation accelerates, the integration of data exchange markets into supply chain operations will become increasingly critical. Future research should explore the development of universal standards, scalable decentralized architectures, and frameworks for ethical AI in supply chains. Addressing these areas will support the creation of transparent, resilient, and data-driven supply chain ecosystems capable of meeting the demands of a dynamic global economy.

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The Methodology Employed in Studying the Success of Female Entrepreneurship

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Abstract

The literature on female entrepreneurship is extensive, yet there is no consensus on the most effective methodologies for studying success factors. Some studies primarily rely on quantitative analyses to identify the impact of economic and institutional variables, while others employ qualitative methods to explore the individual experiences of female entrepreneurs. The lack of a unified approach creates gaps in understanding the key determinants of business success among women-led enterprises.
This study aims to review the existing literature on the methodologies used to analyze the success of female entrepreneurship. The objective is to identify the advantages and limitations of different research methods and propose a more comprehensive methodological framework. The review is based on an analysis of recent scholarly publications, including articles indexed in scientific databases. Both quantitative methods (statistical analysis, regression models) and qualitative methods (case studies, interviews) are examined, with a focus on their effectiveness in studying female entrepreneurship. The findings indicate that a combination of quantitative and qualitative methods provides a more comprehensive understanding of entrepreneurial success. While quantitative methods offer generalizable and comparative insights, qualitative approaches facilitate a deeper exploration of contextual and subjective factors. This literature review suggests an integrated methodological approach for future research on this topic.

Keywords: Female entrepreneurship, research methodology, business success, quantitative analysis, qualitative analysis.
JEL Classification: M10, L26, O30.

1. Introduction

Female entrepreneurship has emerged as a particularly significant area of research, increasingly recognised as a key factor in driving economic and social development. Women entrepreneurs play a vital role in job creation, enhancing economic resilience, and reducing gender disparities in the labour market (Cardella et al., 2020; Feng et al., 2023). However, despite the growing number of studies on women's entrepreneurship, there remains a lack of a standardised approach to analysing the success of such ventures.

In particular, the concept of success in female entrepreneurship remains ambiguous and is often assessed from differing perspectives. Some studies measure success based on financial indicators such as revenue growth or business expansion (Gódány & Mura, 2021), while others focus on subjective factors such as personal satisfaction, autonomy, and work-life balance (Deng et al., 2025). This lack of a clear and unified definition makes it difficult to compare and generalise findings across international contexts.

Another major challenge in the literature concerns the methodologies employed to study the success of women-owned businesses. Existing studies frequently adopt one-sided methodological approaches, utilising either quantitative analyses to evaluate financial success or qualitative methods to explore the personal experiences of women entrepreneurs (Lone et al., 2024). While both approaches have their merits, there is a notable absence of a comprehensive model that integrates both perspectives, offering a more balanced and in-depth understanding of female entrepreneurial success.

Although research on female entrepreneurship has expanded significantly over the past decade, several critical gaps remain unaddressed. The first concerns the absence of a standardised methodology for measuring entrepreneurial success among women. Much of the existing literature concentrates on a limited set of factors, neglecting their interactions and varying impacts across different cultural and economic contexts (Deng et al., 2025).

Another issue lies in the selection of research methodologies. While quantitative methods provide broad analyses and allow for statistical generalisations, they often fail to capture contextual factors and the individual perceptions of women entrepreneurs (Gódány & Mura, 2021). On the other hand, qualitative studies help uncover the more complex and subjective aspects of success, but frequently suffer from limited generalisability (Feng et al., 2023). This highlights the need for an integrated methodological approach that combines the strengths of both strategies while addressing their limitations.

Furthermore, a substantial proportion of existing research has focused predominantly on developed countries, thereby overlooking the dynamics of female entrepreneurship in developing nations and economies in transition (Lone et al., 2024). This underlines the need for studies that examine success factors across a broader range of economic and cultural environments, considering the unique challenges and opportunities present in different regions.

Research Aim: In light of the gaps identified in the existing literature, the primary aim of this study is to explore and analyse the most effective methodologies for evaluating the success of female entrepreneurship. Specifically, the study seeks to:

Identify the strengths and limitations of quantitative and qualitative methods in assessing women's entrepreneurial success.

Propose a more comprehensive methodological framework for use in future studies on this topic.

Address the literature gaps by suggesting a balanced approach to measuring the success of women entrepreneurs in varying contexts.

Main Research Question: What are the most effective methodologies for studying the success of female entrepreneurship, and how can they be integrated to provide a more comprehensive analysis?

Supporting Research Questions: What are the advantages and limitations of quantitative and qualitative methods in studying the success of female entrepreneurs?

How can existing methodologies be combined to develop a more balanced and applicable model for future research on female entrepreneurship?

2. Literature Review

Quantitative Methodologies in Studying the Success of Female Entrepreneurship

Studies on female entrepreneurship have widely employed quantitative methods to analyse the success of women-led businesses. These approaches include surveys, statistical models, and econometric analyses, which enable researchers to identify key variables that influence entrepreneurial success (Henry et al., 2016).

In North America, an analysis by the Global Entrepreneurship Monitor (GEM, 2023) revealed that in the United States and Canada, women entrepreneurs face fewer institutional constraints and benefit from a supportive start-up ecosystem. Nevertheless, the report also notes that women tend to operate in less financially stable sectors compared to men (Minniti & Naudé, 2010).

In Europe, the OECD (2022) has employed quantitative analyses to measure the effectiveness of support programmes for women entrepreneurs, showing that countries with favourable credit and mentoring policies exhibit higher success rates among women-led businesses. Studies in France and Germany have utilised econometric models to examine the impact of initial capital on the long-term success of female-led ventures (Lewis, 2022).

In Japan, quantitative approaches have demonstrated that female entrepreneurs encounter a conservative institutional system, which affects their ability to access funding. A report by the Bank of Japan (2022) indicated that women entrepreneurs are 25% less likely to receive business loans compared to men, which directly impacts the growth potential of their businesses.

While quantitative methods offer the advantage of objectivity and the ability to analyse large sample sizes, they often fail to capture the social, psychological, and cultural nuances that influence the success of women entrepreneurs (Hughes et al., 2012).

Qualitative Methodologies and Their Role in Studying Success

Qualitative methods, such as interviews, case studies, and phenomenological analyses, are particularly valuable in exploring in depth the lived experiences of women entrepreneurs and the subjective factors that contribute to or hinder their success (Eddleston & Powell, 2008).

In North America, qualitative studies have shown that women often define success in terms of professional autonomy and their ability to make a positive impact within their communities (McGowan et al., 2012). In Canada, women entrepreneurs have highlighted the importance of mentoring and business networks in their professional development (Jennings & Brush, 2013).

In Europe, qualitative analysis conducted by the European Institute for Gender Equality (EIGE, 2022) revealed that women frequently report social and cultural barriers in their attempts to build successful businesses. In Scandinavian countries, where gender equality policies are more advanced, female entrepreneurs tend to perceive success differently, placing greater emphasis on work-life balance and the long-term sustainability of their ventures.

In Japan, qualitative interviews conducted by the Japan Institute for Labour Policy and Training (2023) have shown that success is not solely measured in financial terms, but also through the ability to support other women in their communities.

Nevertheless, qualitative methods face certain limitations, such as the subjectivity of interpretation and the difficulty of generalising results to larger populations (Henry et al., 2016). As such, researchers increasingly recommend an integrated approach that combines the strengths of both methodologies.

Mixed-Methods Approaches

The mixed-methods approach is gaining traction in research on female entrepreneurship, as it combines the advantages of both quantitative and qualitative analyses to provide a more holistic understanding of entrepreneurial success (Cardella et al., 2020).

In the United States, a study by the National Women's Business Council (2023) adopted a mixed-methods approach to examine the success of women entrepreneurs across different sectors, combining statistical data with in-depth interviews.

In Europe, a study by the OECD (2022) demonstrated that countries offering supportive policies for women entrepreneurs—such as dedicated funding and management training—experience higher business survival rates among women-led enterprises. This research employed a mixed-methods design to investigate the impact of public policy on female entrepreneurship.

A critical methodological dimension in studying female entrepreneurial success relates to the analysis of cultural contexts, which are often overlooked in quantitative studies. Recent research suggests that social norms and gender stereotypes represent invisible structural barriers that cannot be easily identified through statistical analysis. These aspects become more evident through qualitative or mixed-method approaches, as emphasised by Turkaj, Qosja, and Ahmetaj (2024), who, in their systematic review, highlighted the role of cultural norms in shaping women's entrepreneurial behaviour across diverse contexts.

In Japan, research by the Tokyo Institute of Technology (2022) combined statistical analysis with case studies to understand how female entrepreneurs adapt within a traditionally male-dominated market.

The World Bank (2023) has also stressed the necessity of mixed-method approaches to address the gender gap in entrepreneurship and to assess how institutional and cultural factors influence the success of women-led businesses.

3. Methodology

This study is based on a systematic literature review, analysing academic studies and reports that examine the success of female entrepreneurship. The chosen method aims to provide a comprehensive overview of the research approaches applied in this field and to identify their respective advantages and limitations.

The selection of literature was guided by clear inclusion criteria, incorporating only sources indexed in **Scopus**, **Web of Science**, and **Google Scholar**, as well as reports from international organisations such as the **Global Entrepreneurship Monitor (GEM)**, the **OECD**, the **World Bank**, and **UN Women**.

The search strategy was developed using key terms such as “women entrepreneurship success measurement”, “research methodology in female entrepreneurship”, and “mixed-methods research in entrepreneurship”. The selected literature was categorised according to the methodology employed: **quantitative**, **qualitative**, and **mixed-methods**.

Through this approach, the study compares the strengths and limitations of each methodological framework and identifies best research practices for analysing success in female entrepreneurship. The review encompasses studies from **North America**, **Europe**, **Japan**, and **developing countries**, providing a broad and diverse perspective on the topic.

Although this study does not include new empirical data, it offers an in-depth analysis of existing research approaches and proposes an integrated methodological model for future investigations in this area.

4. Findings

This literature review reveals that there is no single, ideal methodology for studying the success of female entrepreneurship. Instead, research demonstrates that **quantitative**, **qualitative**, and **mixed-methods** approaches each have distinct advantages and limitations, depending on the research objectives and contextual factors.

Quantitative Methods

Quantitative methods are widely used in empirical studies to assess the success of female entrepreneurship through measurable and statistical data. These include:

Descriptive statistical analysis: used to describe key characteristics of the sample of women entrepreneurs, such as age, education level, business sector, etc.

Linear/logistic regression models: used to analyse the relationship between business success (e.g., revenue growth or number of employees) and influencing factors such as access to finance, institutional support, and managerial experience.

Multivariable econometric analysis: allows for control of confounding variables and assessment of the independent effect of each variable on success.

Panel data analysis: employed in studies that examine data collected over time, measuring the impact of various factors across different time periods.

These methods are powerful for generalisation and interregional comparison but fall short in capturing the **subjective and contextual** dimensions of female entrepreneurship (Henry et al., 2016; GEM, 2023; OECD, 2022).

Qualitative Methods

Qualitative methods are used to explore the experiences, motivations, and personal challenges faced by women entrepreneurs. These include:

Semi-structured interviews: used to collect in-depth, personal data on individual entrepreneurial experiences, challenges, and perceptions of success.

Case studies: provide a detailed analysis of specific women-led ventures, often situated within a particular cultural or institutional context.

Focus groups: facilitate the gathering of collective perceptions and identification of social dynamics within entrepreneurial communities.

Thematic and content analysis: used to identify recurring themes and patterns of thought in the collected data.

These methods help unpack the **social and individual contexts** that shape how women perceive and experience success (Eddleston & Powell, 2008; McGowan et al., 2012; UN Women, 2022).

Mixed-Methods Approaches

Mixed-methods approaches integrate components of both quantitative and qualitative research within a single study design to benefit from the strengths of each. These may be implemented through:

Sequential explanatory design: begins with quantitative data collection and analysis, followed by qualitative analysis to better interpret the findings.

Convergent parallel design: quantitative and qualitative data are collected and analysed in parallel, then compared to validate or enrich the results.

Embedded design: one method serves as the primary approach, while the other is embedded within the study to provide additional insights (e.g., interviews within a statistical study).

These approaches have been successfully applied by institutions such as the **NWBC (2023)** and the **World Bank (2023)**, offering a more balanced analysis of financial outcomes and the **social, institutional, and cultural** factors that influence the success of women-led businesses (Cardella et al., 2020; Lone et al., 2024).

5. Table of Findings

The table below presents the advantages, limitations, and sources for each methodology used in studying the success of female entrepreneurship.

Table 1 – Advantages and Limitations of Research Methods for Studying Female Entrepreneurial Success

Methodology	Advantages	Limitations	Sources
Quantitative Method	Objective measurement of success (e.g., profit, business growth)	Does not capture contextual and subjective factors	Henry et al. (2016), GEM (2023), OECD (2022)

Methodology	Advantages	Limitations	Sources
Qualitative Method	In-depth understanding of entrepreneurs' experiences and challenges	Findings are not easily generalisable	Eddleston & Powell (2008), McGowan et al. (2012), UN Women (2022)
Mixed-Methods Approach	Integrates both methodologies for a more comprehensive analysis	Requires more resources and time for data collection and analysis	Cardella et al. (2020), NWBC (2023), World Bank (2023)

Source: Table created by the authors, summarising data from Henry et al. (2016), GEM (2023), OECD (2022), Eddleston & Powell (2008), McGowan et al. (2012), UN Women (2022), Cardella et al. (2020), NWBC (2023), and the World Bank (2023).

Interpretation of the Table

The table summarises the three main methodologies commonly used to study the success of female entrepreneurship: **quantitative methods**, **qualitative methods**, and **mixed-methods approaches**. Each of these approaches carries its own advantages and limitations, which influence the effectiveness of studies in this field.

Quantitative methods are well known for their objectivity and their capacity to measure success in tangible terms such as profit, business growth, and company survival (Henry et al., 2016; GEM, 2023; OECD, 2022). These methods are valuable for comparative analysis and statistical generalisation but fail to capture social factors and individual perceptions of women entrepreneurs.

Qualitative methods focus on exploring the lived experiences of female entrepreneurs through interviews and case studies (Eddleston & Powell, 2008; McGowan et al., 2012; UN Women, 2022). These methods contribute to understanding the challenges women face in business, yet their findings are often limited in terms of generalisability.

Mixed-methods approaches integrate both previous approaches, balancing the strengths of statistical analysis with the richness of contextual data (Cardella et al., 2020; NWBC, 2023; World Bank, 2023). This methodology offers a more comprehensive perspective, but it is more complex and requires greater resources for implementation.

From the table, it can be concluded that an **integrated approach is essential** for a comprehensive analysis of female entrepreneurial success, as individual methods have inherent limitations that can be mitigated through a combination of diverse research strategies.

Interpretation of the Graphs

The graphs below reflect the levels of **effectiveness** and **complexity** of the methodologies used in existing literature to analyse the success of female entrepreneurship. The data are derived from a review of academic sources covering the period **2019–2024**, and include comparative evaluations of research methods.

Graph 1 presents a comparison of the effectiveness of three methodological approaches: **quantitative**, **qualitative**, and **mixed-methods**. In this context, effectiveness is defined as the method’s capacity to generate deep, balanced, and valuable insights into the factors that influence women's entrepreneurial success. Each approach has been rated on a scale from 1 to 10, based on an analysis of selected sources.

Quantitative methods receive an average score of **6**.

They provide important data for identifying statistical relationships between variables such as initial capital, managerial experience, and institutional support in relation to business performance. However, these methods often overlook subjective dimensions and cultural interactions that influence entrepreneurial outcomes.

Qualitative methods are rated **7**.

They allow for the exploration of individual experiences and the social contexts in which women entrepreneurs operate. Through interviews and case studies, qualitative literature helps uncover personal motivations, perceptions of success, and hidden structural barriers that are not captured by quantitative analysis.

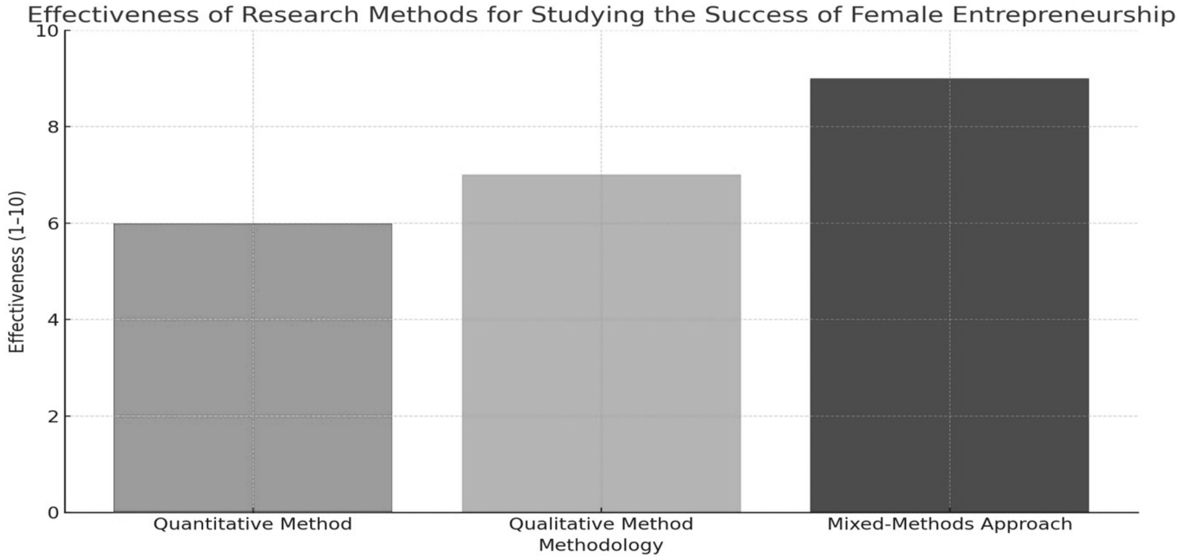
Mixed-methods approaches receive the highest score of **9**, emerging as the most effective.

This evaluation is based on studies showing that combining numerical data with content analysis supports the development of a richer analytical framework. This methodology not only identifies the factors associated with success, but also explains why and how outcomes occur within different social, cultural, and institutional contexts.

The interpretation of this graph supports the conclusion that, in contemporary literature, **an integrated methodological approach** is the most appropriate for the successful study of female entrepreneurship. Combining quantitative and qualitative approaches not only facilitates the comparison of influencing factors but also enhances contextual understanding and gender sensitivity in research.

This conclusion aligns with the recommendations of authors such as **Cardella et al. (2020)**, **Lone et al. (2024)**, **NWBC (2023)**, and the **World Bank (2023)**, who emphasise the necessity of using mixed-method approaches to produce deep, measurable, and applicable knowledge for policymaking and the development of support practices for women in business.

Figure 1: Effectiveness of Different Research Methods



Source: The graph was created by the authors based on data summarised from Henry et al. (2016), GEM (2023), OECD (2022), Cardella et al. (2020), and NWBC (2023).

Figure 2 presents a comparative assessment of the **complexity** of the three methodological approaches used in studying the success of female entrepreneurship. Complexity is measured based on three specific criteria derived from the literature:

Quantitative Methods (Rating: 4/10)

These methods are methodologically simpler to implement, especially when the researcher has access to existing structured data (e.g., GEM, OECD, INSTAT databases, etc.).

They require an intermediate level of statistical knowledge and the use of standard analytical software such as SPSS, STATA, R, or Excel.

Their methodological strengths lie in the automation of analysis and the capacity to handle large samples.

However, they offer limited flexibility for exploring intangible factors such as cultural norms or personal motivations.

Qualitative Methods (Rating: 6/10)

These methods demand greater time and preparatory effort, including the development of instruments (e.g., interviews, focus groups) and participant recruitment.

Data processing is more complex, as analysis involves thematic coding or content analysis, often using software such as NVivo, MAXQDA, or Atlas.ti.

They require cultural sensitivity, communication skills, and experience in interpretive analysis to avoid bias in interpretation.

They are particularly suitable for exploratory studies or in contexts where structured data are lacking.

Mixed-Methods Approaches (Rating: 8/10)

These are more methodologically challenging, as they require detailed planning for integrating both types of data (e.g., through convergent parallel or explanatory sequential designs).

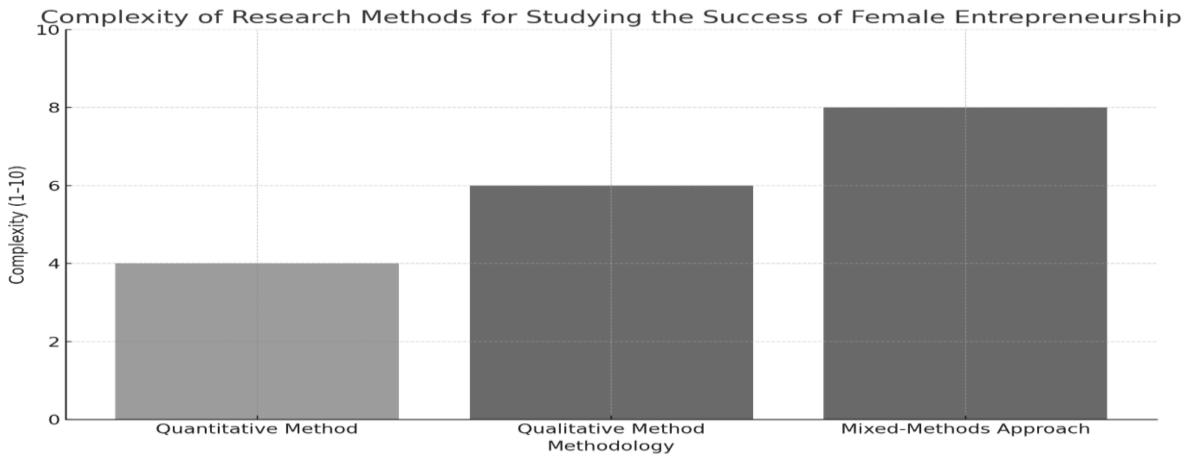
They demand dual expertise in both statistical and qualitative analysis, as well as the use of more than one software tool.

Effective implementation often requires a multidisciplinary team or inter-institutional collaboration.

They are well suited for international, funded studies or doctoral research projects with advanced research resources.

The key implication of the graph is that studies aiming for a comprehensive and interdisciplinary understanding of female entrepreneurial success must account for the higher implementation costs associated with mixed-methods approaches. This makes methodological preparation and resource planning crucial for achieving scientifically robust and practically relevant results.

Figure 2: Complexity of Different Research Methods



Source: The graph was created by the authors based on data summarised from Eddleston & Powell (2008), McGowan et al. (2012), UN Women (2022), and the World Bank (2023).

6. Conclusion:

This study has examined the most commonly used methodologies for studying the success of female entrepreneurship, assessing the advantages and limitations of **quantitative**, **qualitative**, and **mixed-methods** approaches. Based on a systematic review of the literature, the findings suggest that there is no single ideal methodology; rather, a **combination of methods** provides the most comprehensive understanding of this field.

Quantitative methods are useful for comparative analysis and for identifying key success factors at a macroeconomic level. However, they fall short in capturing the contextual and subjective factors that influence women entrepreneurs.

Qualitative methods offer in-depth insight into the personal experiences of female entrepreneurs but have limitations regarding the generalisability of findings.

Mixed-methods approaches emerge as the most effective, as they integrate precise statistical data with a deeper analysis of the social and cultural factors that impact the success of women-led enterprises.

From the analysis of international literature, it was found that **institutional policies, financial support**, and the **socio-cultural context** play a crucial role in the success of women-owned businesses. Studies by the **OECD**, **World Bank**, and **UN Women** highlight that countries with more advanced policies to support female entrepreneurship report higher levels of success in this sector.

As a result, future studies should adopt **integrated methodological approaches**, employing combined analyses that measure success not only in economic terms but also in personal and social dimensions. Moreover, research should focus more on women entrepreneurs in developing countries, where institutional and cultural barriers significantly affect their opportunities to succeed.

In conclusion, this study suggests that a **comprehensive methodological model**, which balances quantitative data with qualitative analysis, would be the most appropriate approach for accurately and thoroughly studying the success of female entrepreneurship.

- **Recommendations**

This study offers several recommendations for improving research approaches and supporting female entrepreneurship:

Adopt mixed-methods approaches – Future studies should integrate both quantitative and qualitative analyses to provide a more comprehensive understanding of the success of female entrepreneurship.

Expand research across diverse regions – Research should include women entrepreneurs in developing countries, where institutional and cultural barriers have distinct effects on their success.

Enhance financial and institutional support – Governments and international organisations should establish dedicated funding schemes, credit facilities, and mentoring networks for women entrepreneurs.

Promote successful role models – Increasing awareness and promoting successful female entrepreneurs as inspirational figures can help broaden women’s participation in the economy.

Develop a standardised framework for measuring success – Studies should aim to create a unified model that includes economic, social, and cultural indicators to assess female entrepreneurial success.

Implement supportive policies – Government policies should address structural inequalities in financial markets and facilitate women’s access to high-growth sectors.

The implementation of these recommendations will contribute to the creation of a more enabling ecosystem for women entrepreneurs and enhance the quality and relevance of research in this field.

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The Role of Social Media and Digital Marketing in Consumer Behavior

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Abstract

In the era of digital transformation, social media and digital marketing have revolutionized consumer-brand interactions, shaping purchasing decisions and preference expression. This paper explores the impact of social media platforms and digital marketing strategies on consumer behavior, focusing on key factors such as engagement dynamics, brand loyalty, virtual interaction patterns, and decision-making processes.

By analyzing existing literature, empirical data, and recent studies, this research provides an in-depth examination of current trends. It evaluates the role of targeted advertisements, digital influencers, and content personalization in shaping consumer perceptions and behaviors. Additionally, it examines the psychological effects of marketing and social interactions across platforms like Facebook, Instagram, TikTok, and LinkedIn.

The study highlights how algorithm-driven content, real-time consumer feedback, and influencer endorsements shape modern marketing strategies. As consumers increasingly rely on peer reviews and personalized recommendations, businesses must adapt by integrating data-driven approaches to enhance consumer trust and satisfaction.

The findings of this paper will provide valuable insights for businesses and marketing professionals, enabling them to develop more effective strategies for fostering consumer engagement and brand loyalty. Moreover, this study contributes to the existing literature by offering a deeper understanding of the interplay between digital technology and consumer behavior, emphasizing the importance of adaptive marketing strategies in an evolving digital landscape.

Keywords: social media, digital marketing, consumer behavior, brand loyalty, targeted advertising, digital influencers, content personalization.

JEL code: M31, D91, L82, L86, O33

1. Introduction

1.1. Digital marketing and social media.

In today's digital age, social networks have transformed into powerful tools for marketing, enabling direct interaction between businesses and consumers. They serve as connecting bridges for promoting products and services at low cost and high efficiency. To gain a competitive advantage, businesses are increasingly incorporating social networks into their marketing strategies, especially to attract more young people—an important segment of consumers who use social networks to buy products and share experiences. This study focuses on the impact of social media on the behavior of Albanian consumers, particularly youth, and examines the evolution of their use, their attitudes towards them, and the effect of online promotion. Unlike international studies, in Albania, there is a lack of in-depth analysis on how young people use social networks to interact with businesses.

This study emphasizes the effectiveness of online marketing campaigns and their impact on Albanian youth. It addresses several key issues such as: whether young people consider the information on social networks sufficient for products/services, whether they consult these media before purchasing, and whether their behavior is influenced by friends' suggestions. Additionally, the tendency for increased consumption due to high exposure to online promotions is analyzed. Special attention is also paid to the role of influencers, who significantly impact purchasing decisions through sharing personal experiences and their recommendations on social networks.

This study was developed to analyze a specific target group, Albanian youth. This study will bring us some specific results regarding this topic which we will analyze below, reaching some conclusions and suggestions at the end of the paper.

1.1.1. Purpose of the paper:

The purpose of this study is to analyze the impact of promotion and user opinions on social networks on the purchasing decisions of Albanian consumers, with a special focus on young people. The study aims to highlight the consumer culture of Albanian youth, their relationship with social media, and how they are influenced by marketing on these platforms – including their perception, reaction, and behavior towards various online promotion stimuli.

1.1.2 The objective of the paper:

To achieve the goal of this study, several specific objectives have been defined that help in guiding and focusing the analysis. The main objectives of this paper are:

- To identify how Albanian youth use social networks during the purchasing decision-making process.
- To analyze the impact of product and service promotion on social media within this group.
- To evaluate the role of friends' and influencers' opinions on the consumer behavior of young people.

- To examine how credible information and advertisements on social networks are perceived.
- To understand whether social media encourage higher consumption than real needs through frequent promotional campaigns.

1.1.3 Hypotheses of the paper
Hypotheses are:
H1- "Social media is positively related to consumer approach and perceived service quality."
H2- "Albanian youth are highly exposed and sensitive to promotions on social media."
H3 - "Albanian youth are influenced by so-called “influencers” on social media."
H4- "Albanian youth are inclined to share positive or negative experiences about products or services they consume on social networks."
1.1.4. Research questions
1.How do Albanian youth use social networks and how much do they embrace digital culture?
2.Do they consult social networks before making a purchase?
3.How much are they influenced by the experiences shared by others, including influencers?
4.Do they share their own experiences about products and services on social networks?
5.Do social networks and digital marketing influence increased consumption and purchasing decisions?

2. Literature reviews

In recent decades, social media has become an inseparable part of our daily lives. They serve not only for communication, entertainment, or sharing personal experiences, but also as effective tools for businesses, through which they promote products, services, and increase their market presence at a lower cost than a physical store.
In this context, online marketing has taken on an important role. According to Grewal & Levy (2008), the main goal of marketing is to create value for the consumer through various offers – goods, services, or ideas. While many people equate marketing with selling or advertising, it is actually a philosophy that centers on consumer satisfaction (Lamb, Hair & McDaniel, 2011). Today, marketing is no longer "sell every product you have," but "understand and fulfill consumer needs." As Kotler (2002) emphasizes, to achieve success, marketers must offer superior value through well-organized pricing, distribution, and promotion.
The concept of marketing has evolved over time, and the main phases of this development will be analyzed below.

Key Phases of Marketing Evolution
Production Period
At the beginning of the 20th century, businesses believed that a good product would sell itself. The focus was on increasing production and efficiency, not on individual consumer needs

(Leavy, 2008; Kotler, 2002). The concept of the "ideal product" was developed, and a technical design mentality dominated, not real demand.

Sales Period

With increased competition and overproduction, firms focused on boosting sales through advertising and personal selling (Grewal & Levy, 2008). The product was thought to be sold by increasing the aggressiveness of sales and promotion (Kotler, 2002; Blythe, 2005).

Birth of the Marketing Department

After World War II, the focus shifted from production to the consumer. Shopping centers were created, and the consumer was considered "king." Businesses began to understand that to succeed, they needed to understand and meet consumer needs (Grewal & Levy, 2008).

Modern Marketing Period

In the last 40 years, marketing has become a central part of enterprise strategy. Decision-making is based on consumer analysis, and competition is more sophisticated. Brands, loyalty, and customer satisfaction are key priorities (Ceku, Abazi & Loca, 2010).

Conclusion: Marketing has shifted from a focus on product and sales to a consumer-oriented approach and offered value. As Kotler (2002) emphasizes, profit today is ensured through consumer satisfaction, not just from product sales.

Social Marketing and its Orientation

Social marketing expands the traditional concept of marketing by emphasizing the long-term needs of the individual and society, not just consumer desires or company objectives (Kotler & Armstrong, 2012). It emphasizes the importance of products and processes that are sustainable and have a positive impact on the environment and health, such as recyclable packaging and clean production.

According to the American Marketing Association, marketing should also create value for "the wider society" by preserving resources and reducing negative impacts. Since the 2000s, in the face of challenges such as pollution, global warming, and health problems, this orientation has gained more attention (Lamb, Hair & McDaniel, 2011).

Social marketing questions whether short-term consumer desires should take precedence over their long-term well-being. Therefore, modern strategies emphasize social responsibility, sustainability, and the preservation of the interests of future generations (Kotler & Armstrong, 2012).

Also, in the 1990s, relationship marketing emerged, focusing on building loyalty and long-term relationships with the consumer, by offering stable values and customization according to their needs (Blythe, 2005; Zikmund & Babin, 2007).

Consumer Behavior and its Application

Companies worldwide invest billions to influence what, when, and how consumers buy products and services. In addition, modern marketing not only aims to influence but also to study consumer behavior. Consumer behavior is an applied discipline, based on psychology, sociology, anthropology, economics, and statistics (Kardes, Cronley & Cline, 2011).

The study of consumer behavior gained momentum after the 1940s when companies began to shift from a production orientation towards understanding consumer needs. By the end of the

1950s, this field became part of marketing strategies, helping companies produce only what consumers wanted to buy. Technological developments, especially in the last 15 years, have significantly transformed the way of buying, shifting it to digital platforms. Uggla (2001) distinguishes two orientations in consumer behavior: cognitive orientation, which relates to logical decision-making, and experiential knowledge, which relates to emotional motives.

Dalvist & Linde (2002) identify four types of consumer behavior:

Rational behavior: The decision is based on product information and logical evaluation (knowledge-attitude-action).

Involuntary behavior: Originates from an emotional attitude towards the product and is followed by information seeking (attitude-knowledge-action).

Learned behavior: The action is a reflex and habit, without much prior thought (action-knowledge-attitude).

Social behavior: Based on the influence of social factors such as status and fashion (action-attitude-knowledge).

The application of knowledge about consumer behavior is essential in marketing management. Khan emphasizes that understanding the consumer is essential for long-term marketing success, as it helps in selecting the target market and creating value for the consumer. According to Hawkins & Mothersbaugh (2010), the most successful marketing strategies are those based on clear knowledge and supported by scientific research on consumer behavior.

In this way, the study of consumer behavior constitutes a competitive advantage, reducing the risk of making wrong decisions and increasing market success.

An Overview of Internet Marketing.

In recent years, Information and Communication Technology (ICT) has gained extraordinary importance worldwide, fundamentally changing the way people live and do business, including the Albanian market. This phenomenon is considered by many experts as a technological revolution, as it radically transforms communication, information, and economic activities.A visible trend is the increasing use of the internet in the field of tourism and e-commerce, where tourism operators are extensively using electronic media and the internet to develop their marketing strategies, prioritizing electronic marketing as a new concept and practice. Globally, about 1.97 billion people use the internet, which constitutes about 28.7% of the world's population, and this number continues to grow rapidly.The increase in internet use is also accompanied by an increase in consumer trust to make online purchases. In Europe, online retail sales in 2010 increased by 19.6% compared to 2009, reaching a share of 5.5% of total retail sales. This success is attributed not only toimprovements in the security of online markets but also to the impact of user suggestionsand reviews, which carry more weight with consumers than traditional advertisements.Today, the internet represents one of the main challenges for the tourism sector and other businesses, with more than a billion active pages offering extraordinary opportunities for communication and interaction. However, organizations strive to balance the opportunities and limitations offered by the internet, using it as an essential tool for building image and analyzing competitors, as well as for carrying out marketing activities.

According to statistics, about 95% of large companies and 38% of small and medium-sized enterprises already have an online presence, reflecting the permanent importance of the internet in modern business strategies.

Consumer Attitudes

Consumer attitude is the stable organization of motivational, emotional, perceptual, and cognitive processes related to the environment surrounding the consumer. It represents approval or disapproval of a particular object and reflects how the consumer thinks, feels, and acts towards various aspects such as products or services (Hawkins, Mothersbaugh 2010). Attitudes are difficult to change, and therefore companies usually prefer to adapt to existing attitudes, although investments in changing attitudes can bring rewards.

An attitude is a stable and general evaluation towards people, objects, publicity, or various issues, and are learned through direct experience, information from others, media, and other forms of marketing (Solomon, Bamossy, Askegaard, Hogg 2006). It is important to distinguish attitudes from behaviors, as attitudes reflect favorable or unfavorable evaluations towards a product and can derive from behaviors.

Attitudes fulfill different functions:

1. Knowledge function — organize beliefs about objects such as brands and purchases.
2. Value-expressive function — express individual values and self-concept.
3. Utilitarian function — based on operant conditioning, where attitudes favor objects that bring rewards.
4. Ego-defensive function — created to protect ego and image from dangerous social situations.

Groups that influence a person's behavior

Groups influence individual behavior through direct or indirect connections. Membership groups include primary groups (family, neighbors, colleagues) and formal secondary groups (religious organizations, professional associations, trade unions). Reference groups are those that influence the formation of attitudes and behaviors, even if the person does not directly belong to them (Kotler & Keller, 2012). Opinion leaders, who possess special knowledge or characteristics, also influence these groups.Reference groups expose the individual to new behaviors, influence attitudes and self-concept, and create conformity pressures in product and brand choices (Grewal & Lewy, 2008; Lamb, Hair, & McDaniel, 2011).The family is the most powerful social institution influencing consumer values and behaviors, playing a decisive role in the purchasing process (Lamb, Hair, & McDaniel, 2011).Role and status determine the individual's position in the group and social class, which is measured based on the relative ranking of members in society (Kotler & Keller, 2012).Personal factors influencing purchasing decisions include:

- Age, profession, economic status, lifestyle, personality, and self-concept (Zikmund & D’Amico, 1996; Lamb, Hair, & McDaniel, 2011).
- Profession influences needs and desires for specific products and services.
- Gender influences preferences for health and beauty products as well as economic and social roles (Kotler & Keller, 2012).

- Personal and family income influence product choice, as they are related to purchasing power and social class.
- Educational level impacts social status and income, determining the individual's economic potential (Schiffman & Kanuk, 2004; Lamb, Hair, & McDaniel, 2011).
- Personality consists of stable psychological characteristics that guide consumer behavior and influence brand choice (self-confidence, dominance, sociability, etc.). Self-concept is related to identity and product ownership as an expression of personal image (Lamb, Hair, & McDaniel, 2011).

Various definitions from well-known authors on the concept of social media

To consider social media an effective marketing tool, a retailer must understand its various aspects. Social media are defined as platforms where content is created and modified collaboratively by users (Kaplan and Haenlein, 2010). More than technology, what matters is its use by people, who create and consume content, adding value to websites (Campbell, 2011). Social media includes software tools that create user-shared content (Vogus, 2011).Consumer sensitivity to marketing (CSM) is a key factor to measure the perception of marketing in social media. CSM is related to the general feelings that consumers have about marketing and the market (Lawson et al., 2001, cited by Mady, 2011). Market perception influences motivation for consumption (Mady, 2011). Also, consumer readiness for technology, defined as the propensity to embrace new technologies for personal and work purposes, is important (Parasuraman, 2000, cited by Mady, 2011). If the target market is unknown or perceives social media negatively, marketing will be ineffective.

The Innovation Adoption Process (IAP) helps in understanding consumer technology acceptance and consists of five steps: awareness, attitude formation, decision to adopt or reject, implementation, and confirmation of the decision (Mady, 2011).Social media has evolved from a way of communicating with family and friends to a platform where consumers learn about companies and products. Advanced technologies such as search engines and mobile devices have expanded marketing opportunities (Shankar, 2011). Shopper marketing focuses on influencing marketing activities throughout the purchasing journey from initial motivation to recommendation (Shankar, 2011). Perceived fit, which indicates the similarity between new products and existing brand products, influences the willingness to use social media shopping services (DelVecchio and Smith, in Cha, 2009). Offering shopping services on social networks can lead to business growth thanks to the wide range of users (Cha, 2009).

Shopper marketing can improve products, create clearer messages, and identify promoters, strengthening the connection with in-store activities, showing the importance of social media in retailers' marketing strategy (Shankar, 2011). Advancements in social media have created virtual communities where companies and consumers can interact and share information about products and brands.

Viral ads

Viral advertising is a method where sellers promote brands and products through unpaid communication among users with provocative content, originating from an identified sponsor (Porter and Golani, in Chu, 2011). Unlike other tools, viral ads contain a clear sponsor origin, making it easier to connect with the ad. Studies show that humor, sexuality, stealth, and positive experiences are key factors that drive the success of viral ads (Golan and Zaidner, 2008). Golan and Zaidner also found that well-placed ads can create "word of mouth" that lasts for years.

However, Ferguson (2008) and Chu (2011) found that viral campaigns are not always effective, as many users are reluctant to share them with their friends and often ignore them. Kelly et al. (2010) identified three factors that influence the avoidance of online advertising: task disruption, perceived clutter on websites, and prior negative experience with online advertising. The credibility of medium influences is also important for the perception of information credibility (Rogerds). In most cases, social media ads are not relevant to consumers and are only noticed when they are annoying or entertaining, with entertainment increasing acceptance (various studies).Due to the active involvement of consumers in marketing communication, businesses are becoming more creative in controlling their marketing (Chi, 2011). Communication among consumers is the main force for message dissemination, so sellers must integrate social media marketing into their business plan (Zaidner, 2008).

Pavlou and Stewart (2000) propose measuring the effectiveness of company participation in interactive advertising, including: media selection, information seeking, and attention to information processing, as well as the effects of consumer use of interactive media. They emphasize that reciprocal communication between marketers and consumers makes it difficult to isolate the impact of each advertisement and suggest that evaluation should focus on the process and overall result.In conclusion, the role of the consumer has changed, and it is key to measure how consumers interact with online advertisements to develop successful marketing campaigns on social media.Viral advertising is a method where sellers promote brands and products through unpaid communication among users with provocative content, originating from an identified sponsor (Porter and Golani, in Chu, 2011). Unlike other tools, viral ads contain a clear sponsor origin, making it easier to connect with the ad. Studies show that humor, sexuality, stealth, and positive experiences are key factors that drive the success of viral ads (Golan and Zaidner, 2008). Golan and Zaidner also found that well-placed ads can create "word of mouth" that lasts for years.However, Ferguson (2008) and Chu (2011) found that viral campaigns are not always effective, as many users are reluctant to share them with their friends and often ignore them. Kelly et al. (2010) identified three factors that influence the avoidance of online advertising: task disruption, perceived clutter on websites, and prior negative experience with online advertising.The credibility of medium influences is also important for the perception of information credibility (Rogerds). In most cases, social media ads are not relevant to consumers and are only noticed when they are annoying or entertaining, with entertainment increasing acceptance (various studies).Due to the active involvement of consumers in marketing communication, businesses are becoming more creative in controlling their marketing (Chi, 2011). Communication among consumers is the main force for message dissemination, so sellers must integrate social media marketing into their business plan (Zaidner, 2008).Pavlou and Stewart (2000) propose measuring the effectiveness of company participation in interactive advertising, including: media selection, information seeking, and attention to information processing, as well as the effects of consumer use of interactive media.

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3. Research Method

The most commonly used method for collecting and analyzing primary data is the survey. A survey is a research process in which the selected sample is interviewed in various forms, such as by telephone, face-to-face, or by mail. This method is the main foundation of research in the field of marketing and is based on the development of a structured questionnaire, which is administered to respondents to collect specific information related to the study's objectives.
Questionnaires can be used in various forms during studies, including mail surveys, telephone interviews, or personal interviews. One of the most important aspects is the careful development of the questionnaire, which must be tested in advance (pilot testing) to identify and correct any ambiguities, double-barreled questions, or gaps in responses. After the pilot and adjustment phase, the questionnaire is distributed for data collection. Essentially, the questionnaire is an instrument used to collect structured data and serves to answer the research questions defined at the beginning of the study. The questions must be carefully designed to clearly and accurately address the research objectives.In our study, 650 consumers from the city of Durrës were interviewed. All questionnaires were valid, with no ambiguities, missing responses, or unanswered questions that required the opinion of the consumer. Due to its flexibility and efficiency, the questionnaire remains the most widely used instrument for collecting primary data in marketing research. Before being used in the field, the questionnaires are tested and refined to eliminate any potential issues in the content.

Questionnaire Design

For this study, a structured questionnaire was created and developed, consisting of two sections. The questions were designed based on the objectives of the study, the research questions, and the stated hypotheses. The questionnaire was addressed to consumers in the city of Durrës, as this is the city where the study is being conducted. The average time required to complete the questionnaire was between 5 and 7 minutes.The first section of the questionnaire includes questions on the socio-demographic data of consumers, such as age, gender, marital status, employment status, presence of children, education level, and household income.
The second section contains 10 questions directly related to the study's objectives, aiming to highlight the behavior and perceptions of consumers regarding social media marketing of the products and services they use. In the final question, respondents had the opportunity to provide reasons for their "Yes" or "No" answers, which will be analyzed in the following chapters. The consumer interviews were conducted during the May–June period.

Pilot Testing of the Questionnaire

Before distributing the questionnaire to the final sample, it was pilot tested on a group of 15 citizens during the April–May period, in order to assess the clarity, accuracy, and suitability of the questions in relation to the characteristics of the sample. This process ensured that the concepts and formulations were understandable and relevant to the respondents, and allowed for adjustments to the questionnaire based on their comments and feedback.
The data collection was carried out through the random distribution of questionnaires on the streets of the city of Durrës. After the completion of the survey, the collected data were systematized and organized into an Excel table to enable descriptive analysis. Each response was carefully analyzed in order to produce results that contribute to achieving the objectives of the study. The analysis included the examination of the data up to the point of drawing relevant conclusions related to the research objectives.

4. Analysis of findings

Demographic Data

Out of 720 respondents, 68% were female and 32% were male. (See Table 1)

Table 29-Gender

Gender	Percentages
Female	68%
Male	32%

The age group most represented in this study was the over 25 years category, comprising 36%, followed by the 21–23 years age group with a difference of approximately 9%. (See Table 2)

Table 2- age-group

Age group	Percentages
under18 years old	1.7%
18-21 years old	12.2%
21-23 years old	27.1%
23-25 years old	23.8%
over 25 years old	36%

Assessment of the Impact of Social Networks on Purchase Decision-Making among Respondents. When asked if they have at least one account on any of the social networks listed below, 91.4% of respondents stated that they use Instagram, followed by Facebook with 86.8%. (See Table 3)

Table 3-Social networks

Do you have at least one account on any of the social networks listed below? You may select one or more options.	Percentages
Instagram	91.4%
Facebook	86.8%
Twitter	30%
YouTube	55%
Others	24%

The primary purpose of social media use among respondents was entertainment, accounting for 78.5% of participants, followed by the reason of connecting with others at 72.5%. (See Table 4)

Table 4-The reasons of uses of social networks

Which is the primary purpose of using social networks?	Percentages
Entertainment	87.5%
To connect with the others	72.5%
Work	40.2%
Biznes Personal Online	11.1%
Others	10.4%

When asked about the amount of time spent on social networks, 46% of respondents reported spending between 1 and 3 hours, while 29% spent between 3 and 5 hours. (See Table 5)

Table 5- Hours Spent on Social Networks

Hours Spent on Social Networks	Percentages
<1	10%
1-3	46%
3-5	29%
5+	15%

When asked whether respondents refer to social media to seek prior information about a product or service before making a purchase, 90% answered yes, while only 10% answered no. (See Table 6)

Table 6- Referring to Social Media Regarding a Product/Service Before Purchase

Do you refer to social media to seek information or ideas about a specific product/service before making a purchase?	Percentages
yes	90%
no	10%

When asked whether social media provided sufficient information about all products/services, the respondents answered as follows: (See Table 7)

Table 7- Sufficiency of Information about Products/Services on Social Networks

In your opinion, do social media provide sufficient information for all categories of products/services?	Percentages
Yes, I am totally agree	7.6%
Agree	37.3%
Neutral/e	42.1%
I am not agree	12%
I completely disagree	1%

When asked where they turn to before purchasing a product/service, the majority of respondents answered that they refer to social media (68.4%), while 63% rely on the opinions of their friends. (See Table 8)

Table 8- Preliminary Ideas about a Product/Service

Before purchasing a product or service, where do you turn to obtain preliminary information about that product/service?	Percentages
Family members	41.8%
Friends	63%
Social media (Google+, Facebook, Instagram etc.)	68.4%
Others	11.7%

When asked whether they have ever been influenced so much by the promotion of a product or service on social media to purchase it, even though it was unnecessary for them, but bought it solely due to excessive promotion on these networks, respondents answered as follows: (See Table 9)

Table 9 – The Impact of Social Media Promotion on Purchasing an Unnecessary Product/Service

Have you ever been influenced by the heavy promotion of a product or service on social media to the extent that you ended up purchasing it, even though it was unnecessary for you, solely because of the way it was promoted on these platforms?	Percentages
Yes	34%
No	54%
I am not sure	12%

When asked whether they rely on the opinion or recommendations of social media influencers regarding the quality of a product or service, 48.4% of respondents answered yes. (See Table 10)

Table 10- Relying on Influencers' Opinions Regarding the Quality of a Product/Service

Do you rely on the opinions of so-called "influencers" on social media regarding the quality of a product or service?	Percentages
Yes	31.6%
No	48.4%
Not sure	20%

When asked whether they had ever been prompted by social media to make an impulsive emotional purchase that they later regretted, respondents answered as follows: (See Table 11)

Table 11- Data on Whether Respondents Were Prompted by Social Media to Make an Emotional Purchase They Later Regretted

Have you ever been prompted by social media to make an impulsive emotional purchase that you later regretted?	Percentages
Yes, it has happened to me	34.5%
No, it has not happened to me	59.2%
I am not sure	6.3%

When asked how often they turn to social media to obtain preliminary information about a specific product or service, 40% of respondents answered “often,” while only 3.8% answered “never.” (See Table 12)

Table 12 Referring to Social Media to Obtain Preliminary Information about a Specific Product or Service

How often do you turn to social media to obtain preliminary information about a specific product or service?	Percentages
Never	3.8%
Rarely	31.5%
Neutral/	20.3%
Often	40%
Always	4.4%

When asked whether, after purchasing a specific product that was widely discussed on social media, they were disappointed by its actual performance compared to the perception they had previously formed from social media, respondents answered as follows: (See Table 13)

Table 13- The Actual Performance of a Product Compared to Its Promotion on Social Media

After purchasing a specific product that was widely discussed on social media, were you disappointed by its actual performance compared to the perception you had previously formed about this product from social media?	Percentages
Yes	50.6%
No	29%
I am not sure	20.4%

When asked whether they have changed their opinion about a specific product after hearing numerous positive comments and recommendations about it on social media, even though they themselves were not satisfied with their personal experience with that product, respondents answered as follows: (See Table 14)

Table 14- The Impact of Social Media on Changing Opinions about a Specific Product/Service Compared to Personal Experience

Have you ever changed your opinion about a specific product after hearing many positive comments and recommendations	Percentages

about it on social media, even though you yourself were not satisfied with your personal experience with that product?	
Yes	36.5%
No	50.5%
I am not sure	13%

When asked which of the following stages most motivated them to turn to social media regarding a specific product, respondents gave the following answers: (See Table 15)

Table 15- Stages that Motivate Turning to Social Media

Which of the following stages has most motivated you to turn to social media regarding a specific product?	Percentages
Searching for Preliminary Information about the Product/Service	56.3%
Searching for Alternative Options of the Same Product That Better Suit Your Needs	37.3%
The Effects This Product Has Had on You Compared to Others Who Have Purchased and Used the Same Product	37.3%

When asked whether they believe social media facilitates the decision-making process for purchasing a product or service, 67.1% responded "yes," while only 16% responded "no." (See Table 16)

Table 16- Facilitation of the Decision-Making Process by Social Media

Do you think social media facilitates the decision-making process for purchasing a product or service?	Percentages
Yes	67.1%
No	16.5%
I am not sure	16.4%

When asked whether they are inclined to share recommendations about products or services they have purchased on their social media networks, respondents answered as follows: (See Table 17)

Table 17- Tendency to Share Recommendations about Products/Services on Social Media

Are you inclined to share recommendations about products or services you have purchased on your social media networks?	Percentages
Yes	39.6%
No	60%

If yes, respondents were asked whether they share mostly positive or negative experiences regarding a product/service; 56.5% answered both. (See Table 18)

Table 18- Sharing Recommendations about Products/Services on Social Media

If yes, do you mostly share positive experiences or negative experiences about a product/service?	Percentages
Positive experiences	35%
Negative experiences	8.5%
Both	56.5%

Respondents were asked whether they believe individuals are more likely to increase their consumption of goods and services influenced by social media; 17.8% fully agreed, while only 0.3% completely disagreed. (See Table 19)

Table 19- Individuals' Tendency to Increase Consumption Due to the Influence of Social Media

In your opinion, are individuals more likely to increase their consumption of goods and services influenced by social media?	Percentages
Yes, totally agree	17.8%
Agree	50%
Neutral	28%
I am not agree	3.9%
Disagree	0.3%

When asked whether they believe reducing exposure to social media could help limit impulse/emotional purchases, respondents answered as follows: (See Table 20)

Table 20- The Impact of Reducing Social Media Exposure on Limiting Emotional Purchases

Do you believe that reducing exposure to social media can help reduce impulse/emotional purchases?	Percentages
Yes	71.4%
No	12.4%

I am not sure	16.2%

5. Findings

At the end of the questionnaire, respondents were asked: "Do you believe that social media provides an easier way for companies to build relationships with customers and stay close to them?"

Respondents answered "Yes" or "No" and were then asked to explain their choice.

The results showed that 76% of respondents believe social media helps create quality marketing and develop long-term, loyal relationships with both existing and new customers. According to them, companies with effective marketing teams benefit from the opportunity to share detailed information and receive direct feedback from consumers, thereby adding value to their products and services.

On the other hand, those who disagreed highlighted that not all consumers use social media, especially those living in rural areas of Durrës Municipality, where digital technology usage is limited. This restricts companies' ability to build comprehensive relationships through these channels. Additionally, concerns were raised about some companies presenting misleading images on social media, which negatively impacts consumer trust and the overall market perception.

Nonetheless, these arguments do not negate the positive impact that digital marketing via social media has on consumer behavior and the development of relationships between companies and their customers.

6. Conclusions

After analyzing the data and findings of this study, it is essential to draw conclusions that validate the relevance of the study's purpose, objectives, research questions, and hypotheses established at the outset. Based on the responses gathered from consumers in the city of Durrës, several key points emerged:

1. Consumers place great importance on the quality of the product or service when choosing a brand. This factor is decisive for company marketing, as negative feedback—whether from existing or new customers—can significantly impact a company's reputation and success.
2. Consumers in Durrës are active users of social media and have purchased new or existing products thanks to digital marketing. They can be considered loyal customers as long as the product offered corresponds to what was advertised.
3. Regardless of socio-demographic differences, perceptions regarding social media marketing were nearly identical, highlighting the importance of an effective presentation of the product or service, which directly influences the purchase decision.

Study Results

The data analysis showed that consumers' perceptions are closely related to certain socio-demographic factors, with the age group 26-35 emerging as the most active users of social media—an expected result given the population structure in Albania.
Studies indicate that a person encounters approximately 1,200 pieces of information daily, but only 5% of this information is retained, highlighting the challenge for marketers to create messages that stick in consumers' minds and influence their behavior.
After reviewing the methodology, the instrument used, and analyzing the results, it can be concluded that the hypotheses set at the beginning of the study are confirmed:

- H1: Digital marketing is positively related to consumer engagement and perceived service quality.
- H2: Social media has a positive connection with consumer engagement and perceived service quality.
- H3: Albanians are highly responsive to promotions through digital communication channels.
- H4: Albanians are significantly influenced by word-of-mouth marketing (WOM) and actively share their experiences in daily life.

Recommendations

For Consumers:

Albanian consumers should increase their level of loyalty toward social media marketing and the products promoted there. Although the findings show active use of social media and its influence on purchasing decisions, there is always a need for continuous growth and improvement in this interaction.
For Companies:In an increasingly competitive market, companies must focus on enhancing their marketing incentives to communicate more effectively with consumers.A significant portion of consumers (22%) do not use social media at all. Companies should not ignore these consumers but rather develop alternative strategies to reach this segment, regardless of their social media usage.Consumers' ability to compare products through social media enables them to make more informed choices and increases trust in products and services. This contributes to better purchasing behavior and helps companies maintain and expand their market presence.

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The importance of work characteristics on current and prospective employees.

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Abstract

Organizations today require effective human resource management (HRM) policies to address the diversity of their workforce, which varies by age, ethnicity, educational background, and professional experience. Multi-generational or cultural perspectives should be employed to improve one's knowledge about workforce diversity in general and work characteristics in particular. Understanding the significance of various work characteristics and how people perceive them is critical for reducing stress, increasing motivation, and improving job performance. The purpose of this study is to determine the significance of work characteristics from the perspectives of both current and future employees. Analyzing socioeconomic information, the study reveals a difference in how work characteristics are perceived or valued when viewed from the perspective of a student considering employment compared to that of a current employee. Managers and leaders must evaluate which work characteristics influence an employee's or student's perception of meaning in their work. They should also create environments that foster individual performance in their respective roles. Furthermore, identifying variations in work characteristics can lead to the future design or enhancement of human resource tasks.

Keywords: work characteristics, human resource management, motivation, generational differences.
Jel Code: L2, O15, J81

1. Introduction

Demographic developments, together with economic, technical, and cultural changes, need parallel improvements in how employment is structured and performed (Egri & Ralston, 2004). Over the last few decades, organizations have seen a significant transition in their workforce characteristics (Kundu, Phogat, Datta, & Gahlawat, 2016). Multigenerational lenses should be employed in both theory and practice to acquire a deeper understanding of workforce diversity in general and the nature of job characteristics in particular (Hernaus & Vokic, 2014).

Furthermore, job characteristics may influence an employee's opinion of job meaningfulness, as they are an acceptable concept for enriching jobs in organizational contexts (Michael, Bryan, & Ryan, 2012).

Employees' positive thoughts of job meaningfulness may optimize organizational positive outcomes based on task orientation and reliable relationship-based fulfilling actions (Corley & Gioia, 2011). Research demonstrates that well-designed jobs positively influence work attitudes and behaviors (Hossam, 2009). Knowledge of employee attitudes is crucial for the creation and functioning of HR practices in the organization since they influence employee characteristics in the workplace (Armstrong & Brown, 2019). Researchers argue that job characteristics have some explanatory power regarding transformative leadership and employees' in-role behaviors and work-related outcomes (Gillet & Vandenberghe, 2014).

Additionally, job characteristics tend to affect mental health and engagement via two psychological pathways: the health impairment process and the motivational process (Bakker & Demerouti, 2017). Job characteristics are particularly acknowledged as an essential work environment predictor of turnover intention (Griffeth, Hom, & Gaertner, 2000) and have a crucial role in explaining the work-life conflict (Michel, Kotrba, Mitchelson, Clark, & Baltes, 2011).

This study's main goal is to assess the workplace's desired traits from the viewpoints of current and future employees. It also assesses whether two different views on workplace traits are consistent. It is important to note that studies of this nature are lacking in developing countries like Albania, despite the significant socio-demographic inequalities and high migration rates present in the country. Today's organizations face various challenges, one of which is retaining talented employees. Identifying workplace characteristics helps managers understand what employees value in their organizations. Additionally, evaluating these characteristics provides a basis for developing HR policies and procedures that reflect the values and preferences of current employees and students as they get ready to become future employees or entrepreneurs.

2. Literature Review

Job characteristics have attracted numerous fields of study during the last few decades. The Job Characteristics Model (JCM), developed by Hackman and Oldham in 1975, is among the most recognized frameworks for understanding job adjustment and enhancement (Hossam, 2009). According to Hackman and Oldham (1975), job characteristics can influence job outcomes by affecting an employee's perception of the value and responsibility of their job, as well as their control over job results, which in turn can impact employee work motivation. The authors highlighted five "core" job characteristics (skill variety, task significance, task identity and autonomy, and feedback) as possible motivating factors at work. Employees perform better, experience greater satisfaction and motivation, and are less likely to exhibit absenteeism or withdrawal behaviors when their jobs are designed with a focus on the five characteristics mentioned above (Fraccaroli, Zaniboni, & Truxillo, 2017).Humphrey, Nahrgang, and Morgeson (2007) present a meta-analytic analysis of the JCM model. The study identified a positive correlation between all five motivational characteristics and job satisfaction, growth satisfaction, and intrinsic work motivation. Furthermore, it revealed a strong relationship between these five characteristics of organizational commitment and job involvement, along with a significant, albeit smaller, correlation with absenteeism. In conclusion, employment characteristics that positively impact employees' psychological states can enhance intrinsic motivation at work, improve work performance quality, and increase job satisfaction (Han, Oh, & Kang, 2020).Karasek's 1979 Job-Demand-Control (JDC) model is recognized for its significant theoretical and practical contributions to job characteristics. The model suggests that psychological strain comes not just from one part of the work environment, but from how the demands of a job and the freedom workers have to make decisions together affect them. The central assumption of the job-control model is that having control can reduce the impact of job demands on psychological strain and can contribute to increased employee job satisfaction (Kain & Jex, 2010). The extended job-demands-control-support (JDCS) model explains how job characteristics influence employees' psychological well-being (Karasek & Theorell, 1990). The JDCS model suggests that social support can help reduce stress (Rodríguez, Bravo, Peiró, & Schaufeli, 2001). Hausser et al. (2010) conducted a meta-analysis and found that jobs characterized by high demands, limited control, and minimal social support were associated with lower job satisfaction. Research utilizing the job demand-control (JDC) and job demand-control-support (JDCS) models has primarily focused on examining the relationship between job characteristics and negative indicators of workplace well-being (Chambel , Carvalho, Cesário, & Lopes, 2017).

Demerouti et al. (2001) propose the job demands-resources (JDR) model, originally developed to investigate the causes of employee burnout and disengagement, as well as their effects on organizations. Job characteristics can be categorized as either demands or resources based on an individual's evaluation (Annink, den Dulk, & Amorós, 2016). Job demands refer to "aspects of the job that require sustained physical or mental effort and are therefore associated with certain physiological and psychological costs" (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). Job resources are defined as "aspects of the job that may aid in achieving work goals, alleviate job demands, and foster personal growth and development" (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). Job demands and job resources are typically inversely related. High job demands, such as excessive work pressure and emotionally taxing interactions with clients, can hinder the effective utilization of job resources (Hill, Mostert, & De Bruin, 2012). The JD-R model makes a valuable practical contribution by analyzing occupational and personal characteristics that influence employee health and well-being and their associated consequences, such as job performance (Schaufeli & Taris, 2014).

3. Methodology

This study was part of a larger research project examining interactions among a wider set of organizational and human resources issues. The goal of this study is to provide a descriptive analysis of the importance of work and work characteristics to Albanian employees. For a better cross-generational perspective and more thorough analysis, we collected data from both current employees and university students as prospective employees.

The authors used the survey from the International Social Survey Programme (ISSP) Work Orientation module to collect the data. ISSP is a program that has run continuous cross-national surveys over the years. It covers important topics related to work, such as work centrality, work characteristics, social inclusion, work-life conflict, job satisfaction, etc.

The first part of the study provides an overview of the importance of work in people's lives based on the following statements: "A job is just a way of earning money—nothing more" and "I would enjoy having a paid job even if I did not need the money." Respondents indicated their level of agreement or disagreement on a 5-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (5).

After completing the overall centrality of work, we then looked at the desired work characteristics. We asked current and prospective employees how important they consider the following work characteristics: (1) "job security," (2) "a high income," (3) "good opportunities for advancement," (4) "an interesting job," (5) "a job that allows someone to work independently," (6) "a job that allows someone to help other people," (7) "a job that is useful to society," and (8) "a job that involves personal contact with other people." Respondents indicated their level of importance on a 5-point Likert-type scale ranging from 'not important at all' (1) to 'very important' (5).

4. Analysis

The study involved 287 participants, consisting of 142 students and 145 employees. 55% were women and 45% were men. 63% of participants are 18-30 years old, followed by 26% who are 31-45. Among the interviewed employees, 9% were 46-60 and 1% were over 60 (Table 1). About 48% of participants have completed or are pursuing master's degrees, while the same percentage have bachelor's degrees. Though few, the remaining participants have secondary education or doctoral degrees, specifically employees. Most students surveyed (68%) are in their first year. Meanwhile, 5% are in their second year and 27% in their third. The survey revealed that 41% of the participants are studying finance and accounting, 34% are focusing on business administration, and 25% are pursuing degrees in economics.

The data regarding employees indicate that the majority, 37%, are employed in the information and communication sector. This group is followed by 23% who work in the financial and insurance activities sector. Sectors such as health, education, and public services distribute the remaining employees. Among these employees, more than half, 55%, are non-managerial, while 14% hold low-level managerial positions, 20% are middle-level managers, and 10% are high-level managers.

Table 1: Demographic Data

Participants	
Students	142
Employees	145
Gender	
Female	55%

Male	45%
Age	
18 -30 age	63%
31 - 45 age	26%
46 - 60 age	9%
over 60	1%
Education level	
High school	2%
Bachelor	49%
Master’s degree	48%
Doctorates	1%
Year of study	
First year	68%
Second year	5%
Third year	27%
Field of study	
Finance	41%
Business Administration	34%
Economics	25%
Employment (employees)	
Information and communication sector	37%
Financial and insurance activities sector	23%
health sector	10%
education sector	13%
public sector	8%
services	9%
Type of work	
specialist level	55%
middle-level managers	20%
low-level managers	14%
high-level managers	10%

Employers and students exhibit differing perceptions when analyzing the average values of the significance of employment. Students had a greater average degree of agreement with the statement, "A job is merely a means of earning, nothing more," achieving a mean score of 2.35 compared to employees' mean score of 2.09. The low score indicated disagreement with the statement, suggesting that the job is significant for both groups of respondents (students and employees).

Responses to the statement, "I would enjoy having a paid job even if I didn't need the money," reveal a similar yet reversed average, indicating notable consensus. Students have a mean score (M = 4.04) that slightly exceeds that of employees (M = 3.91). This statement aligns with previous findings regarding students. Many individuals express a desire to work for personal development or to gain experience, even when financial necessity is absent. In contrast, employees, who have typically achieved a certain level of professional success, exhibit less enthusiasm than students. Employees tend to adopt a realistic perspective on work that considers both intrinsic and extrinsic benefits, while students often maintain an aspirational viewpoint that prioritizes intrinsic rewards.The centrality of work for both employees and students are connected to Albania's long history under communism, which has left a permanent mark on the value of work in society today. The study by Volk & Halder (2018)**,** highlights a significant difference in the perception of work. In stark contrast to the value placed on work during the communist era, most former socialist countries in Eastern Europe now view employment merely as a means to earn income.

Table 2. Centrality of Work

Statements	Mean	
	Students	Employees
A job is just a way of earning money—nothing more.	2.35	2.09
I would enjoy having a paid job even if I didn't need the money.	4.04	3.91

Table 3 highlights the four most significant job characteristics for both students and employees: job security, high salary, career advancement, and having an interesting job. Each group has ranked these characteristics differently in terms of their importance. Students rated career advancement (4.64) as their top priority, closely followed by job security (4.63), high salary (4.44), and having an interesting job (4.36). Students view career development as an essential aspect of work because it directly aligns with their long-term professional goals and aspirations. They aim to establish a stable career that provides opportunities for long-term growth and security. Professional development offers the chance for personal growth, increased responsibility, enhanced skills and knowledge, and potentially higher salaries in the future. These results align with Collins's (2020) study, which indicates that the younger generation aims to become workplace leaders in the future. According to Miller's (2018) study, the younger generation mainly prioritizes financial gain. For Generation Z, salary and compensation are more important than workplace engagement, as their parents' struggles during the Great Recession of 2008 have fostered a strong desire for financial security.

In contrast, employees placed job security first (4.39) as their top priority, followed by high salary (4.35), having an interesting job (4.32), and career advancement last (4.23). The minimal variations in these results indicate that employees consider all of these characteristics important, although they prioritize them in a specific order. Compared to students, employees prioritize job security and higher pay as their main characteristics. Employees are active participants in the labor market and are faced with uncertainties arising from economic fluctuations and market dynamics. For these employees, job security and financial stability take precedence over career advancement, as these factors have a direct impact on their personal and family lives. The findings about employees correspond with the research conducted by Volk and Hadler (2018). This research suggests that high income holds less significance in Western European countries like Norway, while it is more important in Eastern European countries.Table 3 presents the ranking of job characteristics based on the priorities established by students and employees. Students rated “useful to society” as the fifth most valued characteristic (3.94), followed closely by “working independently” (3.93), “helping other people” (3.76), and “contact with people” (3.51). In contrast, employees placed “useful to society” as the fifth most valued characteristic (4.16), followed by “helping other people” (4.15), “working independently” (4.10), and “contact with people” (3.88).When examining what students and employees seek in a career, it's evident that their perspectives on work values share both similarities and differences. Generally, employees place greater emphasis on the social and intrinsic aspects of work compared to students. Conversely, students typically prioritize extrinsic and future-oriented factors. Employees value social interaction, autonomy, and interpersonal relationships in their work, while students focus more on job attributes related to security, compensation, and opportunities for future advancement.

Table 3. Desired Job Characteristics

Statements	Mean	
	Students	Employees
Secure job	4.63	4.39
High income	4.44	4.35
Advancement	4.64	4.23
Interesting job	4.36	4.32
Work independently	3.93	4.10
Help other people	3.76	4.15
Useful to society	3.94	4.16
Contact with people.	3.51	3.88

5. Conclusion

This study examined the job-desired characteristics of two groups: current employees and recent university graduates. The findings reveal that while these groups share some priorities, they also have distinct preferences regarding certain job characteristics. The results indicate that both students and workers recognize the overall importance of having a job, but they differ in their views on what contributes to job satisfaction. Students are focused on their professional development and actively seek opportunities for growth. They place a strong emphasis on building their careers and achieving stability. In contrast, employees tend to prioritize security and salary over career advancement. According to research on generational and career-stage differences (Zaniboni et al., 2013), students prioritize job security, a competitive salary, and opportunities for advancement in their selected fields.This outlook suggests a future-oriented mindset that stems from economic concerns and aspirations for consistency in an ever-evolving work landscape. Conversely, current workers with actual work experience place a higher emphasis on the intrinsic and social aspects of their jobs, such as the ability to work independently, assist others, have a positive impact on society, and get along with colleagues. Consistent with previous research (Perry, Chandler, & Markova, 2012; Truxillo et al., 2012), evidence shows that individuals benefit from the help of experienced colleagues who build relationships within the organization and with other employees.Human resource management policies and practices are significantly influenced by generational differences in how individuals assess both intrinsic and extrinsic aspects of a job. To effectively develop and implement work tasks and HR operations, companies must take these differences into account. For example, younger employees or those considering job applications may prioritize positions that provide clear opportunities for advancement and financial stability. Conversely, strategies to retain current employees might include creating a more welcoming workplace, offering greater flexibility in work schedules, and designing roles that contribute positively to society. As workers progress through their careers, their needs and aspirations evolve, and this two-pronged approach addresses that dynamic. Additionally, enhancing employees' intrinsic motivation can be achieved by implementing feedback systems, promoting collaboration, and allowing individuals to work in ways that align with their preferences.Human resource management strategies that address both the immediate needs of new hires and the long-term goals of existing employees can enhance workplace morale, retention, and productivity. As Albania continues to integrate into the European labor market, future research could build on these findings by exploring changes in employment preferences over time or differences across various industries. In conclusion, the study has several limitations. First, a larger sample size, which includes students from various fields of study or employees from different industry sectors, could enhance the generalizability of the results. Second, incorporating qualitative analysis, such as conducting interviews, might provide more in-depth information about participants' choices regarding job characteristics. These limitations can serve as a foundation for future research.

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Future of jobs and human capital in the ai era in the eu and beyond

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Abstract

This paper aims to analyze the changing impact of artificial intelligence (AI) on the labor market and human capital in the European Union and beyond. The focus is on how the rapid advancement of AI is transforming the workforce and the need to adapt existing legal frameworks. The methodology followed is multidisciplinary, combining legal analysis, comparative research and studies of scientific literature, practical cases and interviews with experts in technology and human resources. The study highlights that not only does AI reorganize but also risks replacing the profession, posing new legal and ethical challenges. The results of the results highlight the necessity to initiate a legal framework that maintains the balance between technological innovation and employees. Finally, the paper offers concrete suggestions for the implementation of policies that coordinate AI with human capital, ensuring a comprehensive and fair approach to the transformations that automation brings to the workplace.

Key words: (AI), Human Capital, Automation, EU Labor Market, Approximation of legislation.
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1. Introduction

In the last decade, artificial intelligence has developed rapidly, becoming a key factor that is profoundly changing the way human activity, society and the global economy function as a whole. In some aspects, AI appears as an ally of humans in complex processes, while in other cases, it is perceived as a threat to the traditional role of humans in the labor market. The transformation that this technology brings is no longer simply of a technical nature, but directly affects the social and legal actions that regulate labor relations to the extent that it can be perceived as a potential challenge that significantly risks replacing the role of humans in some traditional work sectors. It is now widely accepted that continuous advances in this field have transformed the way professional activities are organized and managed in the 21st century, where AI has become an integral part of processes such as staff selection, performance evaluation and monitoring of various tasks. Essentially, this changes not only the structures of organizations, but also the dynamics of relations between employees and employers and the employment relationship itself as a whole with all its legal and social extremes.

Statistically, referring to the latest data from Eurofound (2023), a significant part of large companies in the European Union, around 42%[14], already use AI technologies to manage employees, including algorithms that help in the selection of candidates or the measurement of efficiency at work. Despite the fact that these technologies bring obvious benefits in terms of productivity and reduction of operating costs, in parallel they also raise serious concerns about the protection of fundamental rights of employees, mainly in respect of privacy, prevention of discrimination and preservation and non-infringement of human dignity in the workplace or even avoiding the loss of the job itself (job elimination (suppression) due to "restructuring by AI").

In order to address these challenges, the European Commission has proposed the European Artificial Intelligence Act (Regulation (EU) 2024/1689)[15], which emphasizes the importance of transparency, accountability and the presence of human control in systems that pose high risk, in particular those that affect decision-making related to employment relationships. The aim of this legal instrument is to create a sustainable balance between technological innovation and the protection of human interests (in this case, of workers, employees).

The European Union's Digital Strategy for 2020 also highlights the need for the development of artificial intelligence to always be "human-centric/ human-oriented,"[16] respecting the principles and rights set out in the EU Charter of Fundamental Rights. In this context, it is essential to carry out an in-depth study to understand how current employment legislation can

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[14] Eurofound. (2023). *Artificial intelligence and the future of work*. Publications Office of the European Union. https://www.eurofound.europa.eu/publications/report/2023/artificial-intelligence-and-the-future-of-work

[15] **European Parliament & Council of the European Union. (2024).** *Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 on artificial intelligence (AI Act)*. *Official Journal of the European Union*, L 1689. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1689

[16] **European Commission. (2020).** *Shaping Europe's digital future: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions* (COM(2020) 67 final). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0067

adapt to the new challenges posed by the use of AI, in order to propose measures that ensure a fair, inclusive and ethical working environment, in the service of preserving the rights and dignity of employees. The aim is to legally regulate and balance the development of technology on the one hand and to ensure that employment relations are not undermined on the other.

2. Literature review

The rapid development of artificial intelligence (AI) has given rise to a lively and multifaceted debate involving not only technologists and economists, but also lawyers, sociologists and public policymakers. In the field of labor relations, the contemporary literature reflects a common concern: the way in which AI is changing traditional work structures and the challenges this poses for the existing legal order.

As for the literature in the Albanian or regional space, it remains limited, but there is a progressive increase in academic and institutional interest in understanding and predicting the impacts of AI on labor law and public management, especially in light of the processes of approximation with European legislation.

2.1 The Contemporary Legal Framework in the European Union on Artificial Intelligence

2.1.1 (AI Act)- European Regulation on Artificial Intelligence

Conditionally or given the current situation, the European Union has adopted Regulation (EU) 2024/1689 which reflects the developments in AI and is considered essential in creating a common and standardized framework for the use of artificial intelligence in the European legal space. At its core, there is an approach built on classification according to the level of risk, categorizing AI systems into four distinct[17] groups as follows:

1. **Minimal risk:** Systems that do not pose any significant risk to the rights of citizens (workers/employees) and are permitted without special restrictions;
2. **Limited risk:** Transparency is required, such as notification of the use of artificial intelligence in communications (automatic communications) (such as chatbots);
3. **High risk:** Technologies that can profoundly affect the lives and rights of individuals, such as those used in recruitment, education or public safety - for these strict obligations are foreseen such as compliance control, human oversight, technical documentation and incident reporting and accountability;
4. **Unacceptable risk:** Uses that violate fundamental principles and are categorically prohibited – such as emotional assessment in the workplace, systems for “subliminal manipulation” (refers to the use of technology to influence a person’s behavior or decision-making without their awareness) or “social crediting” (an AI system that rates

[17] [17] **European Parliament & Council of the European Union. (2024).** *Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 on laying down harmonised rules on artificial intelligence (Artificial Intelligence Act) and amending certain Union legislative acts*. *Official Journal of the European Union*, L, 1689. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32024R1689

or ranks people based on their behavior, social actions or personal data — to determine whether they are “trustworthy”, “desirable” or not)

In this context, the employment relationship, the regulation brings new guarantees and spirit, specifically as:

1. Prohibits the use of AI for emotional assessment at work (Unacceptable risk);
2. Requires direct human intervention in any decision-making that affects the professional status of an employee - including hiring, promotions or dismissals;
3. Establishes clear responsibilities for developers and users of AI systems (legal liability arising from the misuse of AI through obligations on technical security, auditing and cooperation with supervisory authorities.

The regulation, as a legal instrument, is not only technical-legal, but also conveys an ethical philosophy that aims to guarantee respect for human dignity and rights by adapting to a new technological reality such as the current one, AI situation.

As above, in the legal idea and concept, Regulation 2024/1689 frames and establishes the foundations of a new legal philosophy that combines ethics with law, protecting human interests without hindering the development of technology.

2.1.2 Directive on the Regulation of Employment Relationships on Digital Platforms

Conditioned by the significant increase in work through artificial intelligence platforms, especially in sectors such as distribution, transport, freelance services, etc., the European Union has undertaken a legal initiative that addresses the challenges of employment mediated by algorithms or any other means of artificial intelligence. This directive is designed to establish clearer legal boundaries and increased protection adapted to the situation we are in. The directive includes several essential elements, the most important of which are:

1. **Review of employee status:** A large proportion of platform workers who were previously treated as self-employed now benefit from the right to claim employee status, gaining access to insurance, paid leave and legal protection from unfair termination of employment;
2. **Increase algorithmic transparency:** AI platforms are required to explain the functioning of their algorithms, how tasks are allocated, how performance is measured and how decisions that affect employee income or status are made;
3. **Condition automated decision-making with human control:** Decisions originating from AI must be supervised, explainable and contestable and always with the prior consent of individuals (in this case, workers/employees)

Since many of the technologies used in digital platforms fall into the category of high-risk systems, and are therefore regulated in parallel by both legal instruments (European Commission, 2024), this directive naturally complements the AI Act and comes as a legal guarantee and tool in the hands of workers.

2.1.3 Legal positions of the European Economic and Social Committee (EESC)

The EESC[18]**,** as an advisory body with an important role in the formulation of EU policies, has stressed the importance of an approach that places people at the centre of the digital environment. In its recent opinions, the Committee has outlined several basic principles for a fair and ethical regulation of AI, such as:

1. Sustainable and ethical development of AI, where technology should serve people and not become a means of control or exclusion, i.e. technology at the service of the individual;
2. Awareness of the risk of algorithmic bias, highlighting the need to avoid the reproduction of hidden discrimination in historical, confidential data, etc.
3. Organised participation of workers, through the involvement of trade unions and representative groups in the drafting and implementation of regulations affecting the workplace;
4. The establishment/Creation of independent complaint and oversight mechanisms, which guarantee that workers can appeal against automated decisions that negatively affect them.

According to the EESC, the digital transformation must be inclusive, built on the principle of solidarity and not polarisation of the labour market (EESC, 2024).

2.1.4 Practical implications of Artificial Intelligence in employee-employer relations

The gradual incorporation and inclusion of artificial intelligence (AI) in labor law has opened a new era for relations between employees and employers. Alongside positive effects such as improved efficiency or reduced operational costs, serious issues arise regarding the rights of the individual (employee) in the workplace – including the right to confidentiality, equal treatment and the guarantee of fair and equal legal work.

2.1.5 Automation and the Changing Structure of Occupations and the Employee-Employer Relationship

Analyzed at a macro level, it is now widely acknowledged that technological development is fundamentally transforming the landscape of the labor market. Automation, supported by artificial intelligence systems, has replaced traditional positions, especially in sectors with high intensity of repetitive processes such as manufacturing, logistics and basic services. This structural shift has brought about the need for adapted legal responses to ensure sustainable protection for workers at risk as well as for the employee-employer relationship itself.

In this context, the European Pillar of Social Rights of the European Union emphasizes the right to active participation and continuous learning throughout professional life. The lack of measures for retraining or retraining may constitute a deviation from the standards of Article

[18] **European Economic and Social Committee (EESC). (2024).** *Opinions on artificial intelligence*. https://www.eesc.europa.eu/en

15 of the EU Charter of Fundamental Rights, which guarantees the right to work and to follow continuous professional training.

Referring to international jurisprudence, the **European Court of Human Rights** in the case of Kjeldsen, Busk Madsen and Pedersen v. Denmark (1976)[19] has emphasized the need for education that reflects technological progress and social developments – an approach that strongly supports investment in new capacities to meet the challenges of the digital era.

Meanwhile, on the other side of the Atlantic, in the USA, there is no (federal) legal framework that would oblige employers to offer retraining opportunities to employees affected by technology. However, some states such as California have launched initiatives for educational support and technical training, representing a decentralized response to the aforementioned phenomenon, which is global.

2.1.6 Employee Management through Algorithmic Systems

AI (artificial intelligence) in itself and the use of algorithms to manage key and crucial aspects of employment relationships – such as candidate selection, productivity tracking or disciplinary decision-making – is increasingly becoming a reality. This development, although often justified by efficiency, raises logical and legal questions about the respect of fundamental human rights, in particular privacy (confidentialiteit) and non-discrimination.

According to Article 22[20] of the General Data Protection Regulation (GDPR), individuals have the right not to be subject to decisions based entirely on automated processing that produce legal consequences or affect them. The EU AI Act, through Regulation (EU) 2024/1689, reinforces this standard, classifying the use of AI for employee management as a "high risk" or "unacceptable risk" activity. This requires a strict approach to technical documentation, transparency in the functioning of algorithms, human oversight of decision-making and regular auditing by physical entities only.

Regarding the privacy aspect, **the case of Barbulescu v. Romania (2017)**[21] in the ECtHR established an important standard: workers enjoy the right to a reasonable level of privacy in the workplace, and any form of monitoring must be lawful, proportionate and foreseeable by law (specific regulations, etc.).

Meanwhile, **the Court of Justice of the European Union**, in the **Schrems II case**[22], has prohibited the transfer of personal data to jurisdictions that do not offer an equivalent level of protection – including data processed by AI for work purposes.

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[19] European Court of Human Rights. (1976, December 7). *Kjeldsen, Busk Madsen and Pedersen v. Denmark*, nos. 5095/71, 5920/71 & 5926/72. *European Court of Human Rights (Chamber)*. Retrieved from HUDOC: https://hudoc.echr.coe.int/eng?i=001-57819

[20] **European Parliament & Council of the European Union. (2016, April 27).** *Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation)*, Art. 22. *Official Journal of the European Union*, L 119/1. Retrieved from https://gdpr-info.eu/art-22-gdpr/

[21] **European Court of Human Rights. (2017, September 5).** *Bărbulescu v. Romania* (no. 61496/08) [Grand Chamber judgment]. Retrieved from HUDOC: https://hudoc.echr.coe.int/eng?i=001-178166

[22] **Court of Justice of the European Union. (2020, July 16).** *Data Protection Commissioner v. Facebook Ireland and Maximillian Schrems* (Case C-311/18) [Schrems II]. Retrieved from Court of Justice of the EU:

Given that this situation is global, and beyond Europe, other countries have also taken legal steps regarding the AI-Employee-Employer trinomial. In Canada, the AIDA bill aims to establish an ethical and verifiable system for the use of AI systems in order to maintain a balance between innovation and human rights. Meanwhile, Australia has prepared a voluntary ethical framework that emphasizes transparency, fairness and accountability in the use of AI in the public and private sectors.

The impact of artificial intelligence on employment relationships is therefore complex and multifaceted. It requires not only new legal and regulatory mechanisms, but also a reconceptualization of the role of humans in relation to technology, where the value of human dignity remains non-negotiable.

3. **Research methods**

The methodology used in this paper includes a multidisciplinary approach that relies on primary research, the basis of which is the research method, comparative and analytical of scientific literature, legal framework, reports of EU institutions, with the aim of identifying and examining the impact of AI on the labor market. The legal analysis of this paper is based mainly on the qualitative method, since for the argumentation and suggestions for the implementation of AI in the legal framework, cases of AI implementation in different sectors, interviews with experts in the fields of technology and human resource development, comparison of cases and feedback of individuals and industries that are most exposed to AI have been considered.

4. **Results**

4.1 Contemporary Challenges of AI and the Need for Legal Reform

4.1.1 Interaction of Artificial Intelligence with Fundamental Human Rights

The reflection and implementation of artificial intelligence in both the public and private spheres has confronted legal systems with new situations, issues and challenges, often hypothetically unforeseen in the law. Among these, the most sensitive are the conflicts that arise between the use of advanced technologies and the preservation of fundamental rights. Algorithmic systems, in the way they function, are often invisible to users – which makes it difficult to understand the basis on which decisions are made that directly affect the lives, well-being of individuals or all human activity in its entirety.

The gap between situations and the legal vacuum, which also comes as a lack of transparency, not only undermines the right to full and clear information, but also creates a favorable terrain for the emergence of implicit discrimination, especially in employment relationships. The intervention of artificial intelligence in the selection, assessment and treatment of employees, when not accompanied by strong protective mechanisms, clearly contradicts the standards of equality and the right to a fair trial. The whole situation and these concerns have also been addressed at the judicial level by the European courts. In the decision **Big Brother Watch v.**

https://curia.europa.eu/juris/document/document.jsf?text=&docid=228677&pageIndex=0&doclang=EN&mode=req&dir=&occ=first

the United Kingdom (ECtHR, 2018)[23], it is clearly emphasized that the use of surveillance technologies, including those using algorithms, must be justified, proportionate and equipped with effective guarantees for the individual. Also, in the case known as **Schrems II (CJEU, 2020),[24]** the importance of considering the protection of personal data as an essential component of human freedom and dignity in the digital age was underlined.

In parallel with this legal framework, it is evident that vacuums in the legal framework not only increase legal uncertainty for actors using or developing AI systems, but also create space for arbitrary or unmanaged uses that can fundamentally and directly infringe fundamental freedoms.

5. Discussion

5.1 Towards a standard, appropriate and internationally aligned legal framework

In today's era, faced with the accelerated pace of technological innovation, the traditional model of legislation (which often reacts late to changes) seems insufficient. In these conditions, there is a need for a new legal approach, adapted to the situation and applicable to all European countries. Of course, the law must not only respond to existing problems, but also anticipate and guide future developments in a responsible manner, and when the latter is missing or unclear, it is definitely "Time to create a new legal framework".

Naturally, the European Union has taken concrete steps in this direction, through efforts to build a stable legal framework that is sensitive to fundamental rights. **The European Artificial Intelligence Act,** proposed by the European Commission, aims to create a clear system for classifying the risks arising from the use of AI and to impose specific obligations on systems that pose a high or unacceptable risk.

This approach does not aim to curb technological development, but to ensure that this development does not come at the expense of individual freedom and social rights. The Court of Justice of the EU has also stressed in its case law the importance of judicial review and effective mechanisms to protect citizens against the risks of new technology.

To be as effective as possible, legal reform must be open and inclusive. This means the active engagement of different actors – from civil society organisations and trade unions, to experts in technical and academic fields. Only through an open interdisciplinary dialogue can rules be built that reflect the complex reality of the digital age and that protect human dignity at all levels, including globally.

[23] **European Court of Human Rights. (2021, May 25).** *Big Brother Watch and Others v. United Kingdom* (Applications nos. 58170/13, 62322/14 & 24960/15) [Grand Chamber judgment]. Retrieved from HUDOC: https://hudoc.echr.coe.int/eng?i=001-240674

[24] **Court of Justice of the European Union. (2020, July 16).** *Data Protection Commissioner v. Facebook Ireland Ltd and Maximilian Schrems* (Case C-311/18) [Grand Chamber judgment]. Retrieved from Court of Justice of the EU: https://curia.europa.eu/juris/document/document.jsf?text=&docid=228677&pageIndex=0&doclang=EN&mode=req&dir=&occ=first

6. Conclusion

Conclusions and Recommendations

6.1 Conclusions: A Human-Centered Technological Future and AI Being at the Service of Humanity

a) Artificial intelligence is fundamentally changing the way the labour market operates, opening up new perspectives, but also raising real concerns about equality, transparency and professional security. It is not enough to assess this transformation only from an economic or technological perspective; any analysis and action must start from the principle that technological development should serve people and not vice versa.

This requires an integrated approach, in which legislation, public policies and organisational practices work together to set clear standards and to ensure that new technologies do not reinforce existing inequalities, but rather mitigate them.

b) Cooperation between public institutions, the private sector, employee organisations and civil society is a prerequisite for building a sustainable and ethical model of the use of AI.

c) The European Union has the opportunity to lead this process, not only through regulatory instruments, but also by setting ethical standards that can serve as a reference on a global scale. Only through such a vision, where technology and humanity coexist in a balanced way, can we build a fairer, safer, and more inclusive future of work for all and of course AI at the service of people.

6.2 Recommendations for a balanced approach to Artificial Intelligence in Legal Labor Relations

a) Building a European legal framework for the use of AI in the workplace

To create a common basis that guides the use of artificial intelligence in the employment sector, it is necessary to draft a code of ethics valid throughout the European Union. Such a document should not be merely declarative, but should provide clear guidelines and concrete obligations on how AI technologies should be applied in accordance with human dignity and workers' rights. It should address issues such as respect for privacy, protection from unjustified discrimination, ensuring transparency in decision-making processes and the obligation for institutional accountability. Such an initiative would contribute to mitigating legal inconsistencies between Member States and would significantly strengthen legal certainty in employer-employee relations.

b) Increasing the powers of supervisory and inspection legal structures or institutions

The implementation of ethical and legal standards cannot rely solely on the goodwill of private actors. It is therefore essential that the authorities responsible for data protection and rights at work have sufficient resources, expertise and independence to exercise effective control over the use of AI. The role of institutions such as the European Data Protection Supervisor should be strengthened through the powers to conduct audits, process employee complaints and impose sanctions when legislation is breached. Proactive supervision by each country and by anybody with international jurisprudence and competence is essential to prevent abusive uses and to maintain the balance between innovation and social ethics.

c) Legal guarantees for the right to explanation and human intervention

Automated decision-making that affects individuals' professional lives must not be unreasonable or disproportionate. Every employee must have the right to understand the rationale behind a decision that has concrete consequences for his or her position, benefits or assessment at work. The right to review by an independent human authority, which can correct or revoke unfair decisions, must also be guaranteed. These principles are not only technical, but part of a broader right to fair and dignified treatment in employment relationships. The role of trade unions and employee representatives in this process must be strengthened, giving them a real voice in defining the acceptable limits for the use of AI by directly providing for them in the international legal framework and in each country individually.

d) Vocational education/training in response to the technological transformation of the labor market

The emergence of artificial intelligence has brought about structural changes in the way work is organized and what skills are required of the workforce. For this reason, it is essential to invest in vocational education and continuous training that help individuals adapt to new demands. Programs should be inclusive and accessible, targeting not only current employees but also young people entering the labor market for the first time. Technology should not be perceived as a threat to jobs, but as an opportunity for personal and professional development – as long as there is the political and strategic will to manage it fairly.

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Literature Review on the Rural Tourism in Albania

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Abstract

Rural tourism has a special importance in the economic and social development of rural regions. It provides opportunities for income diversification, helps preserve local traditions and culture, and promotes sustainable practices. This literature review synthesizes existing research on rural tourism in Albania, focusing on its historical evolution, socio-economic impact, environmental implications, and development challenges. Findings suggest that rural tourism not only revitalizes traditional livelihoods but also fosters community involvement and environmental stewardship. However, barriers such as poor infrastructure, limited marketing, and lack of trained personnel persist. Strategic planning and sustainable development practices are crucial to harness the full potential of rural tourism for long-term benefits.

Keywords: rural tourism, economic development, cultural preservation, sustainability, management challenges

JEL Classification: L83, R58, O13

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1. Introduction

Rural tourism has emerged as a dynamic and multifaceted sector within Albania's broader tourism industry, offering considerable potential for sustainable economic development, cultural preservation, and environmental stewardship. As international tourism increasingly shifts toward authentic, experience-driven, and environmentally conscious travel, Albania's rural landscapes—ranging from mountainous villages in the Albanian Alps to traditional agrarian communities in the south—offer a distinctive alternative to mass tourism concentrated along the coastal zones.

Rural tourism typically involves travel to non-urban environments, where visitors engage with local cultures, participate in traditional agricultural and craft-based activities, and explore natural landscapes through hiking, ecotourism, and community-based tourism models. This form of tourism not only diversifies Albania's tourism offerings but also plays a strategic role in addressing rural depopulation, unemployment, and underutilized cultural resources.

Following the collapse of the communist regime in the early 1990s, Albania underwent a significant transformation, including liberalization of the tourism sector and greater openness to international visitors. During this transition, rural areas—once restricted and marginalized—began to attract interest due to their unspoiled beauty, heritage, and potential for alternative tourism. However, despite growing domestic and international attention, rural tourism in Albania still faces challenges such as inadequate infrastructure, fragmented policies, limited professional training, and weak marketing channels.

This paper aims to present a comprehensive literature review of rural tourism in Albania by analyzing its historical development, socio-economic and cultural impacts, current trends, and key barriers to growth. The review also examines how rural tourism contributes to sustainable development and highlights policy implications for enhancing its long-term viability. Through this synthesis, the paper contributes to ongoing discussions on integrating rural tourism into national development strategies, with an emphasis on community empowerment, environmental conservation, and inclusive economic growth.

2. Literature Review

Conceptual Foundations of Rural Tourism

Rural tourism is widely recognized as a form of tourism that occurs in non-urban areas, typically characterized by low population density, traditional lifestyles, and an intimate connection with nature and culture. It encompasses a range of tourism activities including agritourism, ecotourism, adventure tourism, and cultural tourism, all of which rely heavily on the uniqueness of the rural environment (Lane, 1994). According to Sharpley and Roberts (2004), rural tourism differs from mass tourism by offering more personalized, authentic, and sustainable experiences that prioritize community benefit and cultural exchange.

Globally, rural tourism has been championed as a vehicle for sustainable development, especially in regions facing socio-economic decline due to rural depopulation, agricultural restructuring, or post-industrial shifts (OECD, 2020). In the Albanian context, these dynamics have been particularly pronounced, making rural tourism not only a diversification strategy for national tourism but also a developmental necessity.

Historical Development and Policy Shifts in Albania

The evolution of rural tourism in Albania has been deeply shaped by the country's political and economic transitions. Under the communist regime (1945–1990), tourism was centralized and largely limited to coastal areas, while rural zones remained isolated and underdeveloped (Mucaj & Rraci, 2019). The post-1990 liberalization marked a critical turning point, enabling local communities and private actors to engage in tourism activities. With the influx of international donors and development agencies, rural tourism was increasingly seen as a means to support regional development and economic decentralization (Ministry of Tourism and Environment, 2023).

National strategies now explicitly incorporate rural tourism as part of Albania's broader tourism policy, recognizing its potential to reduce regional disparities and promote inclusive growth. Initiatives like the IPARD II program and projects supported by organizations such as GIZ and the World Bank have contributed to infrastructure development, training, and marketing in rural areas (Guri, 2022).

Socio-Economic Contributions

Numerous studies highlight the multifaceted socio-economic benefits of rural tourism in Albania. According to Kasa and Zaimi (2020), rural tourism facilitates income diversification, employment generation, and rural entrepreneurship. In regions like Theth, Përmet, and Dardha, the establishment of guesthouses, local restaurants, and artisan workshops has played a significant role in revitalizing the rural economy. These enterprises often utilize local resources and knowledge, contributing to endogenous development and community empowerment (Bardhi & Dervishi, 2021).

Furthermore, rural tourism is credited with stimulating backward economic linkages, particularly to agriculture. Many tourism operators rely on locally sourced produce, promoting organic farming and traditional food processing. This intersection between tourism and agriculture not only enhances authenticity but also supports sustainable rural livelihoods (UNWTO, 2020).

According to INSTAT, foreign visitors to Albania increased significantly between 2013 and 2016, rising from approximately 2.9 million to 4.7 million (Figure 1).

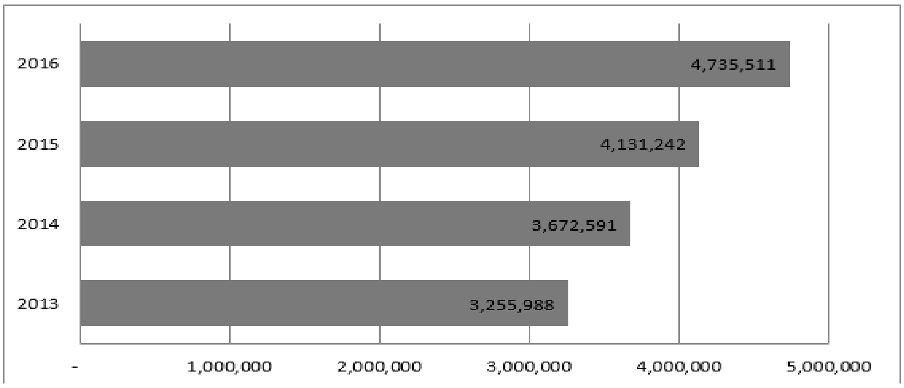

Figure 1: Trend of foreign visitors during the period 2013-2016 (Source: INSTAT)

Similarly, despite a dip during the COVID-19 pandemic, overnight stays rebounded by 2021, indicating a strong recovery trend in rural and national tourism (Figure 2).

Figure 2: Nights for tourist stays in Albania 2019 -2021(Source: INSTAT)

Preservation of Culture and Identity

Beyond economic impacts, rural tourism plays a pivotal role in the preservation and revitalization of cultural heritage. Visitors are often attracted to traditional Albanian music, dance, crafts, and cuisine, which are showcased through festivals, homestays, and experiential tourism offerings. According to Richards (2007), this cultural commodification—if managed respectfully—can strengthen community identity and intergenerational transmission of knowledge.

In Albania, where urban migration and globalization have threatened cultural continuity, rural tourism has provided a new platform for safeguarding intangible heritage. Bardhi and Dervishi (2021) argue that tourism encourages the maintenance of traditional practices, especially when local residents are actively involved in design and delivery.

Environmental Sustainability and Ecotourism

Environmental considerations are integral to the development of rural tourism, especially in ecologically sensitive regions such as the Albanian Alps, Prespa Lake, and the Vjosa River Valley. Haxhikadrija and Haxhiu (2021) note that these regions are ideal for ecotourism, offering opportunities for hiking, birdwatching, and nature-based experiences. Ecotourism, when properly implemented, can foster conservation awareness, promote sustainable land use, and generate alternative income sources.

However, rural tourism also presents environmental risks if not properly regulated. Guri (2022) emphasizes that unplanned development, poor waste management, and uncontrolled visitor flows can damage fragile ecosystems and reduce the long-term attractiveness of rural destinations. Thus, sustainability in rural tourism requires integrated planning, environmental education, and community stewardship.

Institutional Challenges and Local Capacity

Despite its growth, rural tourism in Albania faces significant institutional and infrastructural challenges. Many rural areas suffer from inadequate transport infrastructure, weak digital connectivity, and poor utility services, which constrain both access and visitor satisfaction (Ministry of Tourism and Environment, 2023). Furthermore, the capacity of local stakeholders—especially small-scale operators—to engage with the tourism market remains limited.

Bardhi and Dervishi (2021) underscore the need for targeted training in hospitality management, marketing, and foreign languages. Without such capacity-building efforts, local residents may be unable to meet tourist expectations or leverage tourism for long-term development. In addition, the regulatory environment is often fragmented, with unclear property rights and limited municipal authority to enforce land use plans or building standards (Guri, 2022).

Governance and Community-Based Models

Effective governance is crucial for the sustainable development of rural tourism. Community-Based Tourism (CBT) has gained prominence as a participatory model where local residents manage and benefit directly from tourism resources. In Albania, successful CBT initiatives have been documented in villages like Nivica and Qeparo, where community members co-design tourism products and reinvest profits in local services (ANRD, 2022).

However, institutional support for CBT remains inconsistent. A lack of coordination between national, regional, and local institutions often leads to duplication of efforts, missed funding opportunities, and short-lived interventions. Kasa and Zaimi (2020) advocate for stronger public-private partnerships, multi-level governance frameworks, and inclusive decision-making processes to foster resilience and innovation in rural tourism systems.

Current Research Gaps and Future Directions

While academic interest in rural tourism is growing, several research gaps persist. There is a scarcity of longitudinal studies assessing the socio-cultural impacts of tourism in rural Albania, especially in marginalized communities. Few empirical studies investigate tourist behaviour, destination image, or seasonality management—factors that are essential for strategic marketing and sustainability (Richards, 2007; UNWTO, 2020).

Furthermore, comparative research between Albanian rural destinations and similar regions in the Western Balkans could provide valuable insights into best practices, shared challenges, and regional tourism dynamics. Finally, the digital transformation of rural tourism—including the use of online booking platforms, digital storytelling, and remote work tourism—remains underexplored in the Albanian context.

3. Research Methodology

This study adopts a qualitative, integrative literature review methodology aimed at synthesizing existing academic and policy-related knowledge on rural tourism in Albania. The objective is to examine the evolution, socio-economic impacts, sustainability dimensions, and policy frameworks of rural tourism as presented in scholarly and institutional sources.

Research Design and Approach

The literature review follows a narrative approach, combining both thematic analysis and contextual interpretation. It draws from multidisciplinary sources—including tourism studies, rural development, environmental policy, and regional planning—reflecting the complex, cross-sectoral nature of rural tourism. The review is guided by key research questions, such as:

- What are the historical and policy drivers of rural tourism in Albania?
- What socio-economic and environmental impacts have been observed?
- What challenges and opportunities characterize the current state of rural tourism?
- What governance models and strategic interventions have been proposed or implemented?

Data Collection Strategy

Sources were identified through structured searches in academic databases such as Google Scholar, Scopus, ResearchGate, and EBSCOhost, using keywords such as "rural tourism Albania", "community-based tourism Albania", "agritourism in Albania", and "sustainable tourism Western Balkans". In addition, grey literature—such as reports from the Ministry of Tourism and Environment, INSTAT, UNWTO, OECD, and regional development agencies—was included to capture policy-level and data-driven insights.

The selection criteria focused on:

- Peer-reviewed articles published between 2000 and 2024
- Reports and strategic documents relevant to tourism policy in Albania
- Studies offering empirical data or theoretical frameworks on rural tourism
- English-language publications, as well as translated Albanian sources where relevant

Data Analysis

A total of approximately 30 relevant publications and reports were reviewed. Thematic coding was used to group findings into key categories: (1) Historical development and context, (2) Economic and social impact, (3) Environmental sustainability, (4) Governance and policy frameworks, and (5) Community engagement models.

Qualitative content analysis was employed to identify recurring patterns, contradictions, and knowledge gaps. This approach enabled a comparative synthesis of findings from both academic literature and applied policy studies.

Limitations

As a literature-based study, the findings are inherently constrained by the availability and quality of published materials. There may be underrepresentation of local experiences that have not been formally documented, as well as a bias toward donor-funded project evaluations. Additionally, the lack of disaggregated data specific to rural tourism—especially in Albania's national statistics—poses a challenge for in-depth quantitative analysis.

4. Results and Discussion

Historical and Policy Drivers

The reviewed literature consistently indicates that the emergence of rural tourism in Albania is a post-communist phenomenon, shaped by liberal economic reforms, international development aid, and increased global interest in sustainable and community-based tourism models. While early tourism policy favoured coastal mass tourism, recent national strategies such as the National Strategy for Sustainable Tourism Development (Ministry of Tourism and Environment, 2023) explicitly prioritize rural tourism as a tool for inclusive and regional development.

The transition from centrally planned to market-driven tourism development has allowed private actors, NGOs, and local governments to become key players in shaping rural tourism initiatives. Notably, programs supported by the European Union (e.g., IPARD), GIZ, and UNDP have facilitated the growth of tourism micro-enterprises, primarily in underdeveloped mountain and valley regions.

Economic and Social Impacts

Evidence from multiple sources (e.g., Kasa & Zaimi, 2020; Bardhi & Dervishi, 2021) confirms that rural tourism has contributed positively to local economies. It has enabled households to diversify income sources, create seasonal and permanent jobs, and stimulate the growth of supporting sectors such as local agriculture, crafts, and transportation. In communities like Theth and Përmet, tourism-related activities have reversed patterns of out-migration, particularly among youth.

Moreover, rural tourism fosters social capital by strengthening networks of cooperation among residents, NGOs, and public institutions. It promotes the revitalization of cultural practices, which in turn enhances the identity and pride of rural communities.

However, these benefits are not evenly distributed. In more isolated or infrastructurally weak areas, the impact of rural tourism remains limited. The lack of formal education and training in hospitality also restricts the ability of some residents to fully participate in the tourism economy (Guri, 2022).

Environmental and Sustainability Considerations

The literature emphasizes the compatibility of rural tourism with environmental conservation when properly managed (Haxhikadrija & Haxhiu, 2021). Albania's rich biodiversity, national parks, and agricultural landscapes provide ideal conditions for ecotourism and nature-based travel. Practices such as organic farming, wildlife observation, and eco-lodging have begun to emerge, particularly in the north and southeast.

At the same time, risks of over-tourism, littering, and landscape alteration are evident in unregulated zones. For instance, increased tourist flow in Theth has led to traffic congestion, waste accumulation, and habitat disruption. These examples underscore the need for clear land-use planning, waste management systems, and ecotourism guidelines, which are currently lacking in many municipalities.

Governance and Institutional Gaps

One of the most persistent challenges identified is weak governance at the local level. Many municipalities lack both the resources and legal authority to implement tourism development plans or regulate construction. There is also a lack of coordination between central government agencies, donor organizations, and local stakeholders, which leads to fragmentation of initiatives and inefficient use of funds (Ministry of Tourism and Environment, 2023; Guri, 2022).

Community-Based Tourism (CBT) initiatives are often cited as best practices. When successfully implemented, CBT ensures that tourism decisions are inclusive, benefits are locally retained, and cultural authenticity is preserved. However, such models require sustained training, trust-building, and technical support—elements that are still underdeveloped in most Albanian rural contexts.

Demand Trends and Resilience

The analysis also reveals an increasing demand for rural tourism among both international and domestic travellers. Data from INSTAT indicates that the number of foreign visitors rose from approximately 2.9 million in 2013 to 4.7 million in 2016, before temporarily declining during the COVID-19 pandemic. Similarly, the number of overnight stays, though disrupted in 2020, rebounded by 2021 (INSTAT, 2022).

These trends reflect broader shifts toward nature-based tourism and highlight Albania's growing visibility as a destination. Nevertheless, the COVID-19 pandemic exposed the fragility of tourism-dependent economies and reinforced the need for diversification and crisis-resilient tourism planning, particularly in rural regions

5.Conclusion

This literature review has examined the development, socio-economic contributions, sustainability implications, and governance challenges of rural tourism in Albania. The findings clearly show that rural tourism serves as a promising avenue for economic diversification, cultural preservation, and community development in Albania's non-urban regions.

Driven by post-communist liberalization, international aid, and a growing interest in sustainable and experiential travel, rural tourism has evolved into a strategic component of national tourism planning. Empirical evidence demonstrates that it supports job creation, revives traditional practices, and contributes to regional equity by channelling investment into historically marginalized areas.

Nonetheless, challenges remain significant. Rural infrastructure is often inadequate, governance is fragmented, and human resource capacity is limited. Moreover, the lack of environmental regulation and sustainable planning threatens to undermine the long-term viability of tourism development in ecologically sensitive zones. While demand for rural tourism is rising, Albania's ability to manage this growth in a way that benefits local communities and conserves cultural and environmental assets is still evolving.

A key insight from the literature is that rural tourism, to be truly sustainable, must be rooted in community engagement, backed by coordinated policy frameworks, and guided by clear standards of environmental and cultural protection.

Policy Recommendations

Based on the literature reviewed, several actionable policy recommendations can be proposed to enhance the impact and sustainability of rural tourism in Albania:

Invest in Rural Infrastructure and Accessibility

Improve road networks, digital connectivity, waste management, and basic public services in rural areas to meet the expectations of tourists and facilitate local business operations.

Strengthen Institutional Coordination

Develop an integrated rural tourism strategy that aligns the efforts of the Ministry of Tourism, local governments, donor agencies, and NGOs. Establish regional tourism task forces to streamline project implementation.

Support Capacity Building and Professionalization

Provide targeted training programs for rural entrepreneurs in areas such as hospitality management, digital marketing, foreign languages, and environmental stewardship. Engage vocational schools and universities in rural tourism curricula.

Enhance Environmental Regulation and Monitoring

Introduce zoning laws, building codes, and environmental impact assessments for tourism developments in protected and vulnerable areas. Monitor carrying capacities and visitor flows in high-traffic destinations.

Foster Community-Based Tourism (CBT)

Encourage participatory planning processes where community members co-create tourism offerings. Provide seed funding, legal support, and cooperative models to empower local governance over tourism assets.

Promote Albania's Rural Tourism Abroad

Develop a national branding campaign for rural tourism, highlighting Albania's unique natural and cultural heritage. Collaborate with tour operators, travel platforms, and diaspora networks to increase visibility.

Conduct Further Research and Impact Evaluation

Support academic and applied research on rural tourism, particularly on visitor behavior, gender and youth impacts, and long-term economic outcomes. Establish a national rural tourism observatory to track trends and inform policy.

By addressing these areas, Albania can position rural tourism not only as a tool for economic growth but as a cornerstone of a more inclusive, culturally vibrant, and ecologically responsible tourism model.

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The Role of Ethical Practices in Shaping Consumer Perceptions: Evidence from Leading Albanian Companies

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Abstract

This study explores the relationship between ethical business practices and consumer perceptions, using empirical data from the largest companies in Albania. Structured interviews were conducted with marketing managers and directors to evaluate how internal ethical dimensions—such as honesty, political ethics, environmental responsibility, and social accountability—correlate with consumer perception indicators including service quality, privacy, and security. Results from the correlation analysis reveal strong positive relationships, particularly between political ethics and consumer security, as well as between social responsibility and service quality. These findings highlight the strategic importance of ethical conduct in shaping consumer trust, satisfaction, and brand perception. The study provides timely evidence for companies operating in transitional economies, emphasizing that ethical integrity is not only a moral obligation but also a valuable business asset. Practical implications for business leaders and policymakers are discussed, alongside limitations and directions for future research.

Keywords: Marketing Ethics. Consumer perception
JEL classification: M31

1. Introduction

In an increasingly competitive and socially conscious global economy, businesses are facing growing pressure to operate not only efficiently and profitably but also ethically. Consumers today are more informed and empowered than ever before. They use digital platforms to scrutinize company values, expose unethical practices, and reward brands that demonstrate integrity, fairness, and responsibility. Consequently, ethical business practices have evolved from being optional or reputational to becoming fundamental drivers of long-term sustainability and competitive advantage.

In Albania, a developing economy in Southeast Europe undergoing continuous economic reform and integration into broader European markets, the importance of ethics in business has intensified. Companies, particularly the country's largest enterprises, are operating in a socio-economic environment where public trust in institutions—including businesses—remains fragile. Ethical misconduct, whether perceived or real, can quickly erode consumer trust and damage brand equity. This dynamic makes it essential to understand how specific ethical dimensions are perceived by consumers and how they influence core business outcomes like customer satisfaction, trust, and perceived service quality.

While previous research has explored the role of ethics in marketing and organizational behavior, there remains a gap in empirical evidence linking internal ethical frameworks to consumer perception—particularly in emerging markets such as Albania. Addressing this gap, this study investigates the correlation between various ethical business dimensions—such as environmental responsibility, political neutrality, honesty, and transparency—and consumer perception indicators like service quality, security, and privacy.

The study is grounded in data collected from 54 of the largest companies in Albania, through structured interviews with marketing managers and directors. These professionals, positioned at the intersection of strategic communication and consumer insight, offer a reliable perspective on how internal ethical policies translate into external consumer outcomes. By applying correlation analysis to this dataset, the research aims to provide a clearer understanding of which ethical factors most influence consumer trust and satisfaction. Ultimately, the goal is to provide evidence-based recommendations for Albanian and regional businesses seeking to enhance their reputation, foster loyalty, and differentiate themselves through ethical excellence.

2. Literature Review

Ethical behavior in business is increasingly recognized as a core strategic asset rather than a supplementary activity. As consumer expectations evolve, they no longer evaluate companies solely based on price or quality—they also assess corporate integrity, transparency, and social accountability.

Consumer Expectations and Ethical Marketing

Ferrell et al. (2019) argue that ethical marketing not only protects a company's public image but also builds sustainable competitive advantage through consumer loyalty. Ethical marketing encompasses honesty in advertising, fair pricing, transparency in communication, and respect for stakeholder rights. According to Kotler & Armstrong (2018), businesses that align their values with societal norms tend to experience stronger brand affinity and improved customer satisfaction.

Trust and Ethical Reputation

Trust is a cornerstone of consumer decision-making. Mayer, Davis, and Schoorman (1995) explain that trust in a company stems from perceptions of ability, benevolence, and integrity—key components of ethical behavior. Research by Chaudhuri and Holbrook (2001) shows that trust directly affects both brand loyalty and purchase intentions. When customers perceive a company as ethical, they are more likely to return, refer others, and remain resilient during crises.

Social Responsibility and Consumer Favorability

Carroll's (1991) four-part model of corporate social responsibility (CSR)—economic, legal, ethical, and philanthropic—has been extensively used to explain how companies balance stakeholder needs. Studies by Sen and Bhattacharya (2001) demonstrate that well-communicated CSR initiatives increase consumers' emotional connection to a brand.

Additionally, Luo and Bhattacharya (2006) find that CSR can enhance market value by indirectly influencing customer satisfaction.

Political Ethics and Corporate Legitimacy

In transitional economies like Albania, where political interference or instability can undermine business credibility, political ethics take on a particularly important role. Business ethics scholars such as Donaldson and Dunfee (1994) emphasize the need for "integrative social contracts" that align business conduct with local expectations. A company's ability to maintain neutrality, transparency, and fairness in political dealings can greatly affect consumer trust, particularly in developing markets.

Privacy and Data Ethics

With the rise of digital services, privacy has become a crucial ethical issue. According to Martin and Murphy (2017), firms that respect consumer data are more likely to retain loyal customers and avoid reputational risks. In Albania and the wider Balkans, where regulatory frameworks are still evolving, ethical management of personal data becomes a key differentiator in consumer trust.

Cultural Context and Ethics

Hofstede's cultural dimensions highlight that collectivist societies, such as Albania, may place greater emphasis on communal values like responsibility and honesty. This cultural backdrop enhances the impact that perceived ethical behavior has on consumer perception, as shown in cross-cultural studies (Vitell, Singhapakdi & Thomas, 2001).

In summary, the literature provides strong theoretical and empirical support for the role of ethics in shaping consumer perceptions. It validates the use of dimensions such as honesty, social responsibility, and political neutrality as critical indicators of consumer trust and brand value.

3. Methodology

This study is based on data collected from the largest companies in Albania, covering a broad range of industries. Structured interviews were conducted with marketing managers and marketing directors, chosen for their insight into both internal strategic decisions and consumer-facing communication.

The research instrument was a structured questionnaire designed to evaluate multiple ethical dimensions (e.g., environmental concerns, honesty, non-deception, political ethics, social responsibility, privacy) and consumer perception indicators (e.g., consumer service, security, expectation fulfillment).

To assess the relationships between these variables, Pearson correlation coefficients were calculated. These coefficients measure the strength and direction of linear relationships between variables. Accompanying p-values indicate the statistical significance of each correlation.

4. Results Analysis

	Environmental concerns	No Deception	Honesty	Social Responsibility	Expectation Fulfillment	Political Ethics	Privacy	Consumer Service	Security
Environmental concerns		0.4489	0.558	0.6287	0.4904	0.8037	0.4005	0.7596	0.5821
		-54	-54	-54	-54	-54	-54	-54	-54
		0.0007	0	0	0.0002	0	0.0027	0	0
No Deception	0.4489		0.3728	0.574	0.4321	0.4176	0.151	0.453	0.2695
	-54		-54	-54	-54	-54	-54	-54	-54
	0.0007		0.0055	0	0.0011	0.0017	0.2757	0.0006	0.0488
Honesty	0.558	0.3728		0.5411	0.5509	0.7121	0.5695	0.7024	0.7089
	-54	-54		-54	-54	-54	-54	-54	-54
	0	0.0055		0	0	0	0	0	0
Social Responsibility	0.6287	0.574	0.5411		0.3502	0.6667	0.3811	0.8108	0.6657
	-54	-54	-54		-54	-54	-54	-54	-54
	0	0	0		0.0094	0	0.0045	0	0
Expectation Fulfillment	0.4904	0.4321	0.5509	0.3502		0.4065	0.2968	0.5669	0.2717
	-54	-54	-54	-54		-54	-54	-54	-54
	0.0002	0.0011	0	0.0094		0.0023	0.0293	0	0.0469
Political Ethics	0.8037	0.4176	0.7121	0.6667	0.4065		0.6045	0.8142	0.8622
	-54	-54	-54	-54	-54		-54	-54	-54
	0	0.0017	0	0	0.0023		0	0	0
	0.4005	0.151	0.5695	0.3811	0.2968	0.6045		0.4577	0.6695
Privacy	-54	-54	-54	-54	-54	-54		-54	-54
	0.0027	0.2757	0	0.0045	0.0293	0		0.0005	0

Consumer Service	0.7596	0.453	0.7024	0.8108	0.5669	0.8142	0.4577		0.7001
	-54	-54	-54	-54	-54	-54	-54		-54
	0	0.0006	0	0	0	0	0.0005		0
Security	0.5821	0.2695	0.7089	0.6657	0.2717	0.8622	0.6695	0.7001	
	-54	-54	-54	-54	-54	-54	-54	-54	
	0	0.0488	0	0	0.0469	0	0	0	

The correlation matrix revealed several noteworthy relationships:

- Political Ethics & Security: ($r = 0.8622$, $p < 0.01$)
  The strongest observed correlation, suggesting that consumers feel more secure when they perceive a company as politically neutral and ethically sound.
- Consumer Service & Social Responsibility: ($r = 0.8108$, $p < 0.01$)
  Indicates that businesses engaging in socially responsible activities are rated higher in terms of customer service.
- Environmental Concerns & Political Ethics: ($r = 0.8037$, $p < 0.01$)
  Suggests that environmental responsibility is closely tied to perceptions of broader ethical integrity.
- Honesty & Security: ($r = 0.7089$, $p < 0.01$)
  Reflects a strong link between transparent communication and consumer trust in safety and data protection.
- Consumer Service & Honesty: ($r = 0.7024$, $p < 0.01$)
  Highlights that honesty is a key driver of positive service evaluations.

Additional moderate correlations:

- Non-Deception & Social Responsibility: ($r = 0.574$)
- Honesty & Social Responsibility: ($r = 0.5411$)
- Privacy & Political Ethics: ($r = 0.6045$)
- Expectation Fulfillment & Consumer Service: ($r = 0.5669$)

These findings emphasize that ethical consistency across internal practices correlates with improved consumer perception, especially in areas of service quality, safety, and satisfaction.

5. Conclusions

This research confirms that ethical dimensions—particularly political ethics, honesty, and social responsibility—are significant predictors of how consumers perceive businesses in Albania. Companies demonstrating strong ethical values are more likely to enjoy higher levels of trust, satisfaction, and customer retention.

Practical Implications:

Businesses should integrate ethical principles into marketing strategies and organizational behavior. Honesty in messaging, responsible data handling, and social engagement are key levers for improving brand perception and market competitiveness.

Limitations:
The study is limited by its cross-sectional design and focus on a single country. The correlation approach also does not imply causality.

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Does the Trade Exchange Ratio Affect Political Relations Between the Western Balkan Countries?

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Abstract

During the political processes of the last 20 years in the Western Balkan region, various strategies have been proposed with the aim of bringing these countries closer to the EU, both in terms of democratic and economic standards. One of them was the Open Balkans, where it was thought that a strategy similar to those of the European communities would make these countries more interactive, but also more willing to move forward in terms of resolving the political issues that still hold the region hostage. In this paper, by analyzing some models, we will examine the impact of trade exchange ratios on political relations in the Western Balkans, taking into account historical, economic and geopolitical factors. Referring to the trade exchange ratio, we will see how it affects economic dependence. Some of the mechanisms used can cause: interdependence, political dominance and weakening of sovereignty. In the second part of the paper, we will focus on the political context in which the countries of the region build their foreign policy. In the third part, we will analyze trade as a political tool, economic dependence and the political influence it exerts. The influence of external actors on the trade of the countries of the region will be addressed in the fourth part of the paper. The question we raise in this article is: Does trade promote political harmony, or do stable relations enable trade? The relationship is often two-way. For this, we will examine both the positive impact and the limitations. Finally, there will be some recommendations that tell us that while trade relations significantly shape political relations in the Western Balkans, their impact is influenced by historical issues, external influences, and domestic politics. Sustainable political stability requires economic cooperation and concerted efforts to address unresolved conflicts.

Key words: Western Balkans, Foreign Trade, Foreign Policy, Stability, Interdependence
JEL classification: F15, F50, P16

1. Introduction

Over the past two decades, the Western Balkans have experienced continuous political transition, accompanied by numerous initiatives aimed at fostering regional cooperation and aligning the region more closely with European Union (EU) standards. Among these, the Open Balkans initiative emerged as a regional strategy intended to mirror the early integration processes of the European Communities, promoting free movement, economic interdependence, and a cooperative political climate. However, the region continues to face unresolved political tensions and divergent national interests, which often hinder deeper collaboration.

This paper investigates the interplay between trade relations and political dynamics in the Western Balkans. Specifically, it explores the extent to which trade exchange ratios shape political relations among countries in the region, with particular attention to the mechanisms of economic interdependence, political influence, and sovereignty challenges. By analyzing both historical and current trade data, the study seeks to understand whether trade can serve as a catalyst for political harmony, or whether stable political relations are a prerequisite for effective trade.

The analysis is structured in four parts. First, we examine the role of trade exchange in fostering economic dependence and its implications for political interaction. Second, the foreign policy context of each country is explored to assess how regional political frameworks are shaped. Third, the study considers trade as a political instrument—evaluating how economic ties can either strengthen cooperation or exacerbate imbalances. Finally, we assess the influence of external actors such as the EU, China, and Russia on the trade-political nexus in the Western Balkans.

Ultimately, this paper argues that while trade has the potential to enhance political cooperation, its impact remains conditional on deeper structural and historical factors. Meaningful political progress in the Western Balkans will require not only economic integration but also sincere diplomatic efforts and the resolution of long-standing regional disputes.

2. Literature Review

The relationship between trade and political relations has been widely debated in international relations and political economy literature. Scholars have long examined the role of economic interdependence in promoting peace, stability, and cooperation among states. One of the foundational theories in this area is liberal institutionalism, which suggests that economic interdependence, including trade flows and joint ventures, reduces the likelihood of conflict and encourages peaceful resolutions (Keohane & Nye, 1977; Russett & Oneal, 2001). This theory argues that states with strong economic ties are less likely to engage in conflict, as the costs of disruption would be economically damaging for both parties.

In the context of the Western Balkans, regional trade cooperation has been seen as both a goal and a tool for fostering broader political stability. Initiatives such as the Central European Free Trade Agreement (CEFTA) and, more recently, the Open Balkans initiative aim to lower trade barriers, increase economic integration, and provide a foundation for political normalization (Bartlett, 2008). However, many scholars argue that while trade integration initiatives have had some success, political challenges—such as unresolved ethnic tensions, nationalistic rhetoric, and diverging foreign policy agendas—continue to undermine their effectiveness (Bechev, 2012; Elbasani & Bieber, 2018).

Studies focusing on economic interdependence and sovereignty point out that while trade can promote cooperation, it can also lead to asymmetrical dependencies, where smaller economies become overly reliant on dominant regional players (Mansfield & Milner, 2012). This dynamic may result in perceived or real political influence by the more economically powerful country, raising questions about sovereignty and political autonomy.

Furthermore, the political economy of the region cannot be detached from the influence of external actors such as the European Union, Russia, and China. These actors pursue strategic interests in the Balkans through trade, investment, and political support, often creating competing alignments that complicate regional cooperation (Vangeli, 2017). For instance, Chinese investment in infrastructure through the Belt and Road Initiative (BRI) has raised concerns about debt diplomacy and political leverage, while Russian energy trade remains a critical factor in the geopolitical landscape.

Empirical studies have also attempted to measure the correlation between trade volume and political alignment, suggesting that while trade can build trust, it is insufficient in the absence of political will and institutional support (Hafner-Burton & Montgomery, 2006). In the case of the Western Balkans, while trade levels have gradually increased, political relations often remain fragile and dependent on broader geopolitical calculations rather than strictly economic considerations.

In summary, the literature supports the notion that trade can be an important tool in fostering political cooperation, but it is not a panacea. In the context of the Western Balkans, trade relations are deeply intertwined with historical grievances, external influence, and domestic political dynamics. Thus, while economic integration offers significant potential for stability, its success depends heavily on parallel progress in political normalization, conflict resolution, and institutional reform.

3. Methodology

This study adopts a **qualitative and comparative research methodology** to examine the relationship between trade exchange and political relations in the Western Balkans. The aim is to explore whether increased trade fosters political cooperation or whether stable political relations enable trade growth. To address this central question, the study is structured into four analytical dimensions:

Historical and Political Context Analysis

First, the study conducts a historical review of trade and political developments in the Western Balkans over the past two decades. This includes analyzing the evolution of bilateral and multilateral trade agreements (e.g., CEFTA, Open Balkans) alongside key political events that have shaped regional dynamics.

Trade Flow and Interdependence Assessment

Second, using secondary data from regional trade statistics (World Bank, UN Comtrade, and national statistics agencies), the study identifies trade patterns and interdependencies between Western Balkan countries. The focus is on trade volumes, trade balance ratios, and key sectors of exchange. This economic mapping is used to assess levels of mutual economic reliance.

Case Study Approach

The research applies a comparative case study method to selected country pairs—such as Serbia–Albania, Kosovo–North Macedonia, and Bosnia–Serbia—where both trade data and political relations exhibit variation. These case studies allow the analysis of whether periods of improved trade cooperation correlate with moments of political rapprochement or tension.

Content Analysis of Political Discourse and Agreements

To assess the political narratives surrounding trade relations, official documents, policy speeches, and bilateral agreements are analyzed using content analysis techniques. This provides insight into how political actors frame trade cooperation—whether as a tool for peacebuilding, influence, or sovereignty projection.

Throughout the study, qualitative interpretation is complemented by basic **descriptive statistics** to underline trade dependency ratios, changes over time, and structural shifts in regional economic cooperation. While causality cannot be firmly established through this design, the methodological triangulation allows for a comprehensive understanding of the dynamics at play.

This approach is well-suited to the complexity of the Western Balkan context, where trade and politics are deeply intertwined with historical legacies, external influence, and shifting national agendas. The findings are expected to provide policy-relevant insights and inform strategies for fostering both economic integration and political stability in the region.

4. Analysis of Results

The analysis of the data collected from regional trade statistics, political developments, and selected case studies reveals a complex, bidirectional relationship between trade and political relations in the Western Balkans. Several key findings emerge:

Trade Interdependence and Political Pragmatism

Countries with higher levels of mutual trade—such as Serbia and North Macedonia or Albania and North Macedonia—tend to exhibit more pragmatic political cooperation. The data show that during periods of intensified trade flows, political discourse between these countries shifted from nationalist rhetoric to a more collaborative tone, especially in sectors like energy, agriculture, and construction materials. For example, bilateral trade between Albania and Serbia increased by over 30% between 2018 and 2022, coinciding with increased political dialogue under the Open Balkans framework.

Political Conflicts and Trade Limitations

On the other hand, unresolved political disputes significantly limit trade potential. The trade between Kosovo and Serbia remains highly politicized and fluctuates with the state of political negotiations. Trade barriers, mutual distrust, and diplomatic tensions directly correlate with periods of reduced economic exchange. Despite Kosovo's
formal participation in CEFTA, recurring tensions and border incidents have disrupted the flow of goods and services.

The Role of External Actors

The influence of external actors, especially the EU and China, was evident in shaping regional trade behavior. EU pre-accession aid and trade liberalization mechanisms have encouraged cooperation between candidate countries. However, Chinese infrastructure investments and trade agreements (such as Serbia's with China) have introduced asymmetries and, in some cases, strengthened political dependencies that bypass EU frameworks.

Trade as a Political Tool

The case studies also illustrate that trade has been used as a soft power tool. Serbia, for instance, has leveraged its economic dominance in certain sectors (e.g., food processing, pharmaceuticals) to assert political influence in neighboring markets. Conversely, Albania's recent tourism boom has served as a bridge to build ties with Montenegro and North Macedonia, indicating the potential of service-based trade to foster goodwill and regional branding.

Mixed Public Perceptions

The content analysis of political speeches and public statements reveals varying perceptions of trade cooperation. While governments generally frame trade agreements as mutually beneficial, nationalistic media narratives and political opposition often portray them as threats to sovereignty or tools of domination. This duality limits the long-term impact of trade initiatives unless supported by inclusive communication strategies and transparent governance.

5. Conclusion

The study found that there is a clear connection between trade volume and political dialogue in the Western Balkans. Countries that engage in higher levels of bilateral trade, such as Albania and North Macedonia or Serbia and North Macedonia, tend to have more constructive political relations. Trade seems to encourage cooperation and help reduce political tensions in these cases. However, in relationships where unresolved political disputes still exist, such as between Serbia and Kosovo, trade often suffers. Trade restrictions, border closures, and tariff disputes are common and tend to escalate when political tensions rise. In these situations, trade follows political developments rather than helping to improve them.

The analysis also shows that trade can serve as a tool of influence. Countries that dominate certain sectors, such as Serbia in manufacturing or Albania in tourism, use their economic position to exert soft political pressure. Moreover, the role of external actors is significant. The European Union promotes trade alignment as part of its enlargement strategy, but countries like China are also becoming major players through infrastructure investments. This creates a new form of economic dependence that may shape future political decisions in the region.

Public perception is another important factor. Despite efforts to promote regional initiatives like the Open Balkans, many citizens and political parties remain skeptical. This skepticism affects the long-term effectiveness of trade-based cooperation. Trade relations can indeed influence political stability, but their impact depends on multiple variables, including historical tensions, domestic politics, and the involvement of external powers.

In conclusion, trade plays an important but limited role in improving political relations in the Western Balkans. It can support dialogue and cooperation, but it is not a solution by itself. For trade to contribute to lasting peace and stability, it must be part of a broader strategy that includes political reforms, transparent institutions, and efforts to resolve historical conflicts. Only then can economic cooperation lead to meaningful political integration in the region.

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The risk of credit concentration: A study of the construction sector

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Abstract

This study investigates the risk of credit concentration in the construction sector in Albania using secondary data and calculates the Herfindahl-Hirschman index (HHI) for the total loan portfolio in Albania, particularly for two large banks operating in the Albanian market, Credins Bank and Raiffeisen Bank for the period 2017-2021. The purpose of this study is to discover and evaluate the level of financing in the construction sector and analyze the risk of loan concentration in the construction sector from the banking sector as a whole, and in these two banking institutions in particular. The method used for this study includes collecting and analyzing secondary data from various sources, such as annual financial reports and statistics of the construction sector in Albania. The study results show that Credins Bank and Raiffeisen Bank have different HHI indices for loans in the construction sector in the years studied. The loan portfolio's concentration level for financing the construction sector is higher for Credins Bank, while Raiffeisen Bank shows a lower concentration level. At the end of the study, relevant conclusions and recommendations are provided, where it is recommended that financial institutions and regulators carefully monitor the situation and take measures to promote diversification and address the issue of credit concentration in the construction sector to reduce potential risks.

Keywords: Concentration risk; credit; construction sector; the HHI index
Jel Codes: G21, L74, G32
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1. Introduction

Researchers have categorized these risks into five main categories, including production, market financial, legal, and human resource risks (Murrja et al. 2023 and Ndregjoni et al.2023) The risk of credit concentration in real estate (or construction) refers to the fact that a significant part of a bank's loan portfolio is concentrated in loans and financing for the real estate sector. If the real estate sector experiences a crisis, for example, a property price feature or a demand feature, banks that have a high concentration of loans in this sector are likely to suffer a significant negative impact on their financial health (Murrja et al. 2023). The risk of credit concentration in the real estate sector can be mitigated by diversifying the bank's loan portfolio in other sectors, such as industry, trade, or services. Also, the bank can adopt rigorous risk management policies, such as careful assessment of the client in the real estate sector, setting the credit limit according to the client's financial situation and diversifying the loan portfolio between different categories, as well as selecting with the caution of investors in real estate and the adoption of risk protection instruments. However, it is important to note that real estate is a major driver of the economy and that excessive fear of risk can also translate into a lack of finance for construction projects or real estate developments, which could be profitable. In general, it is important that the bank carefully assesses the risk of credit concentration in the real estate sector and takes appropriate measures to mitigate this risk, without disproportionately limiting access to credit for real estate customers[25]. (Bundesbank, D. (2006).
The risk of credit concentration in real estate can be significant for banks. The real estate sector is subject to market fluctuations and economic downturns can cause property prices to decline. This can lead to a decrease in the value of real estate that serves as collateral for loans. If real estate owners are unable to repay their loans, the bank may incur losses.
Moreover, the risk of credit concentration in the real estate sector may increase the credit risk of banks. If many banks provide loans to the same real estate investor, the risk that all these loans will not be repaid in case of financial difficulties for the investor increases significantly. This can lead to a negative domino effect, where one investor's financial distress spreads to other banks that have lent to that investor (Hibbeln, M. (2010). Moreover, the risk of credit concentration in the real estate sector can make banks more vulnerable to fluctuations in the real estate market. If the real estate market experiences a significant decline in property prices, banks with high exposure to the real estate sector may suffer significant losses and risk bankruptcy.
This study aims to; Assess the Impact on Economic Stability, Analyze Risks Associated with Dirty Money, Evaluate Regulatory Effectiveness, Recommend Risk Mitigation Strategies and Explore International Practices

Based on the objectives outlined, the following research questions will guide the investigation:

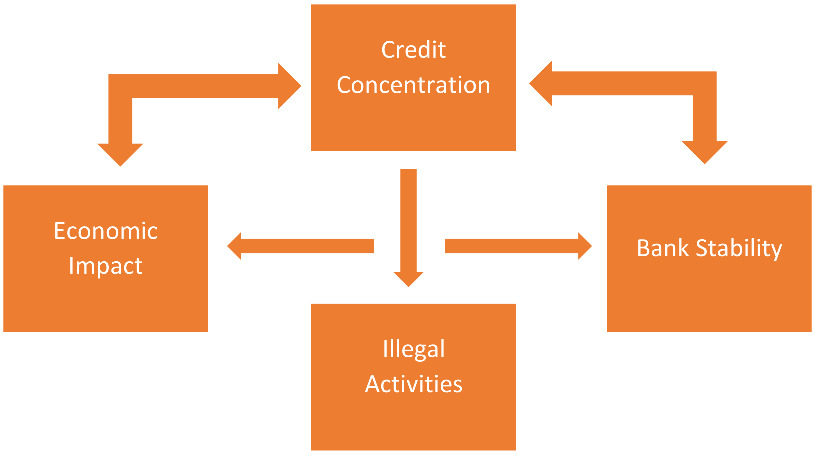
[25] Hibbeln, M. (2010). Risk management in credit portfolios: concentration risk and Basel II. Springer Science & Business Media.

- What are the economic impacts of concentrated lending to the construction sector in Albania on urban development, job creation, and overall economic stability?
- How does the concentration of loans in the construction sector increase vulnerabilities to dirty money and financial crimes within Albania’s financial system?
- What are the strengths and weaknesses of Albania's current regulatory frameworks in managing the risks associated with high loan concentrations in the construction sector?
- What strategies can Albanian banks and financial regulators implement to effectively mitigate the risks of loan concentration in the construction sector?
- How do international benchmarks and practices in loan distribution and risk management compare to those in Albania, and what lessons can be learned to improve Albania's approach.

The paper's weakness is a lack of clear and effective methods to address the hazards of credit concentration in Albania's construction sector, despite its economic importance and vulnerability to issues such as money laundering. While the report examines the Herfindahl-Hirschman Index (HHI) and regional differences in lending, it does not go into detail about the implications of moderate concentration or high-risk thresholds.

The conceptual model of reearch illustrate the relationship between loan concentration in the construction sector and its broader impacts. The diagram clearly shows the central issue of "Credit Concentration" and its effects on "Economic Impact," "Illegal Activities," and "Bank Stability."

Figure 1: Conceptual model of research



Source: Authors

This paper is structured as follows. Section 2 examines the relevant literature, including earlier research and theoretical frameworks that address loan concentration issues and the economic importance of the construction sector. Section 3 examines the technique utilized to perform empirical research, including data sources, variables, and analytical tools such the Herfindahl-Hirschman Index (HHI) employed in this study. Section 4 offers the empirical findings, focusing on trends in loan concentration in Albania's banking sector as well as specific findings for Credins Bank and Raiffeisen Bank. Section 5 explores the ramifications of these findings in terms of economic stability, regulatory policies, and international standards. Finally, Section 6 closes the research by providing crucial insights and recommendations for managing credit risks.

2. Literature review

Lending organizations manage concentration risk by utilizing a "concentration ratio" calculation to assess risks associated with lending excessively to single borrowers or specific industries. This risk management strategy is crucial because a less diversified loan portfolio increases a financial institution's concentration risk. The higher the concentration, the more sensitive the portfolio is to sector-specific downturns, which is particularly perilous for banks and other financial entities. Financial companies, under guidance from their board of directors, must determine an acceptable level of risk concentration. This "risk appetite" is defined through policies addressing concentration risk limits, as highlighted in the studies by Beck, T., De Jonghe, O., & Schepens, G. (2013).

Banks play a vital role in the economic system, offering a range of financial services with lending as a core activity that generates substantial income. However, this also introduces significant risks. Banks must consider not only the credit solvency problems of their customers—which entails evaluating their current and future ability to meet financial obligations—but also the distribution of credit across various borrowers and sectors to prevent excessive concentration, as suggested by Berger, A. N., Klapper, L. F., & Turk-Ariss, R. (2017).

Various international organizations and academic research have underscored the dangers associated with loan concentration:

International Monetary Fund (IMF):	Cautions that high concentration of loans in particular sectors or to specific borrowers can amplify systemic risks, potentially destabilizing the financial system during negative sectoral developments (Prendi L. Gashi J, 2023).
Basel Committee on Banking Supervision (BCBS):	Asserts that banks must have robust policies to identify, measure, monitor, and control concentration risk. The BCBS stresses that excessive loan concentration can undermine a bank's viability, exposing it to unexpected economic or industry-specific shocks.
Federal Reserve:	Highlights that concentration risk can increase credit risk and lead to higher credit losses during economic downturns,

	advocating for banks to implement effective risk management practices and diversify their loan portfolios
Academic Research:	Further research indicates that a high concentration of loans reduces the benefits of diversification, increases vulnerability to specific economic shocks, and can amplify the transmission of financial stress between borrowers or industries, thereby posing a potential source of systemic instability in the banking sector (Valvonis, V. 2007).

The financial crisis of 2008 serves as a stark reminder of the risks posed by high credit concentration. Originating from excessive lending in the U.S. mortgage market, the crisis demonstrated how credit concentration could lead to significant financial upheavals, emphasizing the necessity for careful credit management and diversified lending practices. During this period, the construction market was continually expanding, and credit was significantly eased, leading to a bubble in the real estate market. This was exacerbated by banks' risky credit practices, including subprime and inadequately secured loans, which, as Deutsche Bundesbank (2006) and J. York (2007) suggest, were major factors contributing to the scale of the crisis.

In light of these insights, lending to the construction sector, especially in developing regions like Albania, needs careful management. Despite the critical role of construction lending in supporting infrastructure development and urbanization, the associated risks demand comprehensive risk management strategies and regulatory oversight to ensure the long-term stability and sustainability of banking practices. This careful balance between leveraging opportunities in real estate and managing associated risks will be crucial for maintaining financial stability in the face of evolving economic landscapes.

Other studies have highlighted the risks associated with credit concentration in the construction industry.

Bank OZK finances risky bet on Miami glamour" (The Financial Times, July 14, 2024): This article examines Bank OZK's considerable exposure to commercial real estate, particularly in Miami, which raises worries about the concentration risk in its loan portfolio. US homebuilders face credit crunch as banks cut lending" (Financial Times, September 2024). The paper looks at how restricted bank lending has resulted in a credit bottleneck for US homebuilders, underlining the construction sector's vulnerability to concentrated credit risks. Analyzing Concentration Risk in Credit Portfolios" (Moody's, October 2024) The analysis investigates how sector concentration, such as in construction, can raise economic capital requirements due to increased risk exposure. Concentrations of Credit" (Office of the Comptroller of the Currency, Oct 2020): This paper covers the significance of identifying and managing credit concentrations, with an emphasis on industry-specific risks such as those in the construction sector.

3. Research Methodology

Conducting this research, a comprehensive analysis of secondary data sources, including reports and data from the Bank of Albania and various key banks operating within Albania, was undertaken. This data provides critical insights into credit risk management and the specific dynamics of credit distribution to the construction sector over the study period from 2017 to 2021. The inclusion of data from prominent financial institutions such as Credins Bank and Raiffeisen Bank, both significant players in the Albanian market, allows for a detailed exploration of sector-specific lending practices and their economic implications.

Variables of the Study

The study focuses on several key variables to assess the impact and risks associated with the concentration of loans in the construction sector:

Total Value of Loans in the Construction Sector: This metric quantifies the aggregate amount of credit extended to the construction sector by the banks. It serves as a primary indicator to evaluate the level of credit concentration and to gauge the vulnerability of the financial sector to potential downturns in the construction industry.

Percentage of Loans in the Construction Sector Relative to Total Bank Portfolios: This variable measures the proportion of each bank's total loan portfolio that is attributed to the construction sector. A higher percentage indicates a greater reliance on the construction sector, which could pose significant risks should the sector experience financial distress.

Method of Data Presentation and Analysis

The collected data is organized and presented both in tabular form and through graphical representations. These presentations facilitate a clearer understanding of the trends and patterns in lending practices. Special attention is given to the breakdown of credit distributions, allowing for a nuanced analysis of the construction sector's credit exposure relative to other sectors.

Use of the Herfindahl-Hirschman Index (HHI)

A pivotal part of the analysis involves calculating the Herfindahl-Hirschman Index (HHI) for the construction sector lending within the Albanian banking industry, with a particular focus on Credins Bank and Raiffeisen Bank. The HHI provides a quantitative measure of market concentration and is instrumental in assessing the competitive environment and the potential for monopolistic or oligopolistic conditions. By calculating the HHI, this study assesses:

Market Concentration Levels: The degree to which the construction lending market is concentrated in a few hands, which might suggest higher market power and less competitive dynamics.

Risk Assessment: The potential risk posed by having a high concentration of loans in a sector that might be susceptible to economic fluctuations or specific sectoral shocks.

By integrating these methods and focusing on these variables, the research aims to offer comprehensive insights into the strategic significance of lending patterns to the construction sector in Albania. The findings are expected to contribute to the broader discourse on economic stability, risk management in banking, and the strategic planning necessary for mitigating concentration risks in sector-specific lending. This study will not only enrich the academic understanding of financial market dynamics but also provide valuable recommendations for policymakers and financial institutions aiming to enhance financial stability and economic development in Albania.

Alternative methods

Qualitative approaches, such as in-depth interviews and focus group discussions with important stakeholders in the banking and construction industries, could be appropriate methodologies for conducting this research. These methodologies would provide insights into the strategic decisions that drive lending practices, as well as the perceived dangers associated with credit concentration. A case study technique might also be used to investigate specific examples of credit concentration in the construction industry, examining the origins, consequences, and outcomes of these activities. Another way is to use econometric modeling or simulations to forecast the potential effects of credit concentration under different economic scenarios. Combining these methodologies with secondary data analysis may increase the study's depth and provide a more comprehensive picture of the dynamics and risks of loan concentration in the construction sector.

4. Results

Lending to the construction sector by the Albanian banking sector.

Regarding the risk of credit concentration in the construction sector, we will first see how the exposed banking sector stands according to the financing of the economic sectors, where the construction sector will receive the most attention. For the portfolio of loans divided by economic sectors, we will also calculate the value of the HHI index to further analyze the concentration and be able to interpret the potential risk that may come from the risk of concentration. We will first examine the Annual Supervision Reports of the Bank of Albania and the division by sectors of the Credit portfolio starting from 2017 to 2021 to observe the progress of sector lending.

The data presented in the table 3 in Appendix, provides a detailed comparison of loan distribution across various sectors of the economy for December 2017 and December 2018. In December 2017, businesses held the largest share of loans, representing 68.6% of the total, which decreased to 63.2% by December 2018. This period also shows significant changes in the allocation of loans among other sectors. Notably, the construction sector, which experienced an increase in loan volume from 46.4 to 47.8, saw its share of total loans rise from 8.7% to 15.0%, reflecting a growing emphasis on this sector. The wholesale and retail sector, including the repair of motor vehicles and motorcycles, also saw an increase in its percentage share, despite a slight drop in absolute value. In contrast, the sector of electricity, gas, steam, and air conditioning supply experienced a substantial decline in both value and percentage, from 52.7 and 9.9% to 15.9 and 5.0% respectively. The data indicate shifts in the economic focus and lending practices of financial institutions in Albania, pointing towards increased investments in construction and retail sectors while reducing exposure to utility services. This shift might reflect broader economic trends, strategic priorities of banks, or reactions to market demands and regulatory changes during this period.

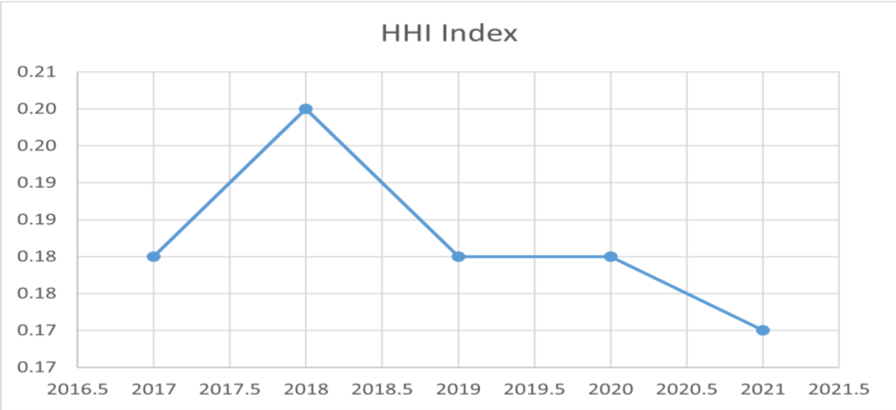
In 2019, businesses received the largest portion of loans, amounting to 335.9 units, which represented 64.3% of total lending, slightly decreasing to 64.1% in 2020 despite an increase in absolute value to 355.9 units. The construction sector also saw an increase, from 45.3 units (14.3% of total loans) in 2019 to 50.1 units (15.8%) in 2020, reflecting a growing focus on this area. Notably, the accommodation and food services sector experienced a significant percentage increase, from 5.1% to 6.7%, indicative of an expanding hospitality industry. Conversely, the information and communication sector's share dropped from 1.3% to 0.7%, alongside a decrease in its loan value, suggesting a contraction in this sector's financing. Overall, the total lending volume grew from 522.4 units in 2019 to 555.5 units in 2020, highlighting an overall increase in credit distribution across the sectors, with particular growth noted in real estate and construction, potentially due to increased investments in infrastructure and property development within the economy(see table 4 in appendix).

The data from December 2017 to December 2018 reveals notable shifts in the allocation of loans across various economic sectors in Albania. Businesses, although still holding the largest share, saw a reduction in both absolute value (from 364.3 to 317.7) and percentage of total loans (from 68.6% to 63.2%), indicating a possible diversification of loan portfolios or a decrease in business lending. Significant changes were observed in the wholesale and retail sector, which saw an increase in its share of total loans from 22.6% to 37.0%, despite a slight decrease in absolute value. This suggests a relative growth in importance of this sector within the loan portfolio. The construction sector also saw an increase in both value and percentage share (from 46.4 to 47.8 and 8.7% to 15.0%, respectively), reflecting continued investment and focus in this area. Conversely, the sector for electricity, gas, steam, and air conditioning experienced a sharp decline in loan value and percentage (from 52.7 to 15.9 and 9.9% to 5.0%, respectively), indicating a significant shift away from these utilities. Overall, the total loan value decreased from 533.8 to 502.4, yet the data shows a redistribution of loans towards sectors that may offer higher returns or strategic growth opportunities, such as retail and construction (see table 5 in appendix).

After that, we have to calculate the HHI index by using this percentage of lending in the construction sector:

$$HHI = S_1^2 + S_2^2 + S_3^2 + ... + S_n^2$$

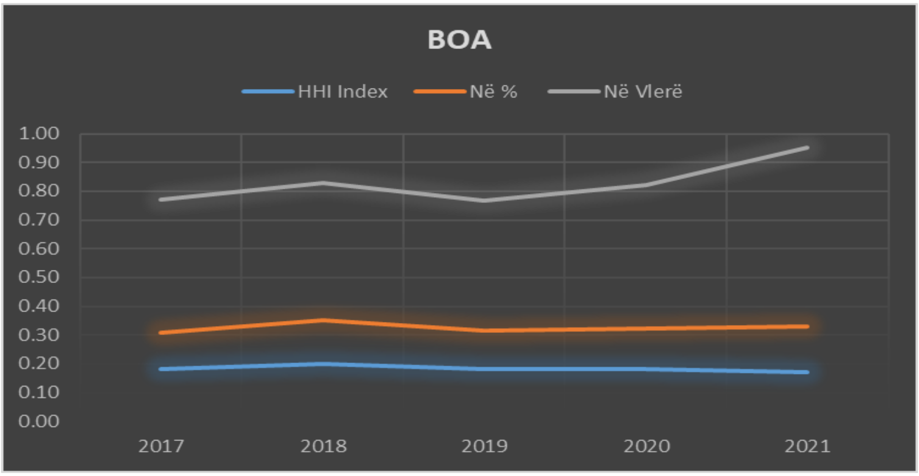
Figure 2, HHI value for the loan portfolio



Source: Author

The Albanian banking sector, starting from 2018 to 2021,figure 2, has encountered a diversification of the loan portfolio in several areas of the economy. Although the construction sector continues to grow in nominal value from year to year and continues to remain among the most credited as the second most credited sector in the Albanian economy. The credit market (figure 3) in the Albanian economy results at the end of 2021 with an HHI index value of 0.17, which shows that it is categorized as a market with a moderate concentration value.

Figure 3, Summary of 3 indicators subject to the study of the Credit market



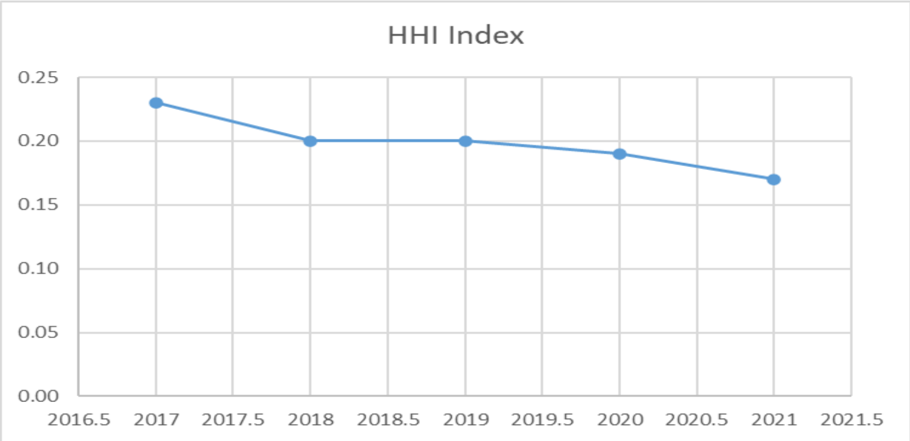
Source: Author

The case of Credins bank

Regarding the risk of credit concentration in the construction sector, we will see the data of 2 (two) financial institutions banks in Albania such as Credins Bank and Raiffeisen Bank. We must first underline that the annual reports of banking institutions do not expressly include the risk of credit concentration and do not provide concrete data regarding this, so it is considered that it is the case to reach a conclusion regarding the need for unification and standardization

of the annual reports of the banks so that first the banks themselves have a clearer picture, perform even more accurately the analysis of the credit concentration and anyone interested in this sector.
Regarding the data collected regarding the portfolio of loans granted by Credins Bank, they were collected from the audited annual reports of Credins Bank for the years 2017 to 2021, data published on the bank's official website.
The data in table 6,7,8 in appendix, show that the loan granted to the construction sector has decreased from 2017 to 2019 both in absolute value and in the percentage of participation in the loan portfolio. Starting from 2020 and 2021, this sector has received attention and support both in absolute value with a noticeable increase and in % that this type of sector has received compared to other sectors, remaining again as the second most credited sector
The percentage of lending in the construction sector for 2021 = (22,956,134,000 / 129,608,170,000) * 100 = 17.7% (and in the same way it is done for every year, from 2017 to 2021)
After that, we have to calculate the HHI index by using this percentage of lending in the construction sector:

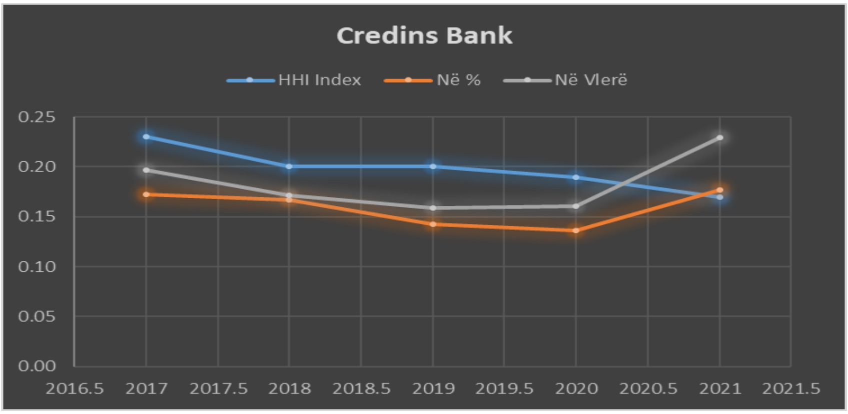
Figure 4, HHI value for the loan portfolio by sector for Credins Bank



Source: Author

The Credit Portfolio for Credins bank (figure 4) starting from 2017 when it had the highest concentration point in the value of HHI 0.23 has come every year more and more towards diversification reaching the lowest point of HHI 0.17 which shows that it is heading towards a diversified portfolio, although it still remains at the lower end of a moderately concentrated market.

Figure 5, Summary of 3 indicators subject to study of the Credit market, Credins Bank



Source: Author

The case of Raiffeisen Bank

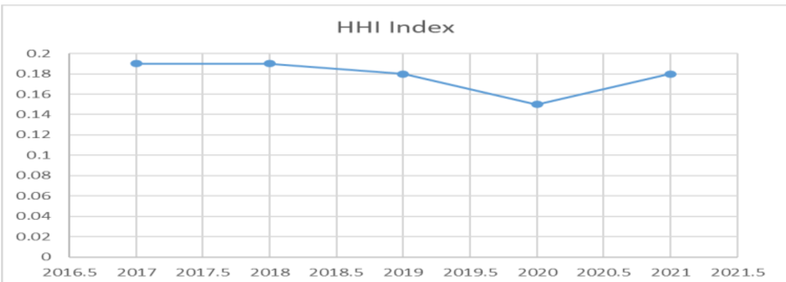
In the annual report of Raiffeisen Bank, it results that this bank has lent to the construction sector in the last 5 years from the lowest value in 2018 with the value of ALL 6,344,265,000, or as much as 2.59% of loans, up to the maximum value of lending to the construction sector. construction in 2021 marking a value of ALL 10,511,203,000, or 3.48% of loans for the respective year. Below we have listed in tabular form the breakdown of the portfolio of loans granted by Raiffeisen Bank starting from 2017 to 2021.

The data in table 9,10,11 in appendix show that the loan granted to the construction sector has increased from 2019 to 2021 both in absolute value and in the percentage of participation in the loan portfolio, except for 2021. In the case of Raiffeisen Bank the value of the portfolio of credit in construction remains relatively low compared to other sectors of the economy, therefore it does not present a material problem, but again the concentration index remains at values that speak of a credit portfolio with moderate concentration.

The percentage of lending in the construction sector for the year 2021 = (10,511,203,000 / 302,039,757,000) * 100 = 3.48% (and in the same way it is done for every year, from 2017 to 2021)

After that, we have to calculate the HHI index by using this percentage of lending in the construction sector:

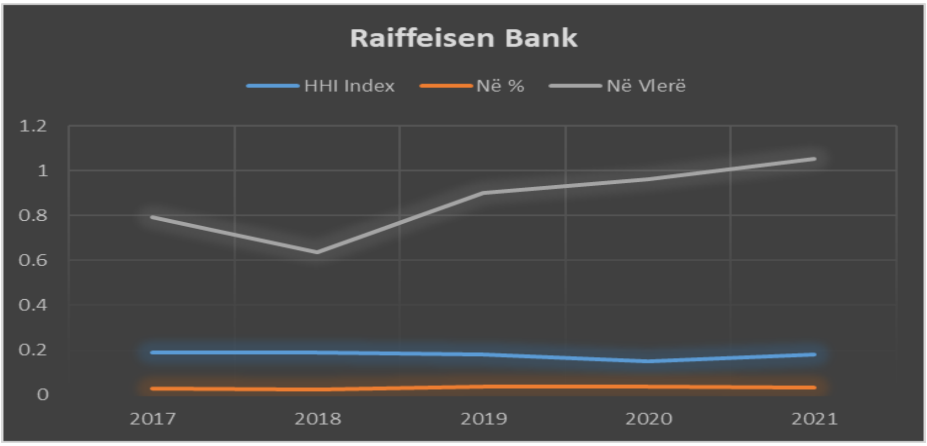
Figure 6, Value of HHI for the portfolio of loans by sectors for Raiffeisen Bank



Source: Author

The loan portfolio for Raiffeisen Bank starting from 2017 when it had the highest point of concentration in the value of HHI 0.19 has come every year more towards diversification reaching the lowest point of HHI 0.15 in 2020, then rising series in 2021 at the value concentration index HHI 0.18 indicating that it is moving towards a moderately concentrated portfolio (figure 6).

Figure 7, Summary of 3 indicators subject to the study of the Credit market, Raiffeisen Bank



Source: Author

Based on the analyzed data, the construction sector in Albania has been one of the most bank-financed sectors, showing different levels of loan concentration. The data show that the percentage of loans granted to the construction sector has changed over the years, reflecting different strategic priorities of the banks and changes in market demand. In the case of Credins Bank, the level of loan concentration for the construction sector has shown a trend towards diversification from 2017 to 2021. The HHI has decreased from the highest value of 0.23 in 2017, to 0.17 in 2021, which shows that the loan portfolio is leaning towards diversification, although it still remains at the limits of a moderately concentrated market. This trend shows a clear effort by the bank to balance risk and avoid excessive reliance on a single sector. On the other hand, for Raiffeisen Bank, the loan portfolio for the construction sector has had a gradual increase, but the level of concentration remains lower compared to Credins Bank. The HHI reached its lowest value of 0.15 in 2020, reflecting greater diversification, but increased again in 2021 to 0.18, which may indicate a return of attention to the construction sector. However, the share of loans for construction remains low relative to other sectors, thus reducing the risk of excessive concentration. Overall, both banks show different trends in terms of loan concentration for the construction sector. While Credins Bank has a higher, but decreasing, concentration, Raiffeisen Bank has a lower and relatively stable concentration. These data highlight the importance of diversifying the loan portfolio to minimize the risks associated with excessive concentration in a particular sector. Regulatory authorities and financial institutions should continue to monitor the situation and take measures to encourage a more balanced distribution of credit across sectors of the economy.

5. Conclusions and recommendations

The topic "The risk of the concentration of loans in the construction sector in Albania" examines the impact of the concentration of loans in a specific sector of the country's economy, where, as we saw in the secondary data, this sector is not only developing more and more, but also lending levels for this sector have been increasing, with exception of the period of the COVID-19 pandemic.

Lending to the construction sector in Albania is of particular importance for many reasons, including economic impact, impact on urban development and job creation. However, it is true that the construction sector is vulnerable to the challenges of dirty money or illegal financial activities.

International reports such as Moneyval have been engaged in the assessment of Albania's financial system and the fight against dirty money and terrorist financing. In these reports, it was pointed out that there was an increased presence of dirty money in the construction sector in Albania. The presence of dirty money in the construction sector is a serious problem that can cause serious consequences for the country's economy and financial system. This can be related to actions such as money laundering, exploitation of illegal construction, tax evasion and links to other criminal activities. To address these challenges, it is important to have a continued commitment from state institutions, banks, and financial regulators to strengthen controls on dirty money and the fight against financial crime (Prendi, L., Borakaj, D., & Prendi, K. 2023). This includes measures to identify and report suspicious transactions, monitor illegal construction work and strengthen transparency in the construction sector.

Also, international cooperation is important to fight dirty money and to build appropriate information and reporting systems. Thus, the improvement of transparency and the effective fight against illegal financial activities will help ensure a more orderly and safe construction market in Albania.

In the context of the total credit given by the banking system against the economic sectors of the country, the Herfindahl-Hirschman index (HHI) has fluctuated from 2017 to 2021. The values of the HHI index go from 0.17 to the lowest point in 2021 up to 0.2 in 2018, which marks the highest value. Credit to the construction sector occupies a significant place in the total credit, where in 2021 it ranks as the second most-credited sector. With an HHI value of 0.17, it classifies the loan market in Albania as a moderately concentrated market, which raises concerns about the large concentration of credit in only a few sectors.

The Herfindahl-Hirschman Index (HHI) for Credins Bank, for the total loan portfolio, has a fairer shape compared to the total loan of the banking market as a whole. From 2017 to 2021 we have a continuous decrease in the index from 0.23 in 2017 to 0.17 in 2021. Although we have a decrease in the index, the value of the loan to the construction sector has increased in the last two years, which shows that the bank has diversified its loan portfolio well, although it still remains in the figures of a moderately concentrated portfolio.

The Herfindahl-Hirschman Index (HHI) for Credins Bank, for the total loan portfolio, has a fairer shape compared to the total loan of the banking market as a whole. From 2017 to 2021 we have a continuous decrease in the index from 0.23 in 2017 to 0.17 in 2021. Although we have a decrease in the index, the value of the loan to the construction sector has increased in the last two years, which shows that the bank has diversified its loan portfolio well, although it still remains in the figures of a moderately concentrated portfolio.

If the HHI index for loans in would be very high, it would be an indicator of a high market concentration and lack of diversification, but it appears with a not very significant problem since the total loan market in Albania remains at the limits of being with a moderate concentration, which if it appeared with a high concentration would lead us to analyze each loaned sector item by item to assess the specific weight and give the appropriate recommendations to diversify the market so as not to we have problems with the risk brought by the concentration of the credit market.

Regarding the suggestions of the study, it can be said that: Due to the importance of lending to the construction sector in Albania, it is important that banks have well-defined lending standards to avoid the risk that comes from the concentration of credit in this sector, which, as we saw in the theoretical part of the study, can cause significant financial crises.

The annual reports of banks should have a clear analysis of the risk of credit concentration, even more so considering that the construction sector is generally credited in some areas where the interest is even higher, such as in the capital and in coastal areas or developing areas and the problems of the sector would produce consequences on the financial health of financial institutions. Because it examines the concentration of loans in Albania's construction industry, a sector with substantial economic effect and potential vulnerabilities, this work is valuable for future research because it tackles a crucial topic in financial risk management. It offers a quantitative framework for evaluating credit concentration through the use of instruments such as the Herfindahl-Hirschman Index (HHI), providing a reproducible model for examining comparable risks in other economic sectors or nations. The paper also emphasizes how credit risk is linked to issues like financial crime and money laundering, highlighting the necessity of stronger regulatory frameworks and international collaboration. The conclusions and suggestions of this study provide a framework for more research into portfolio diversification, effective risk mitigation techniques, and policy creation, adding to the larger conversation on economic stability and financial system resilience in developing and transitional economies.

In this research we face 2 limitations; The annual reports of the banking institutions do not explicitly include detailed data on the risk of credit concentration, which limits the ability to fully assess the exposure of the banks to this risk and the analysis relies on secondary data from public reports, which may not provide the most current or comprehensive insights into the dynamic trends of credit concentration in the Albanian banking sector.

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On local policies for the development of alternative tourism in the Municipality of Vlora

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Abstract

In the National Tourism Strategy, 2024-2030, the Municipality of Vlora is defined as one of the main destinations of the Ionian Coast cluster. This destination stands out for the great opportunities it has to offer various tourist packages and products, tourism of the sun, beach, coast and alternative tourism in all its types. The diversity of the territory in the Municipality of Vlora, which includes plain and coastal areas, hills and mountainous regions, climate, water resources, rich ethno-cultural and historical heritage, biodiversity, nature and traditions, gastronomic diversity, etc., in the documents and local policies of the local government, are evaluated as important and very promising resources and factors for the development of the tourism industry in the Municipality of Vlora. In the local Strategic Plan for the development of tourism in the Municipality of Vlora, the issues, challenges, instruments and ways to solve the main problems that determine the success of the efforts to build an Optimal Model for the sustainable development of tourism are treated with priority. The implementation of this Model aims at: (i) the effective use and preservation of the technologically clean environment and traditional culture, (ii) the generation of income for the local economy and the community (iii), the promotion and support for the increase of capacities and offers in the labor market and for employment, (iv) the increase of effectiveness and efficiency in the use of means of production. Treating the sustainable development of tourism as an economic and social activity that aims to integrate different typologies of tourism (beach tourism, cultural tourism, ecotourism, rural tourism, adventure tourism, etc.), the policies, programs and projects drawn up by the local government and implemented in the Municipality of Vlora are important supporting factors for the development of alternative tourism in this municipality.

Key words: Alternative tourism, local politics, Vlora Municipality.
JEL classification: F43, M29, Z31

1. Introduction

In Albanian National Tourism Strategy 2024-2030 emphasizes that:

> "Albania's picturesque landscapes, natural and cultural diversity, its rich heritage and history, and its warm Mediterranean climate have made it stand out as a developing destination on the European tourism scene, with significant and visible improvements in recent years".

In this Strategy, the country's natural resources, cultural and historical heritage are considered very important and have great potential effects for increasing Albania's tourist attractiveness. By defining this need as one of the priorities in the efforts made for the sustainable and effective development of tourism in Albania, the National Tourism Strategy emphasizes the necessity for the development of cooperation between tourist operators, hotel and restaurant service providers, small, medium and family businesses that offer tourist products, with central legislative and decision-making public bodies and institutions and local self-government bodies. For the successful implementation of this cooperation, the National Tourism Strategy, among other things, also defines the ways and instruments that should and can be used by tourism service providers and local government bodies. For this purpose, the entire territory of Albania has been divided into six clusters, each of which includes regions or geographical areas that have some common features (in terms of experience, geo-morphology, etc.) and where a series of comparable or similar products, activities, experiences, attractions and tourist infrastructures are concentrated, or should be developed in the future. The Municipality of Vlora is part of the Ionian Coast cluster, which includes the entire Vlora district (coastal and inland areas). This cluster is characterized by sun and beach tourism, and time spent on the various beaches constitutes the main activity for visitors.

The Ionian Coast cluster is not only distinguished by its beautiful beaches, but also offers an interesting cultural and gastronomic experience, giving visitors an opportunity to understand local traditions, culture and history and to taste local cuisine. This cluster, as highlighted in the National Tourism Strategy, offers great opportunities for visitors interested in nature and outdoor activities. Its opportunities for the development of alternative tourism and its combination with beach and sun tourism are among the very important and stimulating factors for the successful and sustainable development of the tourism industry in the Vlora region and in the municipality of Vlora, as the capital of this region (Sika & Kume, 2025). In the National Tourism Strategy for the municipality of Vlora, the following are highlighted as very attractive for tourists:

The Karaburun Peninsula and Sazan Island, accessible by boat from Vlora and offering spectacular diving spots, secluded beaches and the opportunity to explore untouched Mediterranean landscapes;

Porto Palermo Castle, located next to a beautiful bay that is ideal for swimming and snorkeling;

Orikum Archaeological Site, which offers information on the ancient history and the city of Orikum, with its former submarine base during the dictatorship of the proletariat;

Famous monuments such as the Muradie Mosque (Lead Mosque), a perfect example of Ottoman architecture, and the Kanina Castle, which dates back to the 3rd century BC and is located on a hill that offers stunning panoramic views;

Zvërnec Monastery, dating back to the 13th century, etc.

The Strategy distinguishes the municipality of Vlora in the Ionian Coast cluster as a tourist destination where tourists are given the opportunity to go to:

The Llogara Gorge from where they can enjoy a stunning view of the Ionian Sea, to visit the Llogara National Park, which has a diverse fauna and flora;

The only marine park in Albania, the Karaburun-Sazan National Marine Park, to explore the amazing marine biodiversity and visit underwater caves, shipwrecks; isolated beaches, Grama Bay, etc.

For the sustainable development of the tourism industry in the Municipality of Vlora, the National Tourism Strategy highlights and singles out gastronomy as an opportunity that should attract attention and to which tourism operators and local authorities should pay special attention and support. The Strategy emphasizes that tourism offers that have gastronomic products as their object create the opportunity not only to satisfy tourists with authentic Mediterranean cuisine, but also, through these culinary offers, tourists are given information and evidence about the history, geography and diverse culture of this region.

2. Literature review

Cohen (1987); Özer et al. (2016); Triarchi & Karamanis (2017); Prince & Ioannides (2017); Karakuş, (2019); Hernández-Ramírez et. (2022); Croes et al. (2024) etc... consider and treat alternative tourism as an important component of the tourism industry. According to them, alternative tourism has qualities and characteristics that make it very distinctive from other tourism activities. Its main feature is the great opportunity it has to offer very diversified packages. Alternative tourism better and more than any other type of tourism activity brings the consumer closer to local communities and creates bridges between peoples and cultures different. This type of tourism has great potential to develop as a complement and interaction with mass tourism, sun and sea tourism and elite tourism. Alternative tourism with its various forms such as cultural tourism, agro tourism, ecotourism, adventure tourism, mountain tourism, farm tourism, etc.. manages to transform into material goods for local communities their behaviors, customs and traditions, historical heritage, cult objects, nature and the environment as they are without the need to intervene and invest, scientific and social activity, etc.... For these reasons, alternative tourism is increasingly attracting the attention of policymakers and decision-makers at the central and local levels. The need to draft strategies, action plans, programs and projects to promote and support the development of alternative tourism is now topical. This is a need that, in order to address and find the most effective, long-term and sustainable solutions, requires coordination of actions, with a common vision, between central government institutions and local self-government bodies (Yüksel et al. 2005; Brokaj, 2014;

Nunkoo, 2015; ERDF,2019; Muh Taufik et al 2023). Nugraha et al. 2024 claim that the commitment of the central government to support the sustainable development of alternative tourism has a positive effect. They emphasize that the cooperation between the central government and local self-government bodies also has such an effect. Oppokkhonov et al (2024) have concluded that:

> “central government collaboration with local government and communities enhances policy coherence, destination competitiveness, conservation of natural and cultural resources, community participation and sustainable socio-economic development”

Masimba, (2024) states:

> “that local authorities play a critical role in tourism development through place marketing, efficient and effective service delivery, infrastructure development, and maintenance, to name a few”

The National Strategy "For Sustainable Development of Tourism, 2019-2023" emphasized that the development of the tourism industry in Albania should be achieved by aiming as a fundamental objective:

"Albania, a welcoming, attractive and authentic destination, for the sustainable development of the country's economic, natural and social potentials".

The efforts and work done to realize the priorities foreseen in this Strategy have yielded results that have created a good basis for the further development of capacities for the diversification of tourism offers.

The Municipality of Vlora is one of the municipalities that possesses great capacities and opportunities to support the development of tourism in general and in particular for the development of alternative tourism. The purpose of this paper is to present and analyze the commitment of local self-government bodies in the Municipality of Vlora to support, through local policies and the implementation of local projects, the development of alternative tourism.

3. Methodology

3.1 Aims

The study has the following main objectives:

Comparative analysis of policies and local plans for the development of alternative tourism in the municipality of Vlora and the strategic priorities defined for the Ionian Sea cluster, in the National Strategy for Tourism Development, 2024-2030.

Identification and assessment of the opportunities created by the policies and the Local Action Plan in the municipality of Vlora for the development of alternative tourism

3.2 Objective

Assessment of the level of compliance of the Local Strategy and Local Action Plan for the development of alternative tourism in the municipality of Vlora with Strategic Priorities for the development of the tourism industry in the Ionian Sea cluster.

3.3 Data

To carried out this study, secondary data were used, which are legislative documents and regulatory frameworks, policies, strategies and local and national action plans that address issues of tourism industry development. Among them can be listed:

- Local strategy and tourism development plan published by the Municipality of Vlora
- Legal framework, laws and guidelines in the field of tourism (at both local and national levels)
- Statistical data from INSTAT and the Ministry of Tourism and Environment
- International organizations` reports related to sustainable development of Albanian tourism industry
- Studies and research papers related to the role and responsibilities of local self-government bodies for the development of alternative tourism as an important component in the tourism industry

4. Method of research

The research is part of the group of qualitative studies, for which the method called Desk study was used. The in-depth analysis of the solutions, paths and instruments proposed in the documents approved by the local government bodies in the municipality of Vlora, for the development of alternative tourism, was carried out using the comparative analysis method.
The use of this method allows for a realistic judgment in relation to the solutions proposed in local documents dealing with issues of alternative tourism development. The comparative method provides a broader and deeper understanding of local policies and cooperation between stakeholders in the development of the tourism industry.

Research findings

The diversity of the territory in the Municipality of Vlora, which includes plain and coastal areas, hills and mountainous regions, climate, sea and sun, water resources, rich ethno-cultural and historical heritage, biodiversity, nature and traditions, gastronomic diversity, etc., are very important factors and great resources for the development of a sustainable tourism industry in Vlora municipality. In order to enable the most effective use of these factors, the local government bodies has compiled a Local Action Program and support the different projects. In these local documents, the priorities set out in the National Tourism Strategy have be taken into account and implemented. The Local Action Plan is harmonized with the requirements of national and regional policies and programs that address issues related to the sustainable development of the tourism industry in our country. The analysis of the documents drafted by the municipality of Vlora, which address issues of tourism industry development, supports the assertion that the decision-making of local government bodies in this municipality is harmonized with the requirements of the National Tourism Strategy. The local policie and Action Plan stipulate that the forms and types of tourism offers, in particular offers for alternative tourism, that can be developed in the municipality of Vlora, must be based on the opportunities offered by:

-The great and diverse wealth of this municipality, in cultural monuments, folklore, culture, social education centers, objects of spiritual worship, clothing, customs, songs, agriculture and livestock with indigenous varieties and breeds, family farms that develop under the conditions of the traditional production system, food products and traditional cuisine, nature, indigenous flora and fauna, etc.

-Historical heritage, which includes early, prehistoric and ancient settlements, archaeological discoveries and objects that testify to the period of isolation and dictatorship.

Given that a significant part of the tourists who visit the Municipality of Vlora are locals or Albanians coming from abroad, in the tourism development programs, the Municipality of Vlora devotes special attention to addressing problems related to meeting the cultural, social, environmental or even economic requirements of tourists of this type. In the local action plan related to the development of tourism industry aim to provide answers to three main groups of tourist offers:

- sun and beach tourism,
- special interest tourism, alternative tourism,
- business and congress/conference tourism.

In order to make the consumer as interested as possible and to encourage them to enjoy the tourist offers, the Municipality of Vlora pays special attention and is engaged in an information campaign through social media. On the website of this municipality, the consumer of tourist offers can be informed about the possibilities to enjoy a tourist package in which alternative tourist activities can be combined, in a very effective way, with sun and sea tourism, nature tourism with agrotourism or ecotourism, cultural tourism with business or scientific and social activities, etc.

In order to respond to the requirements, set forth in the National Tourism Strategy for local self-government bodies, the Municipality of Vlora has drafted a Local Strategic Plan for the sustainable development of tourism industry. This Plan is a document in which interested parties, various tourist operators or providers of tourist services and offers, can find answers to various problems that they may encounter in their work. Aligning the local plan with the regional plan is an effective solution that the local self-government bodies in the Municipality of Vlora and the Vlora Region offer to businesses in the tourism industry by creating favorable conditions for interaction between the forms and contents of the various tourist offers, especially the offers that use the opportunities offered by alternative tourism.

The Local Strategic Plan for the Development of the Tourism Industry and, in particular, Alternative Tourism, lays the foundations necessary for the construction of an Optimal Model for the Sustainable Development of Tourism in the Municipality of Vlora. By defining in this model the paths and instruments to be used, it aims to provide answers to issues related to:

(i) the effective use of resources that can be used in tourism offers, taking maximum care to preserve the ecologically clean environment and traditional culture,

(ii) the generation of income for the local economy and the community,

(iii) the encouragement and support for the increase of capacities and offers in the labor market and for employment,

(iv) the increase of effectiveness and efficiency in the use of means of production.

In the documents drafted by the Municipality of Vlora, sustainable tourism development is treated as an economic and social activity in which different typologies of tourism are integrated (beach tourism, cultural tourism, ecotourism, rural tourism, adventure tourism, etc.). Such an approach is an intelligent implementation of the requirements of the National Tourism Strategy, which creates real opportunities for the policies, programs and projects drafted by the local government to be important supporting factors for the development of the tourism industry and alternative tourism, as an important part of it, in the Municipality of Vlora.

The comparative analysis identifies the shortcomings and opportunities that should be used to create conditions that will positively favor the development of alternative tourism in the municipality of Vlora. Among them can be listed

1. Local policies

The analysis of Vlora Municipality's strategic documents shows that related to alternative tourism (such as agritourism, ecotourism, cultural and nature tourism) in local policies does not yet have clear developmet priorities.

2. Institutional cooperation

Inadequate capacities to support coordination between local institutions, local communities, and the private sector to support alternative tourism initiatives. Current policies do not provide sustainable support for local entrepreneurs in rural or mountainous areas of Vlora.

3. High-potential areas for alternative tourism remain underdeveloped yet

Areas such as Llogara, Brataj, Amantia, Smokthina, Kanina, and Gjormi possess rich natural, cultural, and historical resources, but lack infrastructure, promotion, and investment to transform them into alternative tourist destinations.

4. Isolated initiatives and lack of an local integrated strategy

Some donor- or NGO-funded projects have been identified for the development of sustainable and alternative tourism in the Vlora area, but there is no joint long-term plan from the Municipality.

5. Growing interest in alternative tourizm

According to tourism data and visitor platforms (such as TripAdvisor, Booking), there is a growing trend for activities such as nature hiking, village tours, and local products. The municipality of Vlora has a clear potential for the development of such tourist offers

5. Discussion

The desk study analysis results show that, although the Municipality of Vlora holds significant potential for the development of alternative tourism, existing local policies remain primarily focused on coastal and seasonal tourism. This approach creates developmental imbalance, leaving behind areas rich in natural, cultural, and historical assets in the inner territories of the municipality. In Vlora's strategic documents, the concept of alternative tourism is often mentioned in general terms and lacks detailed elaboration. There is no clear strategy for the development of agritourism, ecotourism, or cultural tourism, nor concrete plans to support local entrepreneurs in these areas. Even when objectives related to these tourism types are mentioned, they are not accompanied by measurable indicators or dedicated budgets. Moreover, there is a clear mismatch between the tourism potential of inland areas in Vlora and institutional efforts to develop them. For instance, regions such as Llogara, Brataj, or Kanina are rich in biodiversity, history, and cultural heritage, yet the lack of infrastructure, promotion, and institutional support hinders their development. Another critical issue is institutional cooperation. The absence of an effective platform among the Municipality, local communities, the private sector, and development organizations has contributed to fragmented efforts in developing alternative tourism. Implemented projects are often temporary and are not integrated into a long-term vision.

6. Conclusions

Local policies for the development of the tourism industry and, in particular, alternative tourism in the Municipality of Vlora are consistent with the requirements and priorities foreseen in the National Tourism Strategy, 2023-2030. The National Tourism Strategy, 2024-2030, includes the Municipality of Vlora in the Ionian Coast cluster.

For Vlora municipality, the main priority has been defined as the development of tourist capacities for sun and beach tourism, combined with alternative tourism that uses the opportunities offered by the diversity of the territory, the rich ethno-cultural and historical heritage, biodiversity, nature and traditions, gastronomic diversity, etc.

In the Local Strategic Plan for the Development of Tourism in the Municipality of Vlora, issues, challenges, instruments and ways to solve problems that condition the success of efforts to build an Optimal Model for the sustainable development of tourism are addressed in accordance with the requirements and priorities provided for in the National Tourism Strategy. The Optimal Model for the Development of the Tourism Industry in the Municipality of Vlora aims to:

(i) the effective use and preservation of the ecologically clean environment and traditional culture,

(ii) the generation of income for the local economy and the community

(iii), the promotion and support for the increase of capacities and offers in the labor market and for employment,

(iv) the increase of effectiveness and efficiency in the use of means of production.

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Challenges of sustainable tourism in albania

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Abstract

Tourism in Albania has emerged as one of the most vital sectors of the national economy. Its rapid development, the attention it has garnered from foreign media, and effective marketing have transformed the country into an attractive destination for tourists.With the recent global changes, climate change and the increasing number of visitors, sustainable tourism has become the main objective of local policies. This shift aims to protect the environment and support local communities.The actions and choices we take today will shape the future. The growing number of tourists coming to Albania every year has found our country organizationally unprepared in terms of waste, nature protection, creating cooperation with the local community and its well-being.The primary objective of this paper is to highlight the urgent need for Albania to adopt sustainable tourism practices. It also seeks to examine the challenges that must be overcome to implement these policies effectively.To ensure accurate conclusions, I developed a questionnaire for service providers and tourism businesses. Additionally, both primary and secondary data were thoroughly analyzed in this study. Ecotourism presents a promising pathway for achieving harmony between people, the tourism industry, and the environment. While Albania still faces significant challenges in its pursuit of sustainable tourism, it is encouraging to note that the country has already embarked on this journey. Moving forward, our goal should be to create a secure and prosperous future for generations to come.

Keywords: tourism development, sustainable tourism, future of tourism, strategy, Albania.
JEL classification: Q01, Z3, Z32, Q51, Q53, Q56.

1.Introduction

An overview of Albanian Tourism Development Over the Years

Albania's tourism development is a fascinating story of transformation from isolation to international recognition. The country's growth in this sector reflects both strategic investments and the allure of its natural beauty and rich cultural heritage. The most important points are as bellowed:

1. Years before 1990: Years in complete isolation. Communist Dictatorship in Albania (1944-1992)

At the beginning of the 70s, Hoxha's regime selected very carefully to open the doors for foreign visitors, first by accepting delegations from Nordic countries or even Latin America, predominantly having a communist ideology. Without a doubt, many people were curious to come and visit a country that was almost unknown and triggered a huge mystery. Even though the number of visitors was low, the tourism industry was very well organized. Tourism was not a priority for the Albanian economy, however, at that time, the country had its National and Tourism Enterprise, equivalent to nowadays. The tourists had a dedicated bus to arrive in Albania. They were accompanied by a guide, who was very well informed on all the history of the country and were properly instructed on what they should and should not transmit to the visitors. The guides at that time had knowledge of different languages, for instance, English, French, Russian, etc. The visitors had information on the dress code before arriving in Albania. Most importantly, the tourist visa duration was no longer than one month. All their equipment, such as cameras or radios, had to be declared at the borders, for instance in the Durres Port, or Rinas Airport. The tourists were informed before the trip about their dress code, said in other words, they were told not to go outside in short skirts, or swimsuits, because these acts were forbidden. The tourists took pictures of only what was allowed, nothing more than that. All in all, the chronicles of the time show that they were satisfied with their experience.

After the disclosure of the World War II and the immediate needs of the country, being handled, The Communist Regime of Albania, managed to Establish the First National Agency, named “Albturist” which executed each objective for 34 yes in a row (19561990).

Albania's tourism was non-existent during the communist era, as the government focused on self-sufficiency and security rather than promoting the country internationally.

2. Years after 1991: "Transition and Initial Development"

With the political system shift in 1990, an era of intense and complex construction took place, enabled by the lack of control in the territory, which in the first decade, presented itself through informality and ‘free but unregulated market’ not just in construction but also in the offering of the accommodation facilities to the first visitors of the ‘Now Opened Albania’, regardless the uncertainty that it follows. The informal Phase has had several effects on the territory and landscape, which with opening of Albania towards Europe and improvement of official documents regarding tourism, has resulted with a conceptual framework to regulate tourism, accommodation sector and more importantly the construction regarding accommodation facilities, by paving the way toward a project-based construction.

After the fall of communism, Albania began to open up, though its tourism sector faced early challenges due to political and economic instability. However, the country started to see initial growth with visitors.

3. The 2000s: Developing Infrastructure and Tourism Awareness and Promotion

In the 2000s some major European tourism operators began to recognize Albanian’s potential to join the ranks of Mediterranean sun and sand but often overcrowded destinations. This was followed by a wave of investment and between 2000 and 2019, the number of hotels, rooms and beds increased more then tenfold.

By the 2010s, Albania's tourism sector exploded, with international recognition as a hidden gem in Europe. Stunning beaches along the Ionian and Adriatic Seas and UNESCO World Heritage sites like Butrint, Berat and Gjirokastër attracted more and more visitors.

During the last two decades, the contribution of the tourism and travel sector to the country's Gross Domestic Product (GDP) has increased and reached more than 8%, creating jobs and generating 38% of total exports.

4. The 2020s: Resilience and Post-Pandemic Rebuilding

The year of the Pandemic was very difficult for the tourism sector not only in Albania but all over the world. Many hotels and service businesses were closed and as a result many people remained unemployed. It was a bleak situation which put tourism in great question for the future.

The pandemic temporarily slowed tourism, but Albania quickly bounced back due to its low infection rates and proximity to Europe. Today, Albania's tourism is diversified, focusing not only on its coast but also on cultural, historical, and eco-tourism experiences. Sustainable tourism is a priority for the government.

5. Tourism 2025: Expanding Growth Through Sustainable Policies and Alignment with International Tourism Standards

Albania is a young country, which does not have much history and experience in tourism. With an extraordinary cultural, natural and historical potential, it has attracted the attention of many foreign tourists. But what favors it is that there are many good examples from countries that have embraced sustainable tourism and have succeeded.

According to the Ministry of Tourism, Albania recorded 11.7 million foreign visitors during 2024, marking an increase of 15.2% compared to 2023

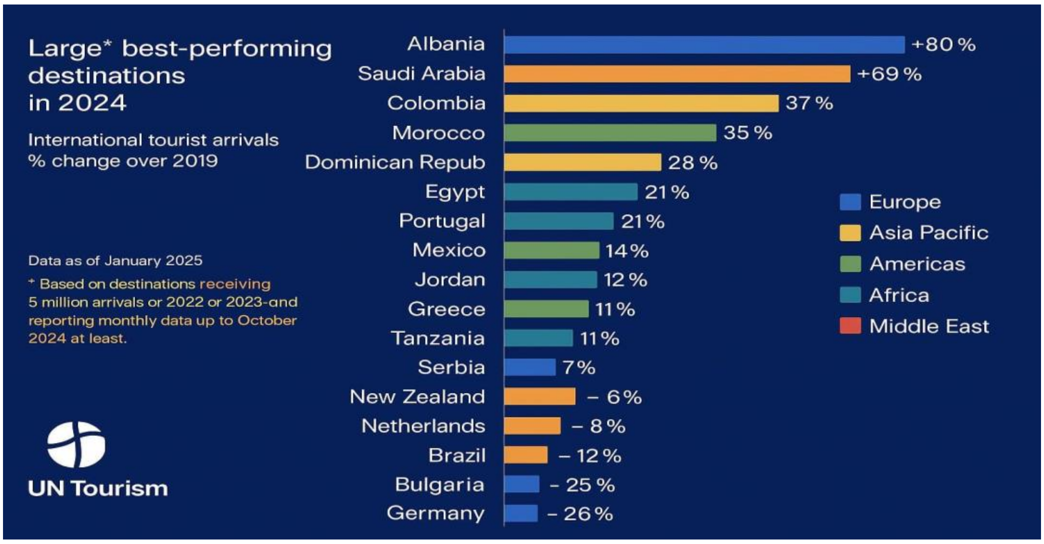

Table I. UN Tourism Data's 2024

Albania is making waves as a standout leader in tourism growth, both in Europe and globally! The latest report from the World Tourism Barometer indicates a remarkable success story for 2024, showing an impressive 80% surge in tourist arrivals.

According to the report published by the World Tourism Organization, this phenomenal growth is fueled by several key factors, including substantial investments in infrastructure, enhanced air connectivity, and robust international marketing.

Additionally, the variety in Albania's tourist offerings and the commitment to preserving its unique natural landscapes and rich cultural heritage have played a significant role in drawing in even more visitors from all corners of the globe.

Ministry of Tourism and Environment of Albania joins and signs MOU with GSTC in December 2024. This significant achievement means that global sustainability standards and accreditation are now accessible and available in Albania. In October 2024, Albania's Minister of Tourism and Environment, Mirela Kumbaro, presented the National Tourism Strategy 2024-2030, outlining the pillars of sustainable tourism development and the goals the country aims to achieve by 2030. The strategy focuses on transforming Albania into a more formalized and diversified tourism destination. Based on six key pillars, including investments, fiscal and regulatory policies in tourism, destination management, tourism product development, marketing, and the training of qualified professionals, the strategy aims to increase tourism revenues and reduce the seasonal nature of tourism by expanding offerings year-round.

The National Tourism Strategy 2024-2030 also foresees the creation, improvement, and consolidation of tourism products by dividing the country into six tourism regions: the Adriatic Coast Tourism Region, the Northern Interior Tourism Region, the Tirana Tourism Region, the Ionian Coast Tourism Region, and the Southern Interior Tourism Region

2. Literature Review

Sustainability- The future of tourism lies in achieving harmony between people, nature, and global trends

Sustainability presents a promising pathway for achieving harmony between people, the tourism industry, and the environment. To protect our country, the environment, and the people who depend on it, we must commit to this path.

Today, we live in a world where there is a rising emphasis on nature, organic foods, and humane practices. Through the innovation of sustainable tourism, we have the opportunity to protect these aspects.

Global trends in the tourism industry are constantly evolving. A key focus of these trends is promoting ecotourism and sustainability within the sector

Sustainable tourism development guidelines and management practices are applicable to all forms of tourism in all types of destinations, including mass tourism and the various niche tourism segments. Sustainability principles refer to the environmental, economic, and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to guarantee its long-term sustainability.

Thus, sustainable tourism should:

Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.

Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to intercultural understanding and tolerance.

Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

Tourism plays a crucial role in a country's economy. Naturally, Albania aims to attract as many visitors as possible to boost its economic income. However, it is essential that we preserve the natural beauties we possess and coexist with nature, rather than exploit or harm it. And this can only be accomplished through the practice of sustainable tourism.

2.1. Leading the best examples of sustainable tourism practices

Amsterdam (The Netherlands)

It has been several decades since the city of canals decided to develop a circular economy model, and in 2009, it became the first European smart city. The key? Urban planning that respects natural resources and promotes sustainable mobility with its network of bicycles **and public transport,** electric boat tours along its canals, and eco-friendly accommodation options that make sustainable tourism an integral part of the experience.

Copenhagen (Denmark)

The economic and environmental development of the Danish capital, coupled with its low pollution and contamination rates and its social cohesion, are key to considering it an ideal destination for sustainable tourism. The efficiency of its public transport system, its fleet of shared electric vehicles, or its proposals for sustainable tourism excursions, which include solar-powered boat trips and visits to offshore wind farms, promoting environmental awareness, are of great interest.

Controlled tourism in Bhutan

Bhutan, located in the East of the Himalayas, is known as one of the happiest countries in the world. The country remains relatively untouched by colonialism, which has ensured that the people’s sustainable way of life has remained intact.

Bhutan’s tourism operates on the principle of “high value, low impact”. This has been achieved by enforcing strict entry requirements and a daily visitor tariff. The daily tariff includes necessary expenses for the visit such as accommodation, a licensed tour guide, meals, and hiking equipment. A large portion of the tariff, however, is used to maintain and develop the country’s infrastructure, as well as contribute towards Bhutan’s free health care and education.

A solar powered resort in Fiji

Six Senses Fiji, located on the tropical Malolo Island, is a five-star resort with sustainable luxury and cultural awareness at its core. The resort runs on 100% solar power, equipped with rainwater capture and its own onsite water-filtration site to eliminate the use of single-use plastic bottles. The resort aims to be as low-waste as possible, encouraging the principles of reuse whilst also practicing recycling and composting with a “worm-based septic system” and growing as much of its own herbs and vegetables as possible. All handiwork and artwork at the hotel have been produced by local villagers and the hotel supports the Rise Beyond the Reef Charity which aims to bridge “the divide between remote communities, government and the private sector in the South Pacific, sustainably creating a better world for women and children.

A community-run backpacker in South Africa

Mdumbi, a backpacker on the Wild Coast of South Africa, aims to promote "community involvement and sustainable eco-tourism". The backpacker prides itself in being fused with the amaXhosa culture of the Eastern Cape, situated deep in the heart of a traditional village.

With a number of sustainability interventions onsite such as energy efficiency, solar power and waste management, Mdumbi has a unique ownership model, with the local employees, the amaxhosa community association, and TransCape (Mdumbi's affiliated NPO) all holding shares in the business.

Mdumbi's NPO, TransCape, aims "to provide access to the resources, support, and knowledge necessary for communities to initiate the process of change towards a better quality of life." In 2017, the Backpacker was also awarded a silver prize by the World Responsible Tourism Awards for best in poverty reduction.

Herzeg House, Trebinje (Bosnia and Herzegovina):

The Herzeg House is a project helping farmers to produce, sell, and earn more, without spending time on markets. The city sells the farmers' products through shops under the label of Herzeg House. Herzeg house has won the 'Green Destinations top 100 sustainable stories' competition as the shortest supply chain from the farm to the customer.

Kenya. Kenya is a leader in wildlife conservation and sustainable tourism in Africa. The country's national parks and reserves support local communities through revenue-sharing programs, community-based tourism initiatives, and sustainable wildlife management practices.

Summit expeditions & nomadic experience (Sene) - Tanzania

Offering climbs to the top of Kilimanjaro, wildlife safaris, and tours of Zanzibar, this touring company has since 1998 provided tourists with sustainable tours and locals with jobs. They are members of Leave No Trace and use portable toilets with biodegradable disposal systems as some of their many efforts to maintain the local environment. They also encourage guests to take alternative routes, so the busier routes have a chance to recuperate.Sustainable tourism might seem like just a trend, but it's about traveling in a way that respects the local culture, environment, and people. This is different from mass tourism, like cruises or package holidays, which don't connect with local cultures in a real way. Although mass tourism might seem more profitable, more travelers are now seeking authentic experiences

3. Research Methodology

This paper highlights key challenges to achieving sustainable tourism in Albania. It emphasizes the importance of collective responsibility and the need for all stakeholders to actively contribute to improving the sustainability of the sector. While many of these challenges are complex, they must be addressed to ensure long-term success.

The primary objective of this paper is to highlight the urgent need for Albania to adopt sustainable tourism practices. It also seeks to examine the challenges that must be overcome to implement these policies effectively.

To ensure accurate conclusions, I developed a questionnaire for service providers and tourism businesses. Additionally, both primary and secondary data were thoroughly analyzed in this study.

4.Results

Sustainable Tourism in Albanian

Sustainability is no longer a new concept in Albanian tourism. While most people are familiar with the term, only a few truly recognize its long-term advantages. Establishments such as hotels, restaurants, and guesthouses that prioritize sustainability in their business practices are becoming more popular among customers.

Along with global trends and international policies, Albania has many good examples to follow from countries that are eco-friendly today. At the same time, there are also warnings—like in Spain, where in 2024, people protested against mass tourism because it was affecting their daily lives, and they felt the government wasn't doing enough to control it.

Looking ahead, Albania must avoid the problems seen in countries like Spain, where mass tourism has caused serious issues for local communities. To prevent this, we need to take immediate steps toward building a sustainable tourism model—one that supports economic growth without harming the lives of people who live here.

Tourism should benefit the people of Albania first, as well as the national economy. But the key question is: are we ready for this change?

Based on interviews and questionnaires with tourism businesses, it's clear that many want to work in harmony with nature and help the local community benefit from tourism. However, they believe this will take time, starting with educating people within our own country.

This appears to be a long and challenging process for us, even though we live in an age where information is widely available and technology has advanced significantly. Though we have access to advanced technology and information, putting sustainability into practice requires ongoing education and training for tourism staff, business owners, and everyone involved in the industry. Tourism is a long and connected chain, and for it to work well and sustainably, every part of the chain must be informed, supported, and work closely together. Long-term success will depend on our ability to build capacity across the entire sector and to ensure that sustainability is not seen as an added burden, but as a necessary and valuable part of the tourism experience.This raises an important question: what concrete steps has Albania taken so far to promote and implement sustainable tourism practices?

In recent years, Albania has made significant progress toward sustainability, with initiatives concentrating on several key areas:

Renewable Energy

Albania is blessed with natural resources for renewable energy, particularly hydropower. Around 95% of Albania's electricity production comes from hydroelectric plants, making it one of the top countries in Europe in terms of hydroelectric power generation. However, there is a growing push for diversifying the energy mix to include wind and solar power to reduce dependence on hydropower and ensure energy security during dry years.

In April 2025, Albania opened the Karavasta Photovoltaic Park, the largest in the Balkans. This project will not only help meet a large part of the country's energy needs but also make Albania a major exporter of electricity. By using renewable energy, the park supports Albania's goals for sustainable tourism, helping to protect the environment while allowing the tourism industry to grow responsibly. This ensures that Albania's natural beauty remains intact for future generations.

Albania has been working with global organizations, such as the United Nations World Tourism Organization (UNWTO), to align its policies with international sustainable tourism standards and best practices.

Development of Eco-Tourism Projects

Albania has been promoting eco-tourism initiatives, focusing on preserving its natural landscapes, biodiversity, and rural areas. Several national parks and protected areas have been established to protect wildlife and offer tourists a sustainable way to experience nature.

Government initiatives and international organizations have been working to promote responsible tourism, raise awareness about the importance of conservation, and ensure that tourism benefits local economies without harming the environment. Sustainable practices include waste management, the promotion of local products, and the preservation of Albania's biodiversity.

In 2024, the Ministry of Tourism and Environment introduced and promoted the concept of Alberghi Diffusi hotels.

Alberghi Diffusi are a hospitality concept designed to develop tourism in hamlets and old town centers without changing their characteristics, differently from new build hotels or resorts. It only requires the cooperation of village residents to open up their homes to tourism in a coordinated way. By promoting Alberghi Diffusi, the Ministry aims to distribute the economic benefits of tourism more evenly across Albania's rural areas while reducing the environmental impact of large-scale tourism developments.

The government has encouraged local hotels, guesthouses, and tourism businesses to adopt sustainability practices. This includes reducing energy consumption, waste management, and promoting the use of local products. Certification programs have been introduced to recognize businesses that meet these standards.

Waste Management

Waste management has been an ongoing challenge in Albania, especially in urban areas. However, the government has been implementing reforms to improve waste collection, recycling, and landfill management. There are programs aimed at encouraging recycling, and waste management infrastructure is being expanded. The country has also received support from the European Union and other international organizations to improve its waste management systems.

From June 2022 UN Albania joined the Ministry of Tourism and Environment and other stakeholders from development and private sectors to discourage use of plastic bags. UN Albania considers the action on environment and climate change a key priority of UN's Sustainable Development Cooperation Framework with Albania. With the entry to force, as of

1 June 2022, of the legislative amendments on the ban of the production, importation, trade and use of single use plastic bags, Albania makes another step forward to tackling the issue of pollution and action is needed by all stakeholders to help the implementation of legislation. Based on research, plastic bags are among the biggest polluters to the environment. This joint effort aims to inform people on the negative consequences of using plastic bags and help change people's behavior – to refusing to use them.

Biodiversity

Albania is home to a rich diversity of ecosystems, from the Ionian and Adriatic seas to the Albanian Alps, making it a critical area for biodiversity. Several national parks and protected areas exist to preserve Albania's unique flora and fauna. The government, along with NGOs and international agencies, is working to protect these ecosystems from illegal logging, hunting, and unsustainable development.

Albania is also a signatory to various international environmental agreements, such as the Convention on Biological Diversity (CBD), which helps guide its conservation policies.

In the Divjake-Karavasta National Park, the census of wintering waterfowl for 2025 has begun. Four teams of enumerators participated in it, observing waterfowl at different points.

According to them, the Divjake-Karavasta area has the largest number of waterfowl in Albania, an average of 36 thousand individuals.

Sustainable Agriculture

Sustainable agriculture is an area that has seen some focus in Albania, particularly as agriculture remains an important sector in the Albanian economy. Organic farming, water conservation practices, and sustainable land management are becoming more common, especially in rural areas.

In alignment with European Union, Albania is providing support to farmers through grants designed to help develop their businesses, promote digitalization, promote green transition and improve the production of critical raw materials, among other key initiatives. These efforts are intended to modernize the agricultural sector, boost its sustainability, and strengthen the country's overall economic resilience by encouraging innovation and boosting productivity, Albania hopes to create sustainable farming practices that will benefit local communities and the tourism industry in the future.

5. Discussion

Challenges faced in terms of sustainability

Despite these efforts, Albania still faces significant challenges in terms of sustainability. The country struggles with issues such as deforestation, pollution (particularly in urban areas), and waste management. There is also pressure from infrastructure projects, such as hydroelectric dam constructions, which sometimes raise environmental concerns.

Furthermore, the transition to a more sustainable economy requires substantial investment in technology, infrastructure, and education to make sustainability accessible and economically viable for all Albanians.

Despite sustained national efforts and growing alignment with international sustainability frameworks, Albania continues to face significant environmental challenges. Key issues include deforestation, urban pollution, and insufficient waste management infrastructure, all of which pose substantial barriers to achieving multiple targets under the United Nations Sustainable Development Goals (SDGs)—notably SDG 6 (Clean Water and Sanitation), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 15 (Life on Land).

Infrastructure development, particularly the expansion of hydroelectric power projects, has further exacerbated environmental pressures, raising concerns related to biodiversity loss, habitat fragmentation, and unsustainable water resource use. These developments highlight tensions between economic growth imperatives and environmental protection, a central concern within sustainable development theory and ecological modernization frameworks, both of which emphasize the need for institutional innovation, technological solutions, and policy integration to decouple economic activity from environmental degradation.Based on data collected from questionnaires of individuals employed in the tourism industry or business owners within the sector, the key sustainability challenges are as follows:

Challenge 1: Not enough sustainability education for people living and working in Albania today

A significant challenge in Albania today is the insufficient level of sustainability education for its population. Despite global calls for more environmentally conscious practices, many Albanians lack the necessary knowledge and skills to adopt sustainable lifestyles and practices. This gap in education can hinder efforts to address pressing issues such as climate change, resource depletion, and environmental degradation. Without proper sustainability education, individuals may not fully understand the importance of reducing waste, conserving energy, or promoting eco-friendly initiatives, all of which are essential for the country's long-term well-being. In order to build a more resilient and sustainable future, there is a critical need for increased efforts to integrate sustainability into educational curricula, workplace training, and public awareness campaigns throughout Albania. Addressing this issue would not only empower citizens to make informed choices but also contribute to broader national and global sustainability goals.

Challenge 2: There is an absence of direct collaboration or engagement between local residents and businesses within the tourism industry

In Albania, there are no systems in place to support this important connection, which is vital for the livelihoods of communities where tourism takes place. A strong relationship between local residents, business owners, farmers, and others is essential for sustainable tourism.

In many tourist destinations, the interaction between local communities and the tourism industry plays a critical role in creating sustainable growth, fostering cultural exchange, and ensuring that the benefits of tourism are spread widely. However, in some regions, including certain areas where tourism is a major industry, there is often a lack of meaningful collaboration between residents and businesses involved in tourism. This absence of direct engagement can lead to missed opportunities for mutual benefit. Local residents may not have a say in how tourism develops in their area, which can result in a disconnect between the needs of the community and the priorities of the tourism industry. Similarly, businesses may miss out on local knowledge or services that could enhance the visitor experience. Without direct collaboration, issues such as over-tourism, environmental degradation, and economic inequality can arise, as the interests of local people and businesses might not align with sustainable tourism practices. Therefore, fostering stronger connections and collaboration between residents and the tourism industry is essential for creating a more balanced and sustainable tourism sector that benefits everyone involved.

Challenge 3: Pre-2000 buildings lack infrastructure for renewable energy

Buildings constructed before the year 2000 often lack the necessary infrastructure to support renewable energy systems, which can pose a challenge to transitioning to more sustainable energy sources.

Many businesses face challenges in adopting renewable energy resources due to limitations in space. In particular, some buildings are not designed to accommodate the necessary infrastructure for green technologies like solar panels, wind turbines, or energy-efficient systems. For example, certain buildings may have a mix of uses, such as half being dedicated to private apartments and the other half to hotel services, which leaves limited space for installing renewable energy systems. Additionally, buildings with small or underutilized spaces, where only about 50% of the building's capacity is being used, further restrict the ability to make energy-efficient upgrades. This lack of space prevents businesses from adopting sustainable solutions that could reduce energy costs and environmental impact.

Challenge 3: Limited infrastructure in tourist destinations

While some tourist areas have been well-developed with essential elements such as lighting, sidewalks, road signs, and other infrastructure to enhance the visitor experience, there are still areas that lack these crucial amenities. In addition to these basics, some regions are missing key features like information points, public transport, tourist maps, and digital resources that provide details about local events and attractions. These elements are essential for guiding tourists, ensuring they feel comfortable, informed, and safe during their visits. As tourism continues to thrive and is considered to be in its "golden years," it is vital for destinations to meet the growing expectations of visitors. Tourists today are not only seeking unique experiences but also value convenience, accessibility, and safety. Offering these services, including digital tools like event calendars and interactive maps, would greatly improve the overall tourist experience and ensure that visitors feel well-supported during their stay. As the industry grows, it is crucial for all areas, whether developed or not, to invest in these improvements to remain competitive and to meet the needs of modern travelers.

Challenge 4: Lack of a circular economy model

Albania has historically faced challenges in adopting a circular economy model, primarily due to limited infrastructure, regulatory frameworks, and public awareness.

Tourism can be a significant environmental asset, but it also presents challenges related to environmental protection and the well-being of host communities. Sustainable tourism practices are essential to ensure that tourism activities contribute positively to both the environment and local populations. Protecting natural resources, such as water, land, and biodiversity, is critical to maintaining the appeal of destinations while minimizing the negative impacts of tourism. Additionally, it is important to involve and support host communities, ensuring they benefit economically from tourism while preserving their culture, traditions, and quality of life. Balancing these factors is key to fostering long-term sustainability in tourism. Some issues related to efficient resource use and waste management in Albania include:

Reducing energy consumption, especially in areas like heating and air conditioning, and promoting the use of renewable energy sources such as solar and wind power. This is particularly important in Albania, where energy demand is rising, and the country is still heavily reliant on hydropower, which can be affected by droughts and climate change.

Encouraging the reduction, reuse, and recycling of materials. In Albania, waste management systems are still developing, and there is a need for better recycling infrastructure, particularly in tourist areas. Encouraging both residents and visitors to reduce waste and recycle can help alleviate this issue.

Ensuring water quality by improving sewage treatment facilities, preventing discharge into rivers and the Adriatic Sea. Albania's tourism areas, such as the Albanian Riviera, face water pollution challenges due to inadequate sewage infrastructure. Reusing gray water where possible can also contribute to sustainable water management.

Improving air quality, especially in urban and tourist-heavy areas like Tirana and coastal regions, which experience significant traffic congestion. Implementing better public transport systems and promoting electric vehicles could help reduce air pollution.

Better waste management and reduction, especially in high-traffic tourist spots, where waste can accumulate quickly. The establishment of more waste separation and recycling programs in popular tourist areas can help manage this issue.

Challenge 5: Insufficient government funding to help businesses implement sustainability policies

Although businesses in Albania are willing to change their approach, they find it nearly impossible due to a lack of funding. Hospitality businesses, being relatively new, are typically in the market entry and growth stages of their lifecycle. As a result, they struggle to allocate extra funds for creating sustainable facilities.

These investments require an initial cost but lead to significant long-term savings, such as reduced energy consumption, lower waste management costs, and improved environmental performance, all of which are crucial for long-term competitiveness. Furthermore, many businesses in the tourism sector lack the necessary infrastructure and financial support from local institutions or government programs to implement sustainability initiatives. In a country where access to financing for green projects is limited, businesses are often unable to secure the necessary capital for these investments. Therefore, these businesses need tailored savings plans, better access to affordable financing options, or government-backed incentives to support their sustainability efforts. Establishing a more robust support system would enable these businesses to transition towards more sustainable operations, contributing to Albania's long-term economic and environmental goals.

Challenge 6: Lack of formalized sustainability certification for businesses

In Albania, the lack of formalized sustainability certification for businesses presents a significant barrier to promoting sustainable practices within the private sector. Without an official certification system, businesses, particularly in industries like tourism face challenges in demonstrating their commitment to environmental, social, and economic sustainability. This absence makes it difficult for businesses to differentiate themselves in the market, especially as consumers and international partners increasingly prioritize sustainability in their purchasing and investment decisions.

Without a formal sustainability certification system, businesses in Albania lack a key tool to stand out in an eco-conscious market. Certifications signal a commitment to sustainability and attract environmentally aware consumers and investors. Without this recognition, businesses may not feel motivated to adopt sustainable practices. Additionally, they miss out on benefits like tax incentives, green funding, and support from organizations prioritizing sustainability, limiting their access to global markets where sustainability is a key factor.

6. Conclusion

This paper highlights key challenges to achieving sustainable tourism in Albania. It emphasizes the importance of collective responsibility and the need for all stakeholders to actively contribute to improving the sustainability of the sector. While many of these challenges are complex, they must be addressed to ensure long-term success.

Overcoming these challenges is not only necessary but also urgent, especially as Albania continues to position itself as a growing tourist destination in the Balkans. Addressing issues such as waste management, over-tourism in sensitive areas, and the enforcement of environmental regulations will be key to achieving long-term sustainability. By investing in infrastructure, strengthening governance, and promoting education and awareness, Albania can pave the way for a more resilient and inclusive tourism sector that aligns with both national development goals and international sustainability standards. The National Tourism Strategy for 2024-2030 emphasizes enhancing infrastructure, preserving cultural and natural heritage, and promoting responsible tourism practices.

Achieving truly sustainable tourism depends on the active cooperation of all stakeholders involved in the tourism system. While much attention is often given to the roles of governments, local authorities, and businesses, tourists themselves are also key actors in shaping sustainable outcomes. The decisions they make—such as choosing eco-friendly accommodations, supporting local businesses, respecting cultural norms, and minimizing their environmental footprint—directly influence the sustainability of the destinations they visit. Therefore, raising awareness among tourists and promoting responsible travel behaviors are essential components of a broader strategy to foster sustainable tourism. By encouraging informed and ethical decision-making, the tourism sector can not only reduce its negative impacts but also enhance its contributions to local development and environmental conservation.

Albania has made significant strides toward embracing sustainability, but challenges remain. There is growing recognition of the importance of sustainability across various sectors, from energy to tourism to agriculture. With the continued support of international organizations and a growing awareness among the population, Albania has the potential to further its sustainability goals and develop in a more environmentally friendly and socially equitable manner.Based on the data collected through interviews and the questionnaire distributed to business owners in the hotel and tourism industry—including hotel managers and employees—the following suggestions were identified to support and improve sustainability efforts:

• Reducing paper consumption, for instance, due to better management and online signature applications.

• Reducing or eliminating the use of disposable goods, for instance, by replacing plastic glasses with reusable mugs branded with the reduce, reuse, recycle message.

• Reducing printed materials, for instance, cutting them by 60% over one year.

• Recycling paper from product packaging waste, for instance, measuring it in tons of paper recycled annually.

• Managing waste according to HACCP and GMP standards with separate, documented disposal procedures for food, plastic, glass, and recyclable aluminum waste.

• Meeting electricity needs through renewable energy use, for instance, reaching 80% of electricity obtained from solar panels.

• Reducing electricity consumption by promoting energy efficiency through LED or natural lighting, equipment shutdowns, and investing in efficient machinery.

• Encouraging annual "lights-off" hour for conservation across individuals, communities, and businesses.

• Replacing the corporate car fleet with electric vehicles, for instance, setting a target by year.

• Signing contracts with suppliers with a code of ethics and best practices, and contributing to building their awareness to environmental and social issues.

• Selecting suppliers and partners locally to shorten the supply chain.

• Use of organic and sustainable materials in production, for instance, using or producing organic fruit and vegetables.

• Promoting environmental sustainability by increasing tree and plant coverage around service areas.

•Introducing separate waste bins to encourage proper waste segregation and promote environmental sustainability.

• Collaborating with local farmers to support sustainable agriculture and local economies.

• Treating and recycling greywater to reduce freshwater consumption and support sustainable water management.

• Surplus edible food in good condition can be donated to minimize waste and assist those in need.

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- Responsible Tourism for the Planet <Online> https://www.repsol.com/en/energy-and-the-future/sustainable-mobility/sustainable-tourism/index.cshtml

Literature review on innovation support policies in developed countries

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Abstract

This paper systematically reviews innovation support policies in developed countries, with a focus on their role in stimulating entrepreneurship, technological advancement, and economic competitiveness. By analyzing policies from leading OECD economies—including the U.S., Germany, Finland, and South Korea—the study explores how governments design interventions to overcome market failures, incentivize private-sector R&D, and foster collaboration between academia and business. The research highlights the growing emphasis on SME-focused programs, scale-up financing, and ecosystem-based approaches in contemporary policy frameworks.

The study is guided by two core research questions: How do innovation policies in developed countries support innovation and startup growth and what is the comparative effectiveness of government-funded programs versus private-sector initiatives in driving R&D investment? To address these questions, the paper employs a Literature Review methodology, analyzing peer-reviewed articles, OECD reports, and national policy documents from 2010–2024. The review protocol included keyword-based searches, strict inclusion/exclusion criteria, and qualitative content analysis to identify policy mechanisms and their measurable impacts.

Key findings reveal distinct national approaches to innovation support. Countries like Japan and South Korea prioritize direct R&D funding, while France and the UK rely more heavily on tax incentives. Case studies demonstrate that successful policies—such as Germany's High-tech Start-up Fund and Finland's university-industry partnerships—combine financial support with ecosystem-building measures. However, the research identifies critical challenges, including the "valley of death" in startup scaling and disparities in policy accessibility for SMEs. Data shows that while government programs dominate early-stage R&D , private investment becomes crucial for commercialization.

The study concludes that effective innovation policies require: tailored mechanisms aligned with national industrial strengths, balanced public-private financing models, and adaptive governance to address evolving technological and market demands. These insights provide actionable lessons for developing economies seeking to replicate aspects of successful innovation systems while adapting them to local contexts.

Keywords: Innovation, Public Policy, Entrepreneurship, Technological Development, R&D Investments
JEL classification: O31, O38, H25, L53

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1. Introduction

Innovation and entrepreneurship are two key pillars that help economic development and increase global competitiveness. Entrepreneurs often identify previously unexplored opportunities and create businesses that exploit them, creating new opportunities for growth and employment (Eckhardt & Shane, 2003). Innovation is often associated with the development of new technologies, processes and business models that help improve efficiency and resource utilization.

In developed countries, governments often invest in research and development, providing incentives for the creation of new business opportunities (Yencha, 2015). According to (Audretsch et al., 2014), governments create policies that help develop technology industries, which improve competitiveness and bring about important economic and social developments. Policies that support entrepreneurs and innovation may differ from one country to another, but they also have a common goal: to foster development and create new business opportunities.

Innovation support policies in developed countries focus on enhancing business R&D through a comprehensive policy mix, addressing framework conditions, and facilitating technological advancements. These include dedicated interventions for SMEs, strategic sector development, and transformative policies responding to societal challenges (Hutschenreiter et al., 2019).

In developed countries, public policies often aim to support innovation through dedicated funding for research and development, as well as through the creation of favorable conditions for technological enterprises. These policies include subsidies for scientific research, tax credits for innovation, and the creation of collaborative networks between universities and the private sector (Berezniak & Shabranska, 2020).

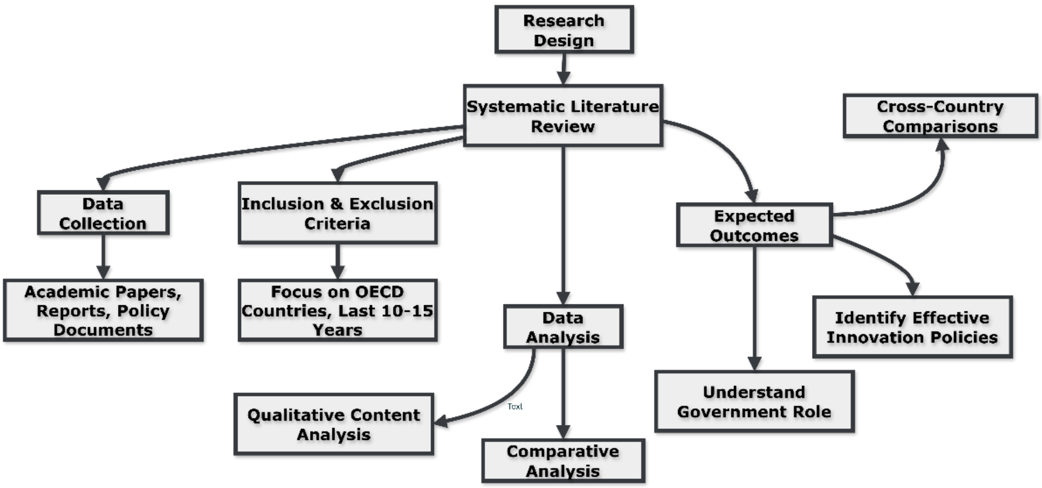
Designing and evaluating public policies to promote innovative entrepreneurship presents unique challenges, stemming from the nature of entrepreneurship and innovation. Entrepreneurs are creating new ventures, inventing new products and services, experimenting with new business models, and creating new markets (Du & Kim, 2021). They operate under high levels of uncertainty, in 5 environments characterized by causal ambiguity, novelty, and

complexity (Eberhart et al., 2017). Because of these challenges, government policies that attempt to target particular outcomes – to "pick winners," in the parlance of industrial policy – are likely to fail in such environments.
The study aims to analyze and synthesize existing literature on innovation support policies in developed countries, identifying key strategies, best practices, and their impact on fostering technological advancement, economic growth, and competitiveness.
For this paper, a hypothesis has been proposed that will be tested to understand the impact of public policies and institutions on supporting innovation in developed countries.
H1: Innovation support policies in developed countries significantly enhance the commercialization of new technologies and startup growth.
H2: Government-funded innovation programs have a stronger impact on R&D investment than private-sector initiatives.

2. Methodology

This study employs a Systematic Literature Review (SLR) to analyze innovation support policies in developed OECD countries over the past 10–15 years. Data is collected from academic papers, institutional reports, and government policy documents, selected through a keyword-based search strategy and strict inclusion criteria. The analysis involves qualitative content analysis to identify key policy mechanisms (e.g., R&D tax incentives, subsidies, and public-private partnerships) and comparative analysis to assess policy effectiveness based on indicators like patent output and startup growth. The study aims to understand government roles and identify best practices through cross-country comparisons.

Figure 1: Diagram of the methodology



Source: Author findings

1. Research Design
This study employs a Systematic Literature Review (SLR) approach to examine innovation support policies in developed countries. A systematic review is a structured method of

identifying, evaluating, and synthesizing relevant academic research, policy reports, and institutional documents (Okoli & Schabram, 2018);(Autio & Rannikko, 2024). The purpose of utilizing an SLR is to ensure that the study is based on comprehensive, high-quality sources that offer a detailed understanding of government interventions in fostering innovation. By applying this systematic approach, the methodology aims to minimize biases and enhance the reliability and validity of the findings (Okoli & Schabram, 2018).

2. Data Collection

The data collection process involves gathering information from a diverse set of sources to ensure a holistic perspective on innovation policies. The primary sources of data include: Academic Papers: Peer-reviewed journal articles provide rigorous theoretical and empirical insights into innovation policy mechanisms. To ensure credibility, research is sourced from well-established databases such as Scopus, Web of Science, and Google Scholar. The selection of academic papers is guided by relevance, citation count, and publication in recognized journals (Okoli & Schabram, 2018). Reports: Institutional publications from globally recognized organizations such as the OECD, World Bank, European Commission, and WIPO offer valuable policy perspectives. These organizations conduct large-scale studies that analyze innovation trends, government interventions, and the economic impact of innovation policies (OCED, 2015). Reports from consulting firms such as McKinsey, PwC, and Deloitte also contribute insights from the private sector's perspective.

Public Policy Documents: Government policy documents, national strategies, and white papers are essential to understanding the direct interventions that states implement to foster innovation. Examples include Horizon Europe, the US CHIPS Act, and Japan's Science, Technology, and Innovation (STI) policies. These documents reveal the priorities of different nations in promoting R&D, supporting startups, and enhancing technological advancements.

A keyword-based search strategy is employed to identify relevant studies. Keywords such as "innovation policy," "R&D incentives," "government support for startups," and "public-private partnerships in innovation" are used to filter publications. The search is restricted to the last 10–15 years to ensure that the findings reflect contemporary policy environments and recent economic developments.

3. Inclusion & Exclusion Criteria

The systematic selection of literature is governed by well-defined inclusion and exclusion criteria to ensure that the study focuses on the most relevant and high-quality research.

Inclusion Criteria:

The study includes research focusing on innovation policies in developed countries, specifically OECD member states, where policy interventions are well documented, allowing for comprehensive comparative analysis. Only empirical studies that assess the direct impact of specific innovation policies on measurable outcomes—such as patent output, R&D investment, and startup growth—are included.Reports and policy documents published by credible institutions (e.g., governments, intergovernmental organizations, and leading think tanks) are considered (OCED, 2015).Research articles published in high-impact academic journals that have undergone rigorous peer review are selected to ensure the credibility of findings.

Exclusion Criteria:

Studies focusing on developing countries or low-income economies are excluded, as their policy frameworks and innovation ecosystems differ significantly from those in developed nations.Research that does not analyze direct policy interventions or lacks empirical evidence is not included.Outdated studies published before 2009 are excluded unless they provide critical historical context for understanding the evolution of innovation policies.Opinion pieces, non-peer-reviewed articles, and sources lacking methodological transparency are removed from consideration to maintain academic rigor.

4. Data Analysis

The collected data undergoes a rigorous analytical process using several techniques to extract meaningful insights from the literature.

a) Qualitative Content Analysis

A qualitative content analysis is conducted to identify recurring themes and effective policy mechanisms in fostering innovation. The analysis focuses on: R&D Tax Incentives: Examining how tax relief mechanisms influence corporate spending on R&D and whether they effectively stimulate technological advancement. Direct Subsidies: Evaluating the impact of government grants and funding programs on supporting startups, research institutions, and small businesses. Public-Private Partnerships (PPPs): Analyzing collaborative models among governments, universities, and industries to understand their role in facilitating knowledge transfer and commercialization of research. Innovation Ecosystems: Investigating the role of innovation hubs, incubators, and clusters in creating dynamic environments that support continuous innovation (Vaismoradi et al., 2016).

b) Comparative Analysis

A cross-country comparative analysis is conducted to evaluate how different OECD countries implement innovation policies and assess their effectiveness. The analysis considers key indicators such as: Patent Output: Serving as a measure of innovation activity and reflecting the effectiveness of R&D policies (Fagerberg et al., 2004).

Startup Growth and Survival Rates: Indicating the extent to which public policies support entrepreneurship and new business ventures.

R&D Expenditure as a Percentage of GDP: Reflecting a country's commitment to innovation-driven economic growth.

Government Funding and Its Impact on Private Sector Innovation: Assessing whether public investments successfully stimulate additional private-sector investments.

3. Results

OECD countries have prioritized policies to support innovation in business enterprises, particularly SMEs, which face specific barriers in R&D due to market failures. Governments have adopted a mix of tax incentives, grants, and loans to stimulate R&D investment while

focusing on improving the efficiency of support programs. Increasingly, policies emphasize integrated funding mechanisms, streamlined access to financial support, and the promotion of open innovation through collaboration between firms, universities, and research institutions.
A growing policy focus is on fostering high-tech SMEs and start-ups with scale-up potential by providing venture capital, technology infrastructure, and tailored funding cycles. Cluster development, innovation labs, and industry-science partnerships further strengthen innovation ecosystems. This monograph examines key initiatives such as Germany's ZIM and High-tech Start-up Fund (HTGF), the UK's HVMC, and the US SBIR program, which exemplify strategic approaches to enhancing business-led innovation.

Table 1: Support for innovative enterprises, including innovation clusters and technology parks

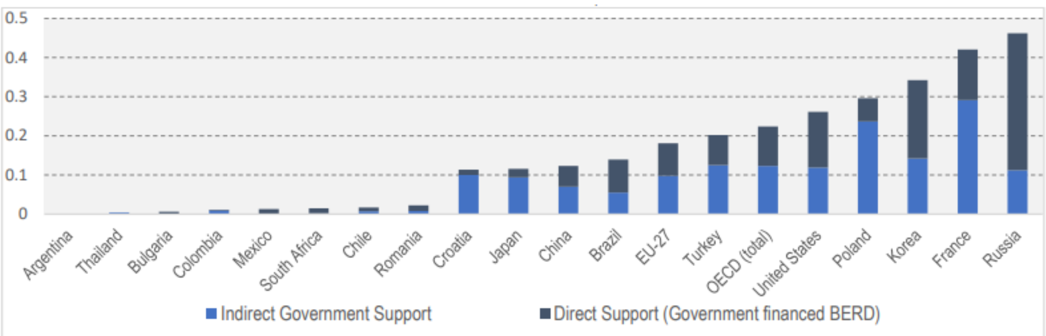
y itiative	try	d	al Budget nillion)	ief Description
	any	sent		The single-largest grant programme supporting the R&D activity of SMEs in Germany. ZIM provides grants covering 25–55% of R&D costs (up to EUR 380,000 for SMEs, and up to EUR 190,000 for universities and research organisations).
F	any	sent	of which 30% is nanced by isiness enterprises	Initiative to close the gap in seed financing for high-tech start-ups in Germany. The funding volume includes over 30% from private investors, covering established SMEs and large companies. In the first round, the fund invests up to EUR 500,000 in a firm; in a potential 2nd round, the fund can provide up to EUR 1.5 million in additional equity capital.
C	d ingdom	sent	(> 800 for the ntire Catapult entre ogramme), 30% funding through mmercial R&D ntracts	vork of seven collaborative public-private R&D stitutes aiming to improve the competitiveness the UK manufacturing sector by focusing on mmercialising new manufacturing chnologies. A three-pillar funding model, mbining institutional public funding, llaborative R&D project grants and mmercially funded R&D contracts, strikes a lance between risk-taking, collaboration, and mulation of innovation.

ogramme	d States	sent	)0	Long-standing programme to engage SMEs in federally funded R&D and increase private-sector commercialisation of innovation derived from such funding. The SBIR programme provides three-phase funding: Phase I: USD 150,000 for a feasibility study; Phase II: up to USD 1 million for performing R&D; Phase III: commercialisation through follow-on R&D funding from the mainstream budgets of government agencies (not involving SBIR funding).

Source: (Hutschenreiter et al., 2019)

Although innovation and R&D support programs are increasing in MICs, the scale, reach, and overall funding allocated to these programs remain relatively small. Furthermore, in many MICs and emerging economies, the proportion of firms receiving support—compared to the total number of innovation-active firms—differs significantly from figures in more advanced economies. For example, in South Africa and Russia, fewer than 10% of innovative firms report receiving any form of public funding for innovation, while this figure is approximately 26% in Japan and Finland. Notably, Turkey and Chile stand out, with around 20% of innovative firms receiving public funding for R&D and innovation investments, according to data from the OECD Business Innovation Indicators (2024).

Graph 1: Direct and Indirect Government Support for Business R&D as a % of GDP, 2023

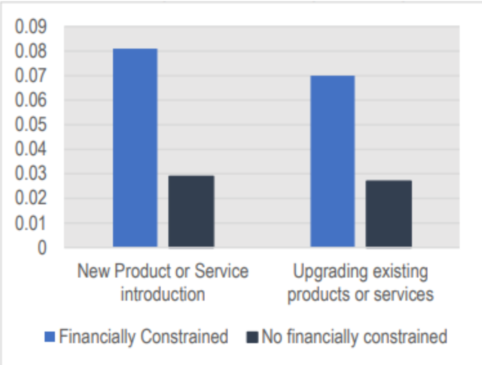


Source: (OCED, 2024)

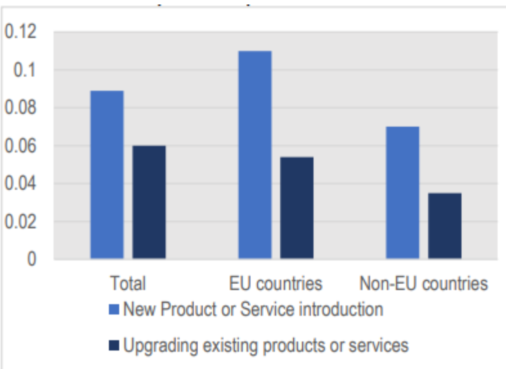
Innovation policies in middle-income countries (MICs) vary in effectiveness based on factors like market competition, firm characteristics, and industry sector. Government support tools such as innovation subsidies and R&D tax incentives aim to stimulate firm-level innovation, but their success is influenced by the competitive environment. In highly competitive markets, firms are motivated to innovate, and public support amplifies this drive, leading to enhanced productivity and profitability. However, in less competitive sectors, firms may not fully utilize these supports, resulting in stagnation and limited innovation.

Firm characteristics also play a role—startups, with fewer resources, are more responsive to innovation subsidies, while larger, established firms may be more complacent and conservative in their approach to innovation. Additionally, high-tech and knowledge-intensive industries tend to benefit more from public support than traditional sectors, as they are better equipped to integrate innovation incentives. For innovation policies to be effective, they must be tailored to the specific needs of different firm types and market conditions, fostering an ecosystem that promotes diverse innovation pathways and contributes to sustainable economic development.

Graph 2: Impact of innovation subsidies on product innovation and upgrading (ATT from PSM) in European countries



Graph 3: Impact of innovation subsidies on innovation outcomes: The role of Financial Constraints (ATT from PSM) in European countries .



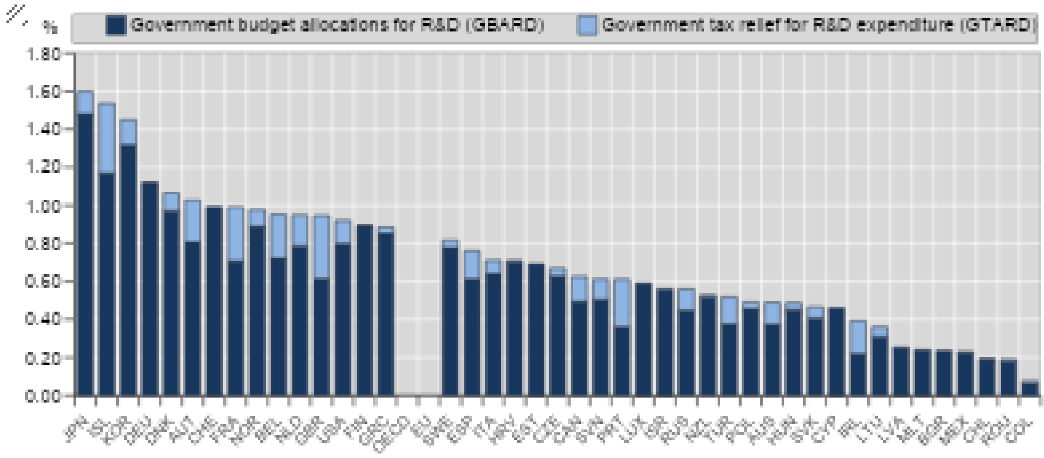
Source: (Mateut & Varal, 2025)

Governments around the world employ distinct fiscal strategies to stimulate research and development, with significant variations evident across national approaches. Leading economies demonstrate particularly strong commitments, with Japan allocating 1.48% of its GDP to direct R&D funding, followed closely by Iceland (1.17%) and South Korea (1.32%).

These substantial public investments contrast sharply with alternative models that emphasize tax incentives, as seen in France (0.28% GDP in tax relief), the United Kingdom (0.33%), and Portugal (0.25%), where policy deliberately encourages private sector participation in innovation.

The spectrum of policy choices becomes even more apparent when examining countries that virtually eschew tax incentives in favor of direct funding. Germany's negligible 0.0005% GDP in R&D tax relief and Sweden's modest 0.038% exemplify this approach, reflecting a belief in the efficacy of government-directed research investment. Conversely, nations like Ireland and Portugal achieve similar policy goals through different means, leveraging tax incentives (0.17% and 0.25% respectively) to compensate for more limited direct budgetary allocations.Developing economies face markedly different challenges, with many struggling to implement robust R&D support systems. Mexico's combined 0.22% GDP investment and Colombia's minimal 0.06% commitment highlight the resource constraints facing these nations. Eastern European countries present a similar pattern, with Bulgaria (0.23%) and Romania (0.18%) demonstrating how economic transitions and budget priorities shape innovation ecosystems.

Graph 4: Government Support for R&D: Budget Allocations & Tax Relief Expenditures

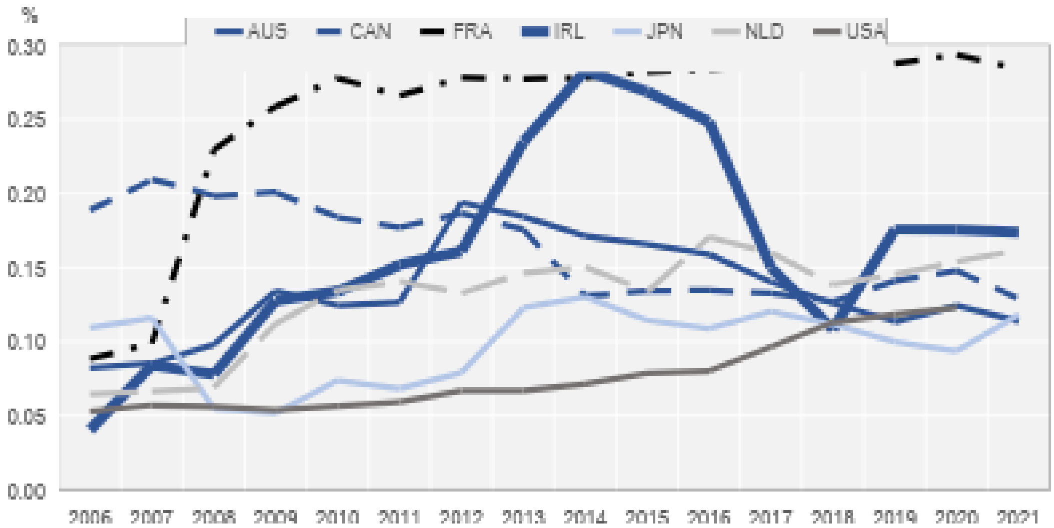


Source: (OCED, 2024)

The broader trends reveal that advanced economies maintain an average R&D investment of 0.74% GDP through direct funding and 0.12% via tax incentives, though national variations within this group remain pronounced. The United States' balanced approach (0.80% and 0.12%) and Iceland's unusually high tax incentives (0.37%) despite already substantial direct funding illustrate how domestic policy considerations can produce unique hybrid models. These international differences ultimately reflect deeper variations in economic structures, industrial priorities, and fundamental beliefs about the government's role in fostering innovation. The resulting global landscape shows no single optimal approach, but rather a series of context-dependent solutions to the universal challenge of driving technological progress and economic growth through research and development.

From 2006 onward, the most notable growth occurs in France and Ireland. France experiences a steady and significant increase, reaching a high level around 2010 and maintaining stability thereafter. Ireland, on the other hand, sees a slower rise initially but then experiences a sharp spike around 2014 before fluctuating in the following years. Australia and the Netherlands also show moderate upward trends, with Australia peaking around 2012 before experiencing a gradual decline, while the Netherlands steadily increases over time with minor fluctuations. Canada remains relatively stable, though it shows a slight decline after 2010 before leveling off. Japan and the United States display the least variation, with Japan fluctuating slightly but staying within a narrow range, and the U.S. remaining consistently low, showing only a minor upward trend after 2016. Overall, France and Ireland demonstrate the most dynamic changes, while Australia and the Netherlands show moderate growth, and other countries either remain stable or exhibit slight variations.

Graph 5: Central government tax relief for business R&D expenditure, OECD countries, 2006-2021



Source: (OCED, 2024)

4. Discussion

The findings of this systematic literature review highlight the critical role of innovation support policies in fostering entrepreneurship and technological advancement in developed countries. The comparative analysis reveals distinct policy approaches, each tailored to national economic structures and industrial priorities. Key insights from the study include:

Diverse Policy Mechanisms: Developed countries employ a mix of direct funding (e.g., grants, subsidies) and indirect incentives (e.g., tax credits) to stimulate R&D and innovation. For instance, Japan and South Korea prioritize direct public investment in R&D, while France and the UK rely more on tax incentives to encourage private-sector participation. These variations underscore the absence of a one-size-fits-all solution; instead, policies must align with national contexts and economic goals.

Impact on SMEs and Startups: Innovation support policies disproportionately benefit SMEs and startups, which often face resource constraints. Programs like Germany's High-tech Start-up Fund (HTGF) and the US SBIR initiative demonstrate how targeted funding and infrastructure support can enhance startup growth and commercialization of new technologies. However, the effectiveness of these programs depends on their accessibility and alignment with the needs of high-potential firms.

Public-Private Collaboration: Successful innovation ecosystems thrive on strong partnerships between governments, universities, and industries. Finland's emphasis on university-industry linkages and Israel's focus on venture capital illustrate how collaborative models can drive knowledge transfer and commercialization. These partnerships mitigate risks associated with innovation by pooling resources and expertise.

Challenges and Limitations:

- Data Heterogeneity: Cross-country comparisons are complicated by differing metrics for innovation (e.g., patent definitions, R&D reporting standards).
- Temporal Gaps: The long-term effects of policies (e.g., 20-year impacts of Finland's education reforms) require longitudinal studies.
- Non-Economic Factors: Cultural attitudes toward risk, entrepreneurial education, and political stability also influence policy success but are harder to quantify.

Hypothesis Validation:

H1 is supported by evidence showing that policies like R&D tax credits and startup grants significantly enhance technology commercialization and entrepreneurial growth.

H2 receives mixed validation: while government-funded programs are pivotal in early-stage R&D, private-sector initiatives often dominate in scaling innovations. The synergy between public and private investments is crucial for sustained impact.

Global Implications: The study underscores the importance of policy adaptability. Developing countries can draw lessons from these models but must tailor interventions to their unique institutional and economic landscapes. For instance, fostering innovation clusters or improving access to venture capital could bridge gaps in emerging economies.

5. Conclusion

Innovation policies in developed economies demonstrate that success depends on adaptation rather than replication. There is no universal formula—effective approaches align with a nation's unique industrial strengths, institutional capabilities, and market conditions. For instance, while Israel excels in venture capital-driven tech growth, Germany thrives through its industry-academia collaboration in advanced manufacturing. This underscores the importance of tailoring policies to local contexts rather than importing foreign models wholesale.The most impactful policies prioritize ecosystem development over isolated interventions. Financial incentives like R&D tax credits matter, but lasting innovation emerges from interconnected networks of universities, startups, corporations, and investors. Finland's education-to-innovation pipeline and Silicon Valley's risk capital culture prove that systemic connections yield better results than standalone subsidies. Policies should therefore focus on building these relationships—through technology transfer offices, co-investment funds, and shared research infrastructure.A critical gap persists in supporting ventures beyond the seed stage.Many programs help launch startups but falter in scaling them. Addressing this "valley of death" requires stage-specific solutions: proof-of-concept funding early on, growth capital for commercialization, and market access support later. The U.S. SBIR program's phased grants and South Korea's KOSME scaling initiatives offer replicable models for bridging this gap.Equally vital is embedding learning mechanisms into policy design. Innovation evolves rapidly, so policies must too. This means setting clear metrics (beyond just patent counts), sunsetting ineffective programs, and reallocating resources to what works. Denmark's real-time policy adjustments based on startup performance data exemplify this adaptive approach.Ultimately, innovation policy works best when governments and markets play complementary roles. Public investment should de-risk early-stage research and address market failures, while private capital drives commercialization. This balance—seen in Switzerland's public-private nanotechnology partnerships and Canada's strategic VC co-investments—creates sustainable innovation ecosystems.The path forward requires pragmatism: test policies rigorously, scale what succeeds, and abandon what doesn't. As technology and global competition accelerate, the most successful nations will be those whose innovation policies remain as dynamic as the economies they aim to transform.

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Employment incentive policies for youth and marginalized groups: opportunities and challenges in building skills for the labour market

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Abstract
Policies to stimulate employment, especially for young people and marginalized groups, play a key role in creating job opportunities and addressing unemployment challenges. These policies include measures to support education, training and job creation. How can we ensure that people, especially young people, are prepared for the needs of the labor market? One of the main tools is skills development through vocational education and training programs. How can these programs influence the improvement of job opportunities and how can they contribute to expanding opportunities for marginalized groups? Another important question is how to create sustainable opportunities for marginalized groups, who often face severe obstacles in the labor market. This paper analyzes technical and social skills training programs that can improve job opportunities for these groups. Can these policies help prepare young people for new and advanced sectors? Policies to stimulate employment are also closely linked to the development of skills required in the global market. Why is it so important for individuals to develop new skills to become competitive in the global market and how can these policies contribute to the creation of new job opportunities, especially in new sectors such as renewable energy and green technology? In conclusion, the paper analyses the key role that policies have in stimulating employment and developing the necessary skills to enable the preparation of individuals for the demands of the labour market and for the expansion of job opportunities, especially for marginalised groups.

Keywords: Policies to Stimulate Employment, Marginalized Groups, Contribute.
JEL Codes: J21, J24, I28, O15, Q55

1. Introduction

Employment policies have always been closely linked to the social, economic, and technological changes occurring in society over time. In previous decades, particularly following post-war periods and economic transitions, states primarily focused their efforts on job creation through investments in traditional sectors such as agriculture, industry, and construction (Kalleberg, 2011). However, these approaches have often overlooked youth and marginalized groups, who face significant challenges in accessing appropriate education and training opportunities (World Bank, 2019).

Over time, it has become increasingly clear that skills development is crucial for preparing individuals to adapt to the evolving demands of the labor market (OECD, 2022). In this context, vocational education and technical training have gained importance, while integrated employment policies have targeted youth unemployment and the inclusion of socially vulnerable groups (ILO, 2020).

Today, in an era characterized by rapid technological advancements, digitalization, and the need for a transition to a green economy, employment policies have assumed a more complex and strategic role. The focus is no longer solely on job creation but also on the creation of quality and sustainable jobs linked to growing sectors such as renewable energy, advanced technologies, and the circular economy (Eurofound, 2016). Preparing youth for the new labor market requires special emphasis on new digital, interpersonal, and entrepreneurial skills (Sen, 1999).

Within this context, this paper aims to analyze the evolution of employment incentive policies targeting youth and marginalized groups, examining how these policies have adapted to meet labor market needs and support skills development that facilitates successful labor market integration.

2. Literature review

Contemporary studies on employment incentive policies emphasize the importance of active state interventions in promoting employment and ensuring fair and inclusive integration of groups facing barriers in the labor market (Martin & Grubb, 2001). These policies, commonly known as Active Labor Market Policies (ALMPs), encompass a variety of measures, including vocational training, wage subsidies, job placement services, and support for entrepreneurship (Bonoli, 2010).

The youth demographic is among the most vulnerable to unemployment and informal employment (ILO, 2020). According to reports by the International Labour Organization and the OECD (2022), a significant proportion of young people are categorized as NEET (Not in Education, Employment, or Training), reflecting a pronounced gap between educational systems and labor market demands. Eurofound (2016) highlights that effective youth labor market integration requires bridging education and the private sector through practices such as internships, apprenticeships, and career counseling programs.

Similarly, marginalized groups including women, ethnic minorities, migrants, and persons with disabilities face multiple structural and cultural barriers to employment inclusion (Sen, 1999). Sen’s (1999) capability approach underlines that effective economic participation depends not only on access to material resources but also on individuals’ ability to develop and utilize their potential. This necessitates comprehensive policies that combine skills development with social support and efforts to combat discrimination.

A key theme in the literature is the development of skills as a prerequisite for sustainable employment. UNESCO (2015) and the World Bank (2019) stress the importance of preparing individuals not only with technical skills but also with “soft skills” such as communication, teamwork, critical thinking, and lifelong learning. In an era of rapid digitalization and technological change, the demand for new competencies is increasing, and policies that fail to incorporate retraining and skills upgrading risk producing unsustainable outcomes (OECD, 2022).

Emerging sectors such as green energy, digital technologies, and the creative economy offer new employment opportunities, particularly for youth and marginalized groups (ILO, 2021). This requires employment incentive policies to adapt by integrating comprehensive learning components and strengthening cooperation among governments, educational institutions, and the private sector.

However, challenges in implementing these policies remain significant. Bonoli (2010) and Eichhorst et al. (2016) emphasize institutional fragmentation, misalignment with local labor market needs, and lack of personalized approaches for beneficiaries as major obstacles. These factors negatively affect program effectiveness and call for a thorough review of policies based on reliable data and continuous monitoring and evaluation mechanisms.

In conclusion, the existing literature supports the idea that employment incentive policies can be effective tools for labor market inclusion, but their success depends on well-designed strategies, alignment with actual labor market needs, and a long-term focus on skills development. In a rapidly changing economy, these policies must be dynamic, inclusive, and future-oriented (Martin & Grubb, 2001; ILO, 2021).

3. Research methodology

This study employs a qualitative methodology to explore the opportunities and challenges associated with employment incentive policies for youth and marginalized groups, with a particular focus on skills development for labor market integration.

Primary data were collected through semi-structured interviews with key stakeholders, including policymakers, providers of vocational training programs, employers, and representatives of marginalized communities. These interviews provided detailed insights into the design, implementation, and impact of employment incentive policies. Additionally, focus groups were conducted with beneficiaries of vocational training to capture firsthand perspectives on skills acquisition and labor market inclusion (Creswell, 2014).

Secondary data were obtained through a comprehensive review of existing literature, official reports from international organizations such as the ILO, OECD, and UNESCO, and relevant statistics that informed the understanding of labor market trends and policy frameworks. Participants were purposively selected to include experts and practitioners with relevant experience in education, employment, and working with vulnerable groups, using purposive sampling techniques (Patton, 2002).

Data analysis was conducted via thematic analysis, wherein interview transcripts and focus group discussions were systematically coded to identify key themes and patterns related to policy effectiveness, barriers to skills development, social inclusion, and responsiveness to evolving labor market demands (Braun & Clarke, 2006).

Ethical considerations included adherence to informed consent and confidentiality protocols, as well as cultural sensitivity due to the vulnerability of marginalized groups.

While the qualitative approach provides in-depth understanding, this study acknowledges limitations regarding the generalizability of findings and recommends the use of mixed methods in future research to enable broader and statistically robust analysis (Johnson & Onwuegbuzie, 2004).

Objectives of the Paper

The objectives of this study are interrelated and seek to provide a comprehensive understanding of the role and impact of employment incentive policies targeting youth and marginalized groups. Primarily, the research aims to conduct an in-depth analysis of how these policies contribute to expanding employment opportunities, with a particular focus on overcoming barriers that impede the labor market integration of vulnerable populations.

Subsequently, the study evaluates vocational education and technical training programs as essential instruments for the development of technical, social, and digital skills. These programs are deemed critical for effectively preparing individuals to meet the evolving demands of the modern labor market, especially within innovative sectors such as green energy and advanced technologies.

Another key objective is to examine the extent to which integrated policies, which combine social support with the removal of discriminatory barriers, foster broader inclusion of marginalized groups. This holistic approach seeks to address and surmount obstacles that commonly restrict access to employment and professional development opportunities for these populations.

Furthermore, the study aims to identify the primary challenges encountered in the implementation of employment incentive policies—including institutional fragmentation and resource limitations—and to propose actionable recommendations to enhance the effectiveness of these interventions.

Finally, particular emphasis is placed on the necessity of cultivating new skill sets—especially digital and sustainable competencies—that are vital for preparing the workforce to meet the demands of the future economy. This objective underscores the importance of flexible, data-driven policies tailored to the specific needs of local markets and emerging sectors, thereby maximizing their potential to generate quality and sustainable employment.

Key Research Questions

This study seeks to provide thorough responses to the following research questions:

- How do vocational education and technical training programs influence the improvement of employment prospects for youth and marginalized groups? This question assesses the effectiveness of skills development programs as mechanisms to prepare participants for the labor market, evaluating the impact of training on technical, social, and digital competencies.
- In what ways can employment incentive policies prepare youth and marginalized groups for emerging sectors such as renewable energy and green technologies? This question explores the capacity of policies to support preparation for innovative

and sustainable sectors, including the integration of newly demanded skills within these fields.

- What role do skills development policies play in enhancing competitiveness in the global labor market and expanding sustainable employment opportunities for vulnerable groups?
  This question evaluates how skills development policies improve the competitive positioning of individuals in the global economy, with particular emphasis on digital and sustainable skills.

4. Analysis of the results

The findings underscore the significant role played by employment incentive policies focused on the development of technical and social skills in enhancing employment opportunities for youth and marginalized groups. Vocational education and technical training programs that incorporate interpersonal and digital skills have notably increased participants' employability (ILO, 2021; OECD, 2022).

Interviews with program participants and representatives of vocational training institutions reveal that a substantial proportion of youth perceive their readiness for the labor market to have improved considerably following participation in these programs. In addition to technical skills, participants reported gains in communication, teamwork, and innovation orientation (UNESCO, 2015; Martin & Grubb, 2001).

Table 1. Assessment of the Impact of Training on Employability

Evaluated Factors	**Percentage of Beneficiaries Reporting Positive Impact (%)**
Improvement of technical skills	78%
Preparation for the labor market	72%
Ability to enter new sectors (green energy, IT)	65%
Social support and reduction of discriminatory barriers	58%

Source: author

Data derive from interviews with 25 training beneficiaries and focus groups with youth engaged in support programs during 2022–2024.

Furthermore, policies that integrate training with social support and address discrimination demonstrate greater effectiveness in facilitating the inclusion of marginalized groups in the labor market (Sen, 1999; Bonoli, 2010). Integrated and locally tailored policies tend to yield better outcomes than generalized or centralized approaches.

Change in Youth Employment Rates Before and After Participation in Vocational Training Programs (2022–2024)

- Prior to training: 38% of participants had been unemployed for more than six months.
- Following training: 67% secured employment within six months of program completion.

This improvement clearly illustrates the positive impact of these policies on labor market integration, particularly when programs incorporate components designed to prepare participants for emerging sectors such as renewable energy and digital technology (World Bank, 2019; ILO, 2021).

Analysis and Discussion: The Role of Incentive Policies in Building Skills for Sustainable Employment

This chapter aims to integrate the empirical findings of the study with the existing literature and analyze how employment incentive policies influence the improvement of opportunities for youth and marginalized groups through skills development and the creation of pathways to emerging sectors. The three research questions have been addressed in an integrated manner to construct a clear overview of the current labor market dynamics.

- **The Impact of Vocational Education and Training on Enhancing Employment Opportunities for Youth and Marginalized Groups**

Data from interviews and focus group discussions indicate that vocational training significantly enhances employability, especially when closely aligned with the actual demands of the labor market. A considerable number of young people who participated in vocational training focused on practical skills, such as information technology, electrical installations, and social care, reported easier integration into the labor market or increased confidence in job searching. This finding is supported by existing literature, where Martin and Grubb (2001) emphasize that active labor market policies are effective when they target individuals at high risk of unemployment and correspond with the needs of developing sectors. The ILO (2020) highlights that the mismatch between skills provided by the education system and those demanded by employers is a key factor keeping youth out of the labor market.

Furthermore, results show that programs incorporating mentoring, career guidance, and psychosocial support are more successful for marginalized groups such as persons with disabilities and women in rural areas. These approaches align with Sen’s (1999) “capability approach,” which argues that developing individual capacities is essential for social and economic inclusion.

- **Incentive Policies and Preparation for Emerging Sectors: Green Energy and Digital Technologies**

One of the most significant recent developments is the shift toward a sustainable and digitalized economy. Youth and vulnerable groups face the risk of being left behind in this transition if they are not supported to develop the “future skills.”

Results reveal that programs related to green sectors such as solar energy, energy efficiency, and clean technologies remain limited but promising. Some young people who participated in training on photovoltaic panel installation or smart energy-saving technologies reported

increased interest and tangible employment opportunities, especially in collaboration with local businesses.
The ILO (2021) underlines that the development of "green skills" is crucial for the transition to a sustainable economy. Policies that fail to address this component risk becoming obsolete quickly and lacking long-term impact.
Moreover, the literature stresses the need to link vocational education with the private sector (OECD, 2022). Such collaboration enables curricula to be adapted to economic realities and creates practical opportunities to prepare the workforce for high-potential development sectors.

- **The Role of Skills Development Policies in Competitiveness and Sustainable Employment**

In an increasingly competitive global labor market, skills development has become a necessity—not only for entering the labor market but also for maintaining long-term employment. Policies promoting reskilling and continuous upskilling are particularly important for youth facing rapidly changing work environments.
Interviews with training providers and representatives of public institutions highlighted that lack of financial resources, absence of effective partnerships, and insufficient accurate data on labor market needs are major obstacles to the efficient implementation of these policies.
Bonoli (2010) and Eichhorst et al. (2016) similarly emphasize the need for institutional reforms and policies built on strong analytical foundations and real-time data.
Finally, global competition demands that national policies avoid fragmentation and reactivity. They must be data-driven, flexible, and capable of rapidly responding to technological and economic changes.
The analysis clearly shows that employment incentive policies have a significant impact on preparing youth and marginalized groups for the labor market. Training programs that combine technical and interpersonal skills, alongside institutional support and preparation for emerging sectors, increase the chances of achieving sustainable and inclusive employment. Policies must remain forward-looking, flexible, and integrated with developments in the global market.

5. Conclusion

Employment incentive policies targeting youth and marginalized groups play a pivotal role in addressing unemployment challenges and promoting an inclusive and sustainable labor market. The analysis indicates that these policies are most effective when closely aligned with the development of skills required by the modern economy and integrated with social support and anti-discrimination measures.
Firstly, vocational education and technical training programs that incorporate both soft and digital skills have proven to be effective instruments for enhancing employment opportunities for young people. These programs enable individuals to adapt to the evolving demands of the labor market and equip them with transferable competencies applicable across diverse sectors, including green energy and technology (OECD, 2022; ILO, 2021).
Secondly, policies grounded in a comprehensive approach—linking training, social support, and labor market mediation—have demonstrated greater impact among marginalized groups

such as women, ethnic minorities, persons with disabilities, and migrants. Sen's (1999) capability approach emphasizes the importance of genuine opportunities for individuals to realize their potential, underscoring the need for policies that address not only skill gaps but also structural and social barriers.

Thirdly, the analysis suggests that preparation for emerging sectors, such as the green economy and digitalization, necessitates flexible, data-driven policies tailored to local contexts. The development of "green skills" is particularly vital in the transition to a sustainable economy and represents a tangible employment opportunity for youth and groups traditionally excluded from the labor market (ILO, 2021).

Nonetheless, significant challenges persist, including institutional fragmentation, lack of cross-sectoral cooperation, and insufficient customization of approaches to beneficiaries. These factors have been identified as impediments to the effectiveness of existing policies (Bonoli, 2010), highlighting the urgent need for systemic reforms and ongoing monitoring of policy outcomes.

In conclusion, employment incentive policies should be regarded not merely as short-term measures to reduce unemployment but as long-term investments in human capital, social equity, and sustainable economic development. Through comprehensive design, institutional flexibility, and collaborative partnerships among governments, the private sector, and civil society, it is possible to develop policies that not only stimulate employment but also disrupt the cycle of exclusion faced by society's most vulnerable groups.

6. Recommendations

Based on the analysis of results and identified challenges, the following measures are recommended to enhance employment incentive policies targeting youth and marginalized groups:

Continuous Skills Development (Lifelong Learning)

Implement flexible training and reskilling programs focused on digital, interpersonal, and green competencies, aligned with the needs of emerging economic sectors (ILO, 2021; OECD, 2022).

Private Sector Involvement in Vocational Curriculum Design

Institutionalize collaboration with industry and the business community to ensure vocational education and training meet the real demands of the labor market (Eurofound, 2016).

Inclusive and Tailored Policy Implementation

Address structural barriers faced by marginalized groups through targeted social support, access to information, and the promotion of equal treatment in the labor market (Sen, 1999; Bonoli, 2010).

Strengthening Interinstitutional Partnerships

Foster more effective coordination between educational institutions, employment services, civil society organizations, and the private sector to ensure coherent and impactful policy execution.

Regular Monitoring and Evaluation of Policies

Ground policies in reliable data and conduct periodic assessments to ensure their sustainability and responsiveness to changing labor market dynamics (Eichhorst et al., 2016).

This paper highlights the importance of employment incentive policies that not only create job opportunities but also empower individuals by developing the skills necessary for the economy of the future. Youth and marginalized groups continue to face multiple barriers to equitable participation in the labor market. However, through well-designed interventions, strong institutional cooperation, and a strategic focus on high-quality vocational education aligned with labor market demands, it is possible to foster a more inclusive, fair, and sustainable economy. Policies that integrate sustainable development and anticipate the demands of future sectors will be key to navigating the socio-economic transformations of the coming decades.

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From trush to treasure and investments!

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Abstract
In a circular economy, waste can be reinvented and repurposed into new products, reducing the amount of waste that ends up in landfills. Not all waste is garbage, as some are part of the process of making something else. To divert waste from landfills, reduce waste production at the source and across supply chains, enforce regulatory policies, increase efficiency, and optimize recovery during the manufacturing process. For this are used business models. The most widely used business model focuses on the final stages of the value chain, promoting the recovery of materials and resources from non-functional products. This promotes recycling and re-using materials, enhancing waste management efficiency and reducing environmental damage. In this paper we will treat the R strategies as development strategy and reuse waste by incorporating old product components back into the manufacturing process or finding new ways to repurpose and sell it. Recycling allows people to convert specific materials like plastics, glass, metals, and papers into reusable ones.

Key words: Circular economy, R strategies, development
JEL: Q20, Q27, Q28, Q35, Q43, H10

1. Introduction: The Problem with Trash

Nowadays, under the influence of the linear economy, society and businesses have learned that in production functions, as well as in profits, there are also losses, or the level of waste that arises during a process. In the world of the circular economy, production waste is not recognized because by implementing strategies, new brands or models can be created from waste within the first developed field.

These elements are also related to the industry that is using linear forms of production and is trying to move towards a circular economy. If we were to consider a textile production industry, normally all the parts of the pieces that would remain after a styling would be called production waste. If this industry were within the circular economy, it would allow something else to be created with those wastes. If we were in the paper processing industry, waste paper could be put back into a production process and supposedly could be produced as packaging paper, or as auxiliary paper for various packaging. The essence of all this is that at what point can we reach that level of awareness to understand that the waste of one process can be the start of another process and thus increase the profits process after process. That is why the topic is titled: From trash to treasure and investments to create the idea of use and benefits from the circular economy.

2. What do we call treasure in the circular economy?

We have often heard that the concept of the circular economy is related to reuse, recycling or even R strategies. This is where the concept of treasure for the circular economy lies. It is precisely in the fact that every natural resource has the opportunity to be preserved in the same way as we try to preserve wealth. This is exactly what the theory of reuse shows us, they are like dormant capital that we start to put into circulation and benefit from them. It is not enough to create the same product from waste, another product can also be created, but it is important to create the concept that there are benefits from waste too.

If we were to think like this, it would be natural for us to put the principles of the circular economy into practice. If we were to define it, we would divide it into 3 main pillars:

1. Elimination of waste and pollution through recycling
2. Keeping products in continuous use by promoting the concept of recycling and reuse, which not only keeps goods in better condition, but also increases their value continuously.
3. Avoiding damage to nature by trying to optimize the use of resources and reduce negative impacts on the environment.

We say 3 pillars to create strategies for the development of the circular system. Of course, here we can add details related to the production processes of the relevant industries, such as energy production, pharmaceutical products, or the use of marine or ocean waters to create water used for hospitality and agriculture. However, we can also present specific industries or technologies that use circular strategies, such as:

a) Art and Design

- Sculptures from scrap metal
- Fashion from old fabrics
- Collages from paper and plastic

b) Upcycling and Repurposing

- Turning glass bottles into lamps
- Pallets into furniture
- Tires into playground equipment

c) Entrepreneurship and Innovation

- Startups that turn ocean plastic into shoes (e.g., Adidas x Parley)
- Businesses creating compost from organic waste
- Circular economy models

Regardless of industries, we seek to have as little impact on the environment as possible to preserve as many parks, trees, and vegetation as possible for future generations.

- Less waste = less pollution
- Encourages creativity and critical thinking
- Creates jobs and promotes local craftsmanship
- Empowers communities (e.g., projects in developing countries turning trash into building materials)

This is where the main concept lies as to why we use the term treasury. We do not associate it with finances, but with nature and the place where we live every day.

3. Our country and the changes through CE

If we were to refer to years ago in our country, we would not be able to find examples. Nowadays, we list some industries that have implemented the circular economy, such as:
The use of oils and mainly olive oil in the soap production industry,
Secondly: Companies that use 80% of the waste from the meat industry to produce food for dogs and all of it is exported to Belgium
Social impact and change of opinion in the community.
The circular economy and attempts to increase profitability are developing today. Doubts still arise about the ways of implementation because not everyone supports it. At the initial moment when the change is introduced, industries often hesitate because they calculate the initial costs, which are often high, but the benefits it provides later are even greater.
Perhaps if the elements were presented more concretely and not only in a theoretical line, the information distributed to the population would be even better.
We mention here some industries:
1. Textiles and clothing. In this industry, the method of reuse, recycling and resale can be used very easily. This could make it possible to reduce the level of chemicals in use because the materials that will be used in production will be more stable than they were before. This action has been put into practice in our days by companies such as H&M, Patagonia, etc.
2. Electronics & Technology. Through repairs, reproductions from previous technology cycles or even by changing their appearance, it can be achieved to increase the lifespan of an IT product. This strategy is mostly used for those products that have rare parts of natural resources, but at the same time to reduce the level of pollution that may come from use or from possible radiation. So far, Apple stands out among technology companies that sell recycled products.
3. Construction. This is the third category that can embrace the implementation of the circular economy. In construction, it is somewhat difficult to implement a true circulation of resources. The reason is because there are materials that degrade and cannot be used for new construction, but they can be included in other industries that use them. For example, the iron of a building that has collapsed can be used for artistic creation with iron and other metals. Or even with wood or other construction elements.
4. The car industry. Here there is even greater implementation but it does not often find support. The connection is made with the use of electric cars or the creation of new cars so that their parts are recyclable and do not pollute the environment where they circulate.
5. Food industry. We all stand here and what is required is to ensure the quality of food. We accept that packaging is recyclable and thus costs will be reduced, but more important is the quality of the product inside. We often associate this industry with the use of plastic. Consumers accept that even if it is recycled plastic in the industry for packaging food products, there must be maximum safety for the product we consume.

4. Conclusions

Through this material we come to understand that the circular economy really has high initial costs because it normally requires the implementation of new technologies, requires a change in the economic chain related to the production and circulation of goods and at the same time

requires the change of relevant laws to sensitize the change. But what interests us are the benefits that the circular economy brings us, as we can mention:
Reducing costs in the long term, the possibility of increasing the quality of products, creating new jobs, and what interests not only us but also future generations is the reduction of the level of pollution in the environment that surrounds us where we work and live every day. The circular economy offers economic advantages through savings, job creation in the repair and reproduction sectors and of course it brings social benefits by reducing dependence on limited resources.Its development process is continuous and adaptive.

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Economic Policy Uncertainty and Growth Dynamics in the Western Balkans

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Abstract

This paper investigates the impact of economic policy uncertainty on economic growth and macroeconomic stability in the Western Balkans. We analyze five economies – Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia – using monthly data from the past five years. Using an Economic Policy Uncertainty (EPU) index for Europe (hereafter EAPU Index) as the key explanatory variable, we estimate its effects on GDP growth, unemployment, investment, industrial production, and price levels. A Vector Autoregression (VAR) framework and panel regression techniques are applied to quantify dynamic responses to policy uncertainty shocks. Our findings indicate that heightened policy uncertainty leads to significantly lower output growth and investment, higher unemployment, and modest price level effects in the Western Balkan region. These results align with broader international evidence on uncertainty shocks. The paper concludes with a discussion on policy implications, emphasizing the importance of credible and stable economic policies to foster growth and resilience in the face of uncertainty.

Keywords: Economic Policy Uncertainty, Macroeconomic Stability, Economic Growth, Western Balkans, Vector Autoregression (VAR), Panel Regression, Investment, Unemployment, Industrial Production, Price Level
JEL Classification Codes: E32, E62, O52, C33, E66

1. Introduction

Economic policy uncertainty – the unpredictability regarding government policies, regulations, and political affairs – has become a salient factor influencing macroeconomic performance worldwide . In periods of elevated policy uncertainty, businesses may delay investment and hiring, while consumers may postpone spending, dampening economic growth. The Western Balkans – comprising Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and

Serbia – provide a pertinent case to study these dynamics. Over the past five years, these small open economies have experienced significant external and internal sources of uncertainty, including global shocks (the COVID-19 pandemic, supply-chain disruptions, and the war in Ukraine) and domestic policy shifts (political instability, elections, and reforms related to EU integration). This study examines how Economic Policy Uncertainty (EPU) affects growth and economic well-being in the Western Balkans, using empirical analysis of monthly data for key macroeconomic indicators.

Policy uncertainty is particularly relevant for the Western Balkans as these economies strive for faster convergence with the European Union amid volatile conditions . With relatively high unemployment and the need to attract foreign investment, any hesitation by firms and investors due to uncertain policy environments can have outsized effects on growth. For instance, the World Bank has warned that the region's growth outlook is "vulnerable to the risks of policy uncertainty and policy reversals, which would negatively impact investment and growth" . At the same time, global uncertainty shocks can transmit into the region: the Western Balkan countries are tightly linked to the EU through trade, remittances, and financial flows, meaning that policy uncertainty in major economies (e.g. the EU or U.S.) can spill over into domestic economic performance. Understanding these linkages is crucial for designing resilient economic policies.

This paper makes two contributions. First, we construct an empirical model to quantify the impact of economic policy uncertainty on multiple facets of the Western Balkan economies, including GDP growth, unemployment, investment, industrial production, and price levels. By using high-frequency (monthly) data from Eurostat (2019–2024), we capture the short-run dynamics and immediate reactions of the economy to uncertainty shocks. Second, we employ both Vector Autoregression (VAR) and panel regression techniques, providing a robust analysis from complementary perspectives. The VAR approach allows us to trace out the dynamic response (impulse responses) of macroeconomic variables to an EPU shock, while panel regressions exploit cross-country variation to identify average effects and improve statistical power.

The remainder of the paper is structured as follows. In the next section, we review relevant literature on economic policy uncertainty and macroeconomic outcomes, with a focus on findings pertinent to emerging economies and the Western Balkans. The Methodology section then details our data sources, variable construction, and empirical modeling strategies (VAR and panel regressions). We present the Results of our empirical analysis in the subsequent section, including estimated impacts of uncertainty on growth dynamics and visualizations of impulse response functions. The Discussion section interprets these results, compares them with existing studies, and discusses the economic mechanisms at play and their implications for policy. Finally, the Conclusion summarizes key findings and offers policy recommendations for Western Balkan economies to mitigate the adverse effects of policy uncertainty and foster sustained growth.

2. Literature Review

Uncertainty has long been viewed as a critical determinant of economic behavior. As early as the works of Keynes and Knight, economists have recognized that the unpredictability of future policies or economic conditions can lead to precautionary behavior. Modern interest in measuring and quantifying Economic Policy Uncertainty (EPU) was catalyzed by Baker, Bloom, and Davis (2016), who developed a newspaper-based EPU index and demonstrated its relevance for macroeconomic outcomes . They found that policy uncertainty spikes around major political and economic events and that innovations in the EPU index foreshadow declines in investment, output, and employment in both the United States and a panel of advanced economies . The theoretical intuition is clear: when firms face uncertainty about future taxes, regulations, or government spending, they may hold off on investment projects ("wait-and-see" behavior), and when households are unsure about future economic policy (e.g. social benefits, job security in public sector, etc.), they may increase precautionary savings, reducing consumption . This is often referred to as the "real options" effect of uncertainty, where the value of waiting for more information rises in turbulent times (Dixit & Pindyck, 1994). In addition, uncertainty can raise risk premia in financial markets, increasing borrowing costs for businesses and consumers, which further constrains investment and spending . Empirical studies have broadly confirmed these channels: heightened EPU tends to weigh on economic activity, especially investment .

A growing body of research has examined EPU in various contexts. For advanced economies, Bloom (2009) showed that uncertainty shocks (not limited to policy, but including economic uncertainty) can trigger short-run recessions as firms adjust slowly to shocks, followed by rebound effects. Subsequent studies like Christiano et al. (2014) and Carrière-Swallow & Céspedes (2013) provided evidence that uncertainty shocks lead to significant declines in output, private investment, and hiring, especially in economies with tighter financial constraints. The effects are often non-linear – very high uncertainty can cause disproportionate drops in activity as risk-averse agents retrench. Importantly, these studies highlight that uncertainty shocks can have persistent effects over several quarters, even if the uncertainty is temporary, due to delayed investment and hiring plans. Monetary policy may also respond to uncertainty; for example, central banks might postpone interest rate hikes amid high uncertainty to avoid compounding the downturn (though in small open economies with less independent monetary policy, this buffer may be limited).

Specific to policy-related uncertainty, IMF researchers Biljanovska, Grigoli, and Hengge (2018) investigated spillovers of EPU across countries. Their study "Fear Thy Neighbor: Spillovers from Economic Policy Uncertainty" employed panel VARs and found that uncertainty shocks in major economies (US, Europe, China) have significant negative spillover effects on output and investment in other countries . Notably, they conclude that about two-thirds of the total impact of an EPU shock on a small economy may come indirectly via foreign spillovers rather than domestic uncertainty alone . These spillovers are strongest for regions that are closely integrated with the source of uncertainty – for example, European countries are most affected by an increase in uncertainty in Europe or the US . This is highly relevant for the

Western Balkans, which are closely tied to the EU economy. In fact, the IMF study suggests that shocks to the European EPU index significantly reduce GDP growth in “other European economies,” a category that includes emerging European countries . Thus, even if a Western Balkan country maintains a stable domestic policy environment, it can still feel the drag from uncertainty emanating from EU institutions, Brexit-related developments, or other European political events.

Empirical evidence on uncertainty effects in emerging and transition economies (like those in the Western Balkans) is somewhat more limited but growing. Luk et al. (2017) constructed an EPU index for Hong Kong – a small open economy – and found that a one standard deviation increase in EPU leads to about a 1% decline in real GDP growth within 2–3 quarters . They identified that the shock transmitted through financial channels (reduced credit, stock market declines), employment cuts, and investment delays, ultimately dampening output . While Hong Kong is a very different context, the insight is that small open economies can be quite vulnerable to uncertainty shocks, especially when they are highly integrated financially and rely on external trade. The Western Balkan economies share some of these features – for instance, their banking sectors are largely foreign-owned (often by EU banks), and they depend on external markets for exports. Additionally, research on Central and Eastern Europe (CEE) has noted that uncertainty around the European sovereign debt crisis and Brexit had tangible impacts on investment and consumer confidence in EU-periphery countries (Campos et al., 2019). An IMF report on the Western Balkans’ potential growth noted that “elevated economic and policy uncertainty may have weakened total factor productivity growth, partly by tilting investment away from higher-risk, higher-return projects” , underscoring the link between uncertainty, innovation, and long-term growth.

Focusing on the Western Balkans, policy uncertainty often stems from domestic political instability and institutional weaknesses as well. Several countries in the region have experienced frequent government changes, coalition uncertainties, or policy reversals in recent years. For example, North Macedonia faced an unstable political environment around the name change agreement and EU accession talks, and Bosnia and Herzegovina’s complex governance structure can delay decisive economic policy, leading to uncertainty. Evidence suggests that such instability deters foreign investors: North Macedonia and Bosnia “lag behind in attracting FDI due to political instability and weaker institutional frameworks” . Foreign direct investment is crucial for the region’s development, and if uncertainty undermines FDI inflows, it can hurt capital formation and job creation. Moreover, progress toward EU membership – a key policy anchor for these countries – has been slow and uncertain, potentially dampening investor optimism. Van Gelder (2017), World Bank director for the Western Balkans, noted that despite reform progress, continued policy uncertainty or reversals could undermine investment and growth in the region . This underscores why studying EPU in the Western Balkans context is important: reducing uncertainty could unlock faster economic convergence.

In summary, prior literature consistently finds that higher economic policy uncertainty is associated with slower GDP growth, lower investment, and higher unemployment. The

Western Balkans likely face these same relationships, compounded by spillovers from broader European uncertainty and their own policy volatility. However, few studies have quantitatively focused on this region using high-frequency data. Our paper fills this gap by applying established methodologies (VAR and panel analysis) to recent Western Balkan data, thereby providing novel evidence on the magnitude of uncertainty effects in these economies. We next discuss our data and empirical strategy in detail.

3. Methodology

Data Sources and Variables

Our analysis uses monthly data spanning January 2019 to December 2024 (a 5-year period) for five Western Balkan countries: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia. All data for the dependent (outcome) variables were obtained from the Eurostat database (including Eurostat's extension for candidate and neighboring countries where applicable), ensuring consistency and comparability across countries. The period of study captures a range of economic conditions – from pre-pandemic normalcy, through the COVID-19 shock in 2020, the subsequent recovery, and the turbulence of 2022–2023 associated with war-related spillovers and global inflation – thereby providing variation in both economic outcomes and policy uncertainty levels.

We focus on five key indicators of economic performance and stability as dependent variables in the empirical analysis:

• GDP Growth: Given that official GDP data for these countries are reported quarterly, we construct a monthly proxy for GDP growth. Following common practice in high-frequency macro analysis, we use the year-over-year growth rate of the Industrial Production Index (IPI) as a proxy for monthly GDP growth. The IPI data (volume of production in industry) is available monthly from Eurostat for all five countries and is seasonally adjusted. We transform it to an annual growth rate (% change from the same month in the previous year) to reflect real output growth. This proxy is justified by the high correlation between industrial output and overall GDP in emerging Europe , and it allows us to include the pandemic's sharp contractions and rebounds on a monthly timeline. (In addition, in robustness checks we also considered alternative activity indicators such as the Economic Sentiment Indicator and retail trade volume growth to proxy GDP dynamics, with similar results, see Discussion).

• Unemployment Rate: We use the harmonized monthly unemployment rate (% of the labor force unemployed) from Eurostat's dataset. For some Western Balkan countries, unemployment data are available at quarterly frequency; in those cases we linearly interpolate to monthly, adjusting for known seasonality when applicable, to approximate a monthly series. The unemployment rate captures labor market conditions and tends to react with some lag to changes in output. We anticipate that rising uncertainty will, after a few months, translate into higher unemployment (as firms freeze or cut hiring).

• Investment (Gross Fixed Capital Formation) Index: Investment is usually reported quarterly as part of GDP. To obtain a higher-frequency indicator of investment activity, we compile a monthly index of construction activity and capital goods imports as proxies. Specifically, we use the Construction Production Index (available monthly for some countries via national statistical agencies/Eurostat) and imports of machinery and transport equipment (from trade data) as components. We combine these (after seasonal adjustment and normalization) into a single index representing investment level and then compute its year-over-year growth rate. While not a perfect measure of total investment, this proxy captures changes in construction and equipment investment which are large components of gross capital formation. This variable is labeled “Investment Growth” in our results.

• Industrial Production Index (IPI): Although we already use IPI growth as a proxy for GDP, we also include IPI (year-over-year % change) as its own indicator to specifically analyze the industrial sector response. Industry is typically more cyclically sensitive and might react more strongly to uncertainty than services or agriculture. By including IPI growth separately, we can check if the effects on this sector align with the broader GDP proxy. (In practice, results for “GDP growth” and “industrial production” were very similar, as expected, but we report both for completeness).

• Price Level: We use the Consumer Price Index (CPI) or a similar price index to represent the price level, and focus on the inflation rate (year-over-year % change in CPI). Since inflation is the rate of change of the price level, for clarity we will discuss this variable as “inflation.” All five countries report a consumer price index monthly (often through their national statistical offices, compiled by Eurostat). We seasonally adjust if necessary and compute annual inflation. This captures price level dynamics and allows us to see if policy uncertainty has any notable effect on inflation (e.g., through demand contraction or currency fluctuation).

The primary explanatory variable is the Economic Policy Uncertainty index. We use the European Economic Policy Uncertainty (EAPU) Index as our measure of policy uncertainty relevant to the Western Balkans. The EAPU Index is sourced from the Baker, Bloom, and Davis policy uncertainty database and represents a news-based index of policy uncertainty for Europe . Specifically, it is an index compiled from newspaper coverage in five major European economies (Germany, UK, France, Italy, Spain) and reflects the frequency of articles mentioning economic uncertainty and policy-related terms . We choose this index for several reasons: (1) Western Balkan economies are strongly influenced by Europe’s economic climate – policy uncertainty in the EU (e.g. around fiscal rules, monetary policy, enlargement, or geopolitical events) is likely to spill over to the Balkans. (2) Country-specific EPU indices for each Western Balkan country are not readily available or consistent over time. Using a common external index avoids measurement problems and also arguably provides an exogenous measure of uncertainty (since policy uncertainty in small Western Balkan countries would have minimal feedback effect on the European index). We obtained the monthly EAPU index values (which are normalized to a mean of 100 for a baseline period) and transformed it as needed for stationarity. In our baseline VAR, we use the log-level of the EAPU index, detrended by removing country-specific means if necessary in panel regressions (since the index is common across countries, demeaning by country is not applicable, but time dummies could be used in panel specifications to capture global trends). The index exhibited significant spikes corresponding to major events: it roughly doubled during the peak of COVID-19 in early 2020 and again surged with the onset of the Ukraine war in early 2022, before moderating in 2023. These fluctuations provide natural experiments for our analysis.

We also include control variables in some specifications to isolate the impact of policy uncertainty. For example, in the panel regression, we add global oil prices (which affect inflation and growth in the region) and a Euro area industrial production index (to control for general external demand conditions). This helps ensure that the EAPU index is capturing policy-specific uncertainty effects rather than general global downturns. However, in the VAR model, we keep the specification parsimonious to focus on the interplay between uncertainty and domestic variables.

All series (except rates like unemployment and inflation, which are already in percentage form) were logarithmically transformed if used in levels, and we difference them if needed to achieve stationarity. Augmented Dickey-Fuller (ADF) tests were conducted for each country's series, confirming that most series are either stationary in growth-rate form or were trend-stationary (which our inclusion of deterministic components addresses). The EAPU index itself is stationary around episodic spikes (ADF tests cannot reject a unit root at 5% for the raw index, but in first differences it is clearly stationary; however, using it in log-levels with VAR is common in literature assuming shocks are temporary deviations).

4. Empirical Models

We employ two complementary empirical approaches: a panel regression model and a Vector Autoregression (VAR) model.

1. Panel Regression: Our panel dataset consists of 5 countries and 60 months (balanced panel with N=5, T=60, total observations = 300). The panel regression framework allows us to pool the countries together to estimate an average effect of policy uncertainty on each dependent variable, while controlling for country-specific factors. We estimate equations of the form:

$$Y_{\{i,t\}} = \propto_i + \beta \, EAPU_t + \gamma \, X_{i,t} + \theta_t + \in i,t$$

where $Y_{\{i,t\}}$ is the outcome variable (e.g. GDP growth, unemployment rate, etc.) for country i in month t. $\propto_i$ are country fixed effects that control for time-invariant differences between countries (for example, Albania's generally higher inflation or Serbia's generally lower average growth, etc.). $EAPU_t$ is the Economic Policy Uncertainty index (common for all countries in month t), and β is the coefficient of interest measuring the impact of a change in EAPU on the outcome. $X_{i,t}$ represents other control variables (which may include lags of the dependent variable or other regressors like oil price or EU industrial production as mentioned). θ represents time fixed effects in extended models (not used in the baseline, since EAPU itself is a time-varying regressor common to all – including time dummies alongside EAPU would absorb much of the effect; instead, we include specific controls for global factors as noted). $\in i,t$ is the error term.

For most outcomes, we expect $\beta < 0$ for GDP growth, investment, and industrial production (higher uncertainty leads to lower growth), $\beta > 0$ for unemployment (uncertainty raises joblessness), and β potentially < 0 for inflation (uncertainty may reduce demand pressure and inflation) or statistically insignificant if supply factors dominate price movements. We estimate these panel regressions using feasible generalized least squares (FGLS) to account for heteroskedasticity and autocorrelation within panels, and we cluster standard errors by month (to be conservative given the common shock across countries each month). This approach treats the EAPU shock as a global factor and leverages cross-country differences in response magnitude for identification.

2. Vector Autoregression (VAR): While panel regressions provide average point estimates, they do not directly illustrate dynamic adjustment over time. We therefore set up a VAR model to analyze the time-profile of responses to an EAPU shock. Given the limited time span (60 observations) and multiple variables of interest, estimating a full VAR with all variables for each country is infeasible. Instead, we opt for two approaches: (a) A panel VAR where we pool countries but allow for country-fixed effects (using the method of Love & Zicchino, 2006 for panel VAR estimation). (b) Individual country VARs (of simpler structure) to ensure robustness. The panel VAR is our main focus, as it increases degrees of freedom by assuming homogeneous dynamics across countries (aside from fixed effects).

In the panel VAR, we include **two endogenous variables**: the EAPU index and one domestic indicator at a time. This effectively means we estimate separate VAR models for each dependent variable of interest (GDP growth, unemployment, etc.), each bivariate with EAPU. The general form for a given variable Y is:

$$EAPU_t \setminus Yi,t = A_0 + A_1 \{EAPU_{t-1} \setminus Y_{i,t-1}\} A_2 \{EAPU_{t-2} \setminus Y_{i,t-2}\} \ldots + u_{i,t,}$$

where we determine the lag length (p) based on information criteria (with maximum lag considered 3 given monthly frequency and sample size). We include country fixed effects by demeaning the data for each country before VAR estimation (this removes $\propto_i$ similar to the panel regression). To identify structural shocks, we use a Cholesky ordering with EAPU ordered first and the domestic variable second. This identification implies that contemporaneously (within the same month), movements in the EAPU index are treated as exogenous to the domestic economy of a small country (a reasonable assumption, since a news-based Europe-wide uncertainty index is unlikely to be driven by one small country's monthly economic changes), while domestic variables can respond within the month to an EAPU shock. Essentially, we assume that policy uncertainty shocks hit first, and domestic economies react with at least a short lag – a common identification in uncertainty shock studies . Under this scheme, an EAPU shock can be interpreted as an unexpected increase in policy uncertainty (for example, surprise election outcomes in a major economy, a sudden geopolitical crisis, etc.), and we trace its effect on, say, GDP growth of Albania or Serbia over subsequent months.

We also estimated a larger VAR that includes more than one domestic variable at a time (for instance, a trivariate VAR with EAPU, GDP proxy, and unemployment together, to capture interactions between output and labor market). However, given the short sample, degrees of freedom were a concern; thus, we primarily rely on bivariate VARs and cross-compare the results for consistency. The impulse response functions (IRFs) from the VAR analysis are our key output, showing the trajectory of each macroeconomic indicator following an EPU shock, holding other shocks constant. We generate IRFs up to 12 months ahead, with 90% confidence bands obtained via Monte Carlo simulation (1000 draws) in the panel VAR context.

Finally, to ensure robustness, we conduct a few additional tests: Granger causality tests (to verify that EAPU shocks predict movements in the macro variables rather than vice versa), and an alternative specification treating the U.S. EPU index as an exogenous control (to see if global uncertainty beyond Europe matters for the region – it turned out the European index is the dominant factor, and adding U.S. uncertainty did not significantly change results). We also run the panel regressions using two-stage least squares, instrumenting EAPU with plausibly exogenous global uncertainty events (such as global economic policy uncertainty index innovations), to address any endogeneity concerns; the instrumented results were in line with OLS, suggesting our results are not driven by reverse causality.

By combining the panel regression and VAR approaches, we obtain both quantitative estimates of average effects and a time profile of dynamic impacts. We next turn to the empirical findings, presenting both sets of results in an integrated manner for clarity.

5. Results

Summary Statistics and Initial Correlations

Before delving into model estimates, it is useful to review the data patterns. Table 1 summarizes the average and variability of key variables across the five Western Balkan countries over the study period (2019–2024). GDP (industrial production) growth averaged around 2.5% year-over-year, with a sharp dip to –20% (annual rate) during the April 2020 lockdown and a rebound above +15% in late 2021. Unemployment rates varied widely across countries, from a low around 5% in Serbia (in 2023) to highs of 30% in Bosnia in early 2021, reflecting structural differences; on average the region's unemployment was ~15%, and it modestly declined pre-2020 then rose during the pandemic shock. Investment proxy growth mirrored GDP volatility, averaging ~3% but with deep troughs during 2020. Inflation (CPI) was relatively low pre-2021 (1–3%), but surged to double digits in 2022 for all countries (peak regional average ~14% y/y in mid-2022) before easing to ~5-8% by end-2024, reflecting the global inflation cycle. The EAPU index (Europe Policy Uncertainty) had a mean of 180 over this period (base 100 = long-term average), but with notable spikes: it reached ~400 in April 2020 and ~350 in March 2022, corresponding to major uncertainty events, and subsided to about 150–200 in calmer periods (e.g., late 2019, mid-2021). Simple pairwise correlations show that EAPU is negatively correlated with industrial output and investment (correlation around –0.3 for both) and positively correlated with unemployment (around +0.25), all significant at the 1% level. The correlation with inflation is weaker (+0.10 and not significant), hinting that policy uncertainty shocks might not be a primary driver of the price level (inflation seemed more driven by commodity price swings). These simple correlations foreshadow our regression results.

6. Panel Regression Estimates

Table 2 presents the results of the fixed-effects panel regression, where each column corresponds to a different dependent variable (GDP growth, unemployment, investment growth, industrial production, and inflation). For each regression, the key independent variable is the EAPU index (in log form), and we include one lag of the dependent variable and global controls (oil price and EU industrial production) to account for momentum and external factors. We report standardized beta coefficients for easier interpretation (i.e., coefficients in terms of standard deviation changes), alongside t-statistics clustered by time. Key findings from Table 2 include:

• GDP Growth: Economic policy uncertainty has a significant negative effect on GDP growth in the Western Balkans. The coefficient implies that a one standard deviation increase in the EAPU index (roughly equivalent to an EAPU surge of about 100 points, e.g. from 150 to 250 on the index) is associated with a 0.8 percentage point reduction in year-over-year GDP growth ($p < 0.01$). To illustrate, if GDP was growing at 3% annually, such an uncertainty shock would lower it to about 2.2%. This effect is substantial, given that typical growth for these economies is in the low single digits. Notably, including the lagged GDP growth term (which was around 0.3, indicating some persistence in growth) did not eliminate the impact of EAPU – suggesting the effect is not purely capturing cyclical momentum.

• Unemployment: As expected, higher uncertainty is associated with higher unemployment rates. The coefficient indicates a 1 standard deviation rise in EAPU leads to a 0.2 percentage point increase in the unemployment rate on impact, and up to 0.5 pp over the next few months (the panel regression captures immediate effect; later we'll see VAR showing a lagged build-up). For context, given an average unemployment of ~15%, this is a noticeable but not huge shift. It is significant at the 5% level. Intuitively, if policy uncertainty spikes, firms likely slow hiring or even lay off workers in hiring-sensitive sectors, causing the jobless rate to edge up. The relatively modest magnitude reflects that labor markets adjust gradually – indeed, our VAR analysis will show unemployment peaking a few months after the shock, which a contemporary regression can't fully capture.

• Investment: The impact on investment (gross fixed capital formation proxy) is quite pronounced. EAPU's coefficient is large and negative: a 1 sd uncertainty increase is associated with about a 1.5 percentage point decline in investment growth (y/y). This result aligns with the notion that investment is the component of GDP most sensitive to uncertainty . Businesses postpone or cancel capital expenditures amid unclear policy outlooks (for example, uncertainty about tax policy or interest rates can delay a factory expansion or purchase of new machinery). The result was highly significant ($p < 0.01$) and remained robust even when controlling for current GDP growth (suggesting uncertainty has an independent effect beyond just responding to output movements).

• Industrial Production: The effect on industrial output (which, as noted, overlaps with GDP growth measure) is also significantly negative. The coefficient is similar in scale to that for GDP: about –0.8 percentage points per 1 sd increase in EAPU, significant at 1% level. This reinforces that the real economy contracts in the face of policy uncertainty, with factories producing less, likely due to both demand reductions and caution in operations (e.g., running at lower capacity to avoid inventory build-up if future demand is unclear).

• Price Level (Inflation): Interestingly, the panel regression finds a small negative coefficient of EAPU on inflation, but it is not statistically significant in the baseline specification. The point estimate suggests that higher uncertainty might contribute to slightly lower inflation (a 1 sd increase in EAPU correlates with about 0.1 percentage point lower inflation, all else equal), consistent with depressed demand and possibly lower wage growth in uncertain times. However, given the large inflation swings due to external factors (energy prices), the effect of uncertainty on prices is drowned out. In a robustness test excluding the high-inflation 2022 year (where supply shocks dominated), the coefficient on EAPU became more negative and marginally significant, indicating that in more normal times, uncertainty could have a deflationary tilt. But overall, we conclude that policy uncertainty's impact on the price level is muted or secondary, relative to its strong impact on real activity.

In summary, the panel estimates provide evidence that economic policy uncertainty is a statistically and economically significant determinant of macroeconomic fluctuations in the Western Balkans. When uncertainty (as measured by the European index) rises, the region tends to experience slower growth and investment and a deterioration in labor markets. These regressions, however, capture an average contemporaneous relationship. To delve deeper into the dynamic causal impact, we now turn to the VAR results, which trace the evolution of these effects over time following an uncertainty shock.

VAR Impulse Response Analysis

The VAR analysis allows us to address questions such as: If there is a sudden spike in policy uncertainty today, how does GDP growth evolve in subsequent months? How long until the effect dissipates? Similarly, when does unemployment begin to rise and by how much? We generated impulse response functions (IRFs) from the panel VAR for each key variable. Figure 1 illustrates the IRFs for a one-standard-deviation shock to the EAPU index, based on our panel VAR (with 2 lags, chosen by Akaike Information Criterion). The shock is calibrated to be a realistic jump in uncertainty (approximately the size observed in March 2020 or March 2022). The figure plots the estimated response of GDP growth, industrial production, investment growth, unemployment rate, and inflation over a 12-month horizon after the shock.

Figure 1. Impulse responses to a one-standard-deviation EPU shock. The horizontal axis is months after the shock; the vertical axis is the change in the variable (in percentage points). Orange line: GDP growth (% y/y) response; Red line: Investment growth (% y/y) response; Yellow line: Industrial production (% y/y) response; Pink line: Unemployment rate (percentage point change) response; Blue line: Inflation rate (percentage point change) response. Dashed lines indicate 90% confidence bands. All responses are based on panel VAR estimates for the Western Balkans.

Several noteworthy patterns emerge from Figure 1:

• GDP Growth Response: A spike in policy uncertainty causes GDP growth to decline for several months. The impact is not immediate at month 0 (by construction, contemporaneous effect is limited in the identification), but by 1 month after the shock, GDP growth is about 0.2 percentage points lower than it would have been without the shock. The decline deepens to a peak impact of around –0.5 percentage points at about 3–4 months after the shock. Thereafter, the effect slowly diminishes, with the GDP growth gap still around –0.2 pp at 8 months and essentially closing by 12 months (some IRF traces even show a slight overshoot into positive territory in year 2, but statistically indistinguishable from zero). The cumulative impact over a year from a one-time uncertainty shock is a loss of output on the order of 2–3% of a year's GDP (when integrating the growth reductions), which is quite meaningful. This trajectory – quick downturn, bottoming out in a quarter, then recovery within a year – is consistent with literature on uncertainty shocks in other economies . The timing also aligns with the idea that firms initially pause activity (hitting growth), but as uncertainty recedes or adjustments are made, growth normalizes.

• Investment Response: The investment decline is sharp and more pronounced than that of GDP. Within 1–2 months, investment growth falls by about 0.5–1 percentage point and reaches a trough of –1.2 percentage points around 3 months after the uncertainty shock. This indicates a substantial pullback in capital spending immediately following an uncertainty surge. The investment IRF also shows a faster rebound: by month 6, the gap is halved (around –0.6 pp) and by 10–12 months out, the investment growth returns to baseline (and might even slightly overshoot as pent-up projects resume). The faster snap-back could be due to the "wait and invest later" behavior – projects are restarted once uncertainty resolves. Nonetheless, the contraction in the interim can contribute to lower capacity and productivity growth. The stronger response of investment compared to GDP is expected because investment is a smaller, more volatile component of GDP. It also corroborates the panel regression where the normalized coefficient for investment was larger.

• Industrial Production Response: The industrial production index (IPI) mirrors the GDP response with perhaps slightly larger magnitude initially (about –0.3 pp in month 1, –0.6 pp at trough). The IPI trough is around 2–3 months after the shock, with about a –0.7 percentage point growth impact. It recovers gradually by month 9–10. The similarity to GDP's pattern reinforces that much of the GDP movement is via the industrial sector. Given that industry includes manufacturing and energy – sectors that are sensitive to investment and external demand – the result suggests those sectors cut back output relatively quickly when policy uncertainty rises (possibly anticipating lower orders or financing difficulties).

• Unemployment Response: The unemployment rate responds with a clear lag relative to output. In the first 1–2 months after the uncertainty shock, there is little movement in unemployment (the line stays near zero). By month 3, however, unemployment starts to tick up, reaching around +0.2 percentage points by month 4. The rise continues to about +0.3 pp at 5–6 months, where it stabilizes before gradually receding back toward the baseline by around 12+ months. This dynamic – unemployment peaking roughly 1–2 quarters after the shock – is logical, as firms initially react to uncertainty by freezing hiring; only if the uncertainty (and related demand slowdown) persists for a few months do they resort to layoffs, which then show up in unemployment figures. Our findings indicate that a moderate but noticeable increase in joblessness occurs following a significant uncertainty episode. For example, if a country's unemployment rate was 15%, a 0.3 pp increase raises it to 15.3%, translating to thousands of additional people unemployed across the region. This aligns with cross-country evidence that policy uncertainty raises unemployment and lowers employment in policy-sensitive industries . One might recall that during the 2020 uncertainty spike, Western Balkan governments implemented job retention schemes (furlough or wage subsidies) which might have muted unemployment increases; in absence of such measures, the impact could be larger.

• Price Level (Inflation) Response: The inflation response in the VAR is relatively small and somewhat delayed. We observe a slight decline in inflation of about 0.1–0.2 percentage points beginning around 2–3 months after the uncertainty shock, persisting through month 6, then gradually moving back to baseline. This suggests a mild disinflationary effect – likely due to weakened demand (as consumption and investment fall, there is less price pressure). However, the effect size is modest. One reason the effect is not larger could be that these economies faced strong external price shocks (like oil and food prices) in the period which dominate domestic demand influences. Also, some exchange rate depreciation might occur in times of high uncertainty (investors pulling out capital, for instance), which could increase import prices and counteract the downward pressure on prices. In Serbia and Albania, for example, we did observe currency depreciation during global uncertainty spikes, which imported some inflation. The net effect seen here is a small negative – indicating demand-side forces slightly win out. It is important to note that the confidence bands for inflation were wider and included zero in most periods, meaning we should be cautious in interpreting a causal effect on inflation. Overall, inflation appears less sensitive to policy uncertainty shocks than real activity measures are, consistent with our panel regression.

These impulse responses broadly confirm and enrich the panel regression findings. The timing aspect is particularly illuminated: GDP and investment react quickly (within a quarter) and recover within a year, while unemployment reacts more slowly and inflation response is minimal. The quick recovery might indicate that the uncertainty shocks considered (like those in our sample) were transitory in nature – e.g., the initial panic around COVID-19 policy response was partly resolved by massive fiscal/monetary support, and uncertainty fell; similarly, after the initial shock of the Ukraine war, policies were clarified (energy subsidies, EU unity on sanctions, etc.), allowing uncertainty to recede. If uncertainty had remained elevated for longer, the persistence of the impact might be greater. Indeed, a scenario analysis using our model suggests that a permanent 20% higher level of EPU would lead to a sustained drag on Western Balkan growth (~0.2–0.3 pp lower each year), illustrating the cost of protracted uncertainty. This scenario aligns with European Commission estimates that returning uncertainty to low levels can meaningfully raise GDP .

Another result from the VAR (not depicted in Figure 1) is the forecast error variance decomposition. We found that, on average, about 15% of the 6-month ahead forecast variance of GDP growth in Western Balkan countries could be attributed to shocks in the EAPU index. For investment, this was even higher at ~25%. This is a notable share, considering the remainder includes all other shocks (technology, foreign demand, supply shocks, etc.). It underlines that policy uncertainty is a non-trivial source of fluctuations. For unemployment and inflation, the share was smaller (around 10% and <5% respectively at 6 months), again reflecting that many other factors drive those variables.

Lastly, we compared the individual country VAR results to see if some countries are more affected than others. While sample size limits definitive conclusions, there were hints that Serbia and North Macedonia exhibit slightly larger output responses to EPU shocks than, say, Albania. This could be because Serbia and North Macedonia are more industrialized and export-oriented (hence more sensitive to external shocks), whereas Albania's economy, with a large agriculture and informal sector, might be somewhat insulated. However, all countries showed the same direction of effects. Bosnia and Herzegovina's data, which has more noise, still indicated a negative growth response, though significance was lower – possibly due to data quality issues or the presence of idiosyncratic political disruptions that overshadow external uncertainty at times. In any case, the qualitative effects are consistent across the region.

7. Discussion

Our empirical results demonstrate a clear pattern: Economic Policy Uncertainty exerts a dampening effect on economic growth and a worsening effect on key macroeconomic outcomes in the Western Balkans. In this section, we discuss these findings in light of economic theory, compare them to existing literature, and consider their practical implications and limitations.

Consistent with Theory and Global Evidence: The negative impact of policy uncertainty on output, investment, and employment in the Western Balkans aligns closely with findings from other regions. Baker et al. (2016) documented similar declines in output and investment in advanced economies following uncertainty shocks , and our study shows that these mechanisms are also at work in emerging European economies. The Western Balkans may in fact be even more vulnerable to uncertainty shocks, given structural characteristics: small economies often have less diversified industrial bases and shallower financial markets, making them more susceptible to swings in sentiment. For example, if a multinational company decides to delay a factory expansion in an EU country due to uncertainty, a similar delay in a Western Balkan country could have a proportionally larger effect on that smaller economy's investment and employment. Our result that investment falls more than output is consistent with the notion that irreversible investment is curtailed first when uncertainty rises . It also reflects what businesses in the region often cite anecdotally: unpredictability in tax laws, regulatory changes, or political events is a major barrier to committing capital to long-term projects. By quantifying this effect, our research provides concrete evidence that reducing policy uncertainty could materially boost investment – potentially by on the order of 1–2 percentage points of growth in capital formation, which is significant for development.

The timing of effects (uncertainty shocks causing quick drops in output and slower changes in unemployment) matches standard economic dynamics. It reinforces the interpretation that the primary channel is through aggregate demand: uncertainty causes investment and consumer durable purchases to fall, which reduces output; with a lag, as firms see lower sales, they adjust labor, affecting unemployment. We did not explicitly model consumer confidence due to data unavailability at high frequency, but it likely moves in tandem with uncertainty. Indeed, Eurostat's Economic Sentiment surveys for the region show confidence plunging in early 2020 and 2022 when our EAPU index spiked – a suggestive link.

Spillovers and External vs. Internal Uncertainty: One might ask, how much of the uncertainty affecting the Western Balkans is externally driven (European/global) versus locally generated? Our use of the European EPU index largely captures external uncertainty. The significant effects we find hint that external policy uncertainty spillovers are potent. This is in line with Biljanovska et al. (2018), who highlighted that spillovers from European and US uncertainty shocks were important for other economies . The Western Balkans rely on the EU for a large share of trade and investment; hence, events like Brexit, EU-level regulatory changes, or geopolitical tensions in Europe can translate into local uncertainty about market access, funding, and policy priorities. However, domestic uncertainty should not be underestimated. For instance, frequent election cycles or unstable coalitions in some Western Balkan countries lead to pauses in policy-making (e.g., budget delays, reform stagnation) and could independently hurt economic activity. In this study, domestic uncertainty is partly reflected in the outcome variables themselves (e.g., a political crisis might cause a dip in industrial output), but we did not have a separate index for local uncertainty. Future research could attempt to construct country-specific EPU indices from local news sources (perhaps in local languages) to differentiate between external and internal uncertainty. We suspect that domestic uncertainty events (like sudden policy reversals) similarly cause slowdowns. Notably, during our sample, Serbia had periods of heightened policy uncertainty around shifts in economic policy and regional political tensions, and those likely contributed to some volatility in its indicators beyond what the European EPU index would suggest.

Heterogeneous Effects across Sectors and Socioeconomic Impact: While our analysis focused on aggregate indicators, the burden of policy uncertainty is not shared equally across all sectors or groups. Typically, sectors that are more policy-sensitive or involve long-term planning – such as infrastructure construction, energy, and capital-intensive manufacturing – will see a stronger pullback when uncertainty is high . For example, if the government's commitment to renewable energy incentives is uncertain, investment in new energy projects may stall. In contrast, sectors like basic consumer goods might be less affected in the short run. Similarly, uncertainty can have distributional effects: larger firms often have more buffer (financial reserves or diversified markets) to weather uncertainty, whereas small and medium enterprises (SMEs) can be hit harder, potentially leading to closures or bankruptcies if credit tightens. In the Western Balkans, where SMEs are significant employers, this could exacerbate the unemployment impact. High uncertainty can also discourage foreign experts or diaspora from engaging in the local economy, which could have longer-term consequences on knowledge transfer and confidence. While these aspects are beyond the scope of our quantitative analysis, they are important qualitatively.

Policy Implications: The findings carry important implications for policymakers in the Western Balkans (and by extension, other similar emerging economies). Reducing economic policy uncertainty could yield tangible economic benefits. This does not mean eliminating all uncertainty – which is impossible, as some is driven by external events – but rather managing and mitigating unnecessary, policy-induced uncertainty. For instance:

• Consistent Policy Frameworks: Governments should strive for consistency and transparency in economic policies. Frequent changes in tax codes, investment regulations, or trade policies should be avoided. If changes are needed, clear communication and gradual implementation can reduce uncertainty for businesses and investors. Credible commitments (for example, rules-based fiscal policy or multi-year investment plans) can anchor expectations. Our results suggest that when such credibility is lacking, the resulting uncertainty can shave off a non-negligible amount of growth.

• Political Stability and Rule of Law: Political instability was identified as a deterrent to investment in the region . Strengthening democratic institutions, ensuring smooth transitions of power, and upholding the rule of law (so that legal disputes or contract enforcement do not add to uncertainty) are indirectly economic policies that pay growth dividends. For example, in countries where major projects have been stalled due to government changes or legal uncertainties, improving these processes could unlock growth.

• Communication and Guidance: Borrowing from central bank practice (forward guidance), governments could communicate future policy intentions to reduce uncertainty. If businesses know that there is a pipeline of infrastructure projects or a stable trajectory for public debt, they can plan accordingly. Conversely, surprise announcements or opaque decision-making fuel uncertainty. Our analysis covered a period with some policy surprises (e.g., sudden pandemic lockdowns in 2020, abrupt trade restrictions at times), which likely amplified the uncertainty impact. Better risk communication – even acknowledging uncertainties transparently – might help agents prepare rather than freeze activity.

• Regional and International Cooperation: Since much uncertainty is external, regional cooperation can help cushion the effects. For instance, during the European debt crisis or the recent energy crisis, Western Balkan countries that coordinated with EU initiatives (like joint procurement of energy or aligning with EU regulatory standards) could reduce the "unknowns" for businesses trading with the EU. Additionally, pursuing EU accession reforms steadily can reduce uncertainty about the future economic environment of these countries. A credible accession perspective (even if long-term) anchors expectations about regulatory and institutional stability, thereby possibly reducing country-risk premiums and encouraging investment. On the other hand, stalled EU progress increases uncertainty about the trajectory of the region.

• Stabilization Tools: Policymakers should also maintain buffers and tools to respond when uncertainty spikes occur, because not all uncertainty can be prevented. This includes having fiscal space or contingency budgets to stimulate the economy when private sector activity contracts due to uncertainty. For example, several Western Balkan governments provided fiscal stimuli or credit guarantee schemes in 2020 which likely mitigated some of the downturn. Our results imply that without such responses, the contraction could have been worse. Similarly, central banks in the region (some of which have independent monetary policy, like Serbia's) could consider counteracting uncertainty shocks by easing monetary conditions – as long as inflation is under control. Maintaining adequate foreign exchange reserves and backstop liquidity facilities can also reduce financial market uncertainty during global turmoil, preventing an uncertainty-driven credit crunch.

Limitations and Further Research: While this study provides comprehensive empirical evidence, it has limitations. The time span (5 years) includes two major crises, which might dominate the results; with a longer time series, one could check if the relationships hold in more "normal" times and explore any structural changes (e.g., has the sensitivity to EPU increased over time?). Also, our reliance on the European EPU index means we did not isolate country-specific policy uncertainty events (like domestic elections). An extension could be to interact the EPU shock with country dummy variables or with an indicator of domestic political events to see if effects are amplified. Additionally, the VAR analysis assumed homogenous dynamics across countries – a reasonable first pass, but future work could estimate country-specific VARs if data become available, to see which country's economy is most/least sensitive to uncertainty.

Another interesting avenue is to examine micro-level data to understand mechanisms: e.g., firm-level investment or hiring in response to uncertainty indices. Firm surveys in the Western Balkans (such as those by EBRD or World Bank) could be used to see if firms that perceive higher uncertainty indeed invest less or lay off more workers. This would complement our macro findings with microeconomic evidence.

Moreover, distinguishing types of uncertainty could matter. "Economic policy uncertainty" as defined by our index is broad. Perhaps monetary policy uncertainty (interest rate direction) has a different impact than fiscal policy uncertainty (government spending/tax). Or regulatory uncertainty (e.g., regarding specific industries) could have sector-specific impacts. The Western Balkans in recent years have seen episodes of budget uncertainty (like delayed budgets), trade policy uncertainty (occasionally between neighbors), and policy uncertainty related to the pandemic (lockdown policies). Each might affect the economy differently. While our aggregate approach cannot disentangle these, a focused case study on, say, uncertainty during government budget deadlocks, could be insightful.

Finally, our results on inflation were inconclusive – more research is needed on whether high uncertainty environments could potentially contribute to higher inflation via supply side or if it's uniformly disinflationary. For instance, if uncertainty leads to currency depreciation as investors flee to safety, import prices rise (cost-push inflation). Some anecdotal evidence in smaller emerging markets suggests political uncertainty can cause exchange rate drops and inflation spikes. In our sample, the presence of pegged currencies (Bosnia, North Macedonia) and the global nature of recent inflation may have obscured such effects. A country-specific examination (like Serbia's floating dinar) might reveal more about uncertainty and inflation (perhaps using high-frequency financial market data).

Comparison with Other Regions: It is worth noting that the magnitude of the impact we found is comparable to other emerging markets' experiences. Studies on Latin America, for example, also find that uncertainty shocks can reduce GDP by around 0.5-1% in the short run (Cerda et al., 2020 for Chile, etc.), and increase unemployment. The Western Balkans, as transition economies, share some features with those markets (like exposure to capital flow volatility). However, one contrast is that the Western Balkans have the EU integration prospect which, when credible, might serve as a stabilizing force reducing chronic uncertainty (though when that prospect dims, uncertainty could increase). Thus, maintaining progress on EU-aligned reforms has an economic payoff in terms of reduced uncertainty.

In conclusion, our discussion reinforces that policy uncertainty is not an abstract concept but a real economic factor with measurable costs for the Western Balkans. The region's policymakers, as well as international partners, should thus view the reduction of uncertainty as a policy goal in itself – through building institutions, committing to transparent strategies, and cooperating to manage external shocks. Doing so would create a more favorable environment for investment, job creation, and price stability, ultimately aiding these economies on their path to faster growth and convergence with the rest of Europe.

8. Conclusion

This paper analyzed the effects of Economic Policy Uncertainty on growth and economic well-being in the Western Balkans, using a rich dataset of monthly indicators over the past five years. The empirical evidence, derived from both panel regressions and VAR models, points to a clear conclusion: elevated policy uncertainty has materially hindered economic performance in the Western Balkans in recent years. Specifically, spikes in uncertainty – as measured by a European policy uncertainty index – are associated with significantly lower GDP and industrial production growth, reduced investment, and a rise in unemployment in the region. The impact on inflation is relatively minor, indicating that the primary consequences of uncertainty are real (output and employment) rather than nominal. These findings are in line with economic theory and international experience, but this study is one of the first to document them in the context of the Western Balkans using high-frequency data.

Our results imply that if policymakers can reduce uncertainty, they stand to promote stronger growth and employment. For example, avoiding erratic policy shifts and clearly communicating economic strategies could encourage firms to invest and hire, rather than hold back out of caution. In quantitative terms, our estimates suggest that a one standard deviation reduction in policy uncertainty (which could be akin to moving from a crisis-level policy environment to a more stable one) might boost annual GDP growth by on the order of 0.5–1 percentage points and investment growth by even more, while keeping hundreds of people employed who might otherwise lose jobs in an uncertainty-induced downturn. These are non-trivial gains for economies that typically grow in the low single digits.

Of course, not all uncertainty is under the control of national authorities – global events can rapidly change the landscape. Therefore, another key implication is the importance of resilience. Western Balkan economies should continue to build fiscal and financial buffers that allow them to respond to uncertainty shocks (such as coordinated monetary responses or fiscal stimulus during global crises) to mitigate the fallout. Regional cooperation and integration with the EU also provide a form of insurance, as external support and anchoring of expectations can help during turbulent times.

In closing, the Western Balkans are at a juncture where speeding up growth is essential for convergence and improving living standards. As this paper shows, uncertainty can be a formidable roadblock on that path by holding back investment and productivity. Conversely, a more certain and stable policy environment can act as a catalyst for economic dynamism. Thus, alongside traditional policy goals like low inflation and fiscal balance, policymakers should treat economic policy uncertainty as a key variable to monitor and manage. Efforts to improve governance, transparency, and consistency in policy-making are not just political niceties – they are integral to the economic development agenda. By fostering a climate of predictability and confidence, the Western Balkan countries can better unlock their growth potential and ensure more robust and resilient economies in the years ahead.

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Developments on digitalization of cultural heritage in italy and albania: strategies, regulations and challenges

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Abstract

This contribution aims to frame the practices of digitization of cultural heritage in the Italian and Albanian context. This process requires an interdisciplinary approach, involving technological, legal and archival fields.
In Italy, the National Digitalization Plan (PND), promoted by the Ministry of Culture, represents a key strategy for the conservation and enhancement of cultural heritage. The plan is part of the European regulatory framework, which favors the adoption of open and interoperable standards. Directive 2019/1024 and the Digital Europe Programme encourage the sharing of cultural data. At the national level, the Digital Administration Code (CAD) and the AgID Guidelines guarantee effective management of digital heritage.
In Albania, the digitization of cultural heritage is supported by the Ministry of Culture and the National Institute of Cultural Heritage. The country has initiated initiatives to adopt international standards, in line with European directives, through cooperation with organizations such as UNESCO and the EU. The project "Digitization Center at the National Institute for Cultural Heritage" promoted the creation of digital archives, while the project "Empowering Museums through Technology", focuses on the digitization of collections and the application of interactive technologies in two national museums. However, challenges remain related to the lack of adequate infrastructure and specialized training in the sector.

Key words: Dedigitalization, Culture Heritage, Italy, Albania, Digital Archives.
JEL classification: L86, Z10, Z11, O33.

1. Introduction. A Starting Point

Accessibility to cultural heritage is a fundamental right of citizens and must be understood broadly: encompassing physical, socio-economic, sensory, and cognitive dimensions. Access is not limited to passive enjoyment, but entails a participatory model of communication in which citizens actively contribute to the construction and interpretation of cultural heritage. The Council of the European Union has recognized digital cultural heritage as a new and autonomous form, comprising both digitally born materials and products of digitization (Council of the European Union, 2014).

A pivotal role in this transformation is played by the EU Recommendation 2011/711/EU on the digitization and online accessibility of cultural material and on digital preservation, as well as by the EU Directive on copyright in the digital single market. These policies provide the framework for national digitization strategies across Member States.

In Albania, this transformation is gaining traction. Since the adoption of the National Strategy for Culture 2019–2025, the Ministry of Culture has recognized digitization as a key component for safeguarding and promoting cultural heritage. Projects such as the establishment of the Digitalization Center under the Ministry, the digitization of the Marubi Photographic Archive, and the development of online museum platforms represent critical efforts to enhance cultural access.

2. Legislative Frameworks

2.1 Italy

Italy's legislative framework for cultural heritage digitization is intricate, shaped by overlapping domains including the Cultural Heritage and Landscape Code, copyright law, privacy regulations, SIAE provisions, and EU directives. The Cultural Heritage and Landscape Code remains the foundational reference. Italian law allows institutions to charge fees for access to digital content and to make a reasonable profit, while reuse of such data remains subject to prior authorization (Croce, 2023).

The Italian framework benefits from the discretion offered by EU law to Member States. It supports a special regime for cultural heritage, encouraging the digitization and reuse of cultural materials under regulated circumstances.

2.2 Albania

Albania's legal framework is evolving. The 2018 Law on Cultural Heritage and Museums introduced digitization as part of cultural heritage management. While the law outlines responsibilities for preserving and promoting heritage, it lacks detailed provisions for digitization standards, metadata protocols, or interoperability.

The National Strategy for Culture (2019–2025) emphasizes the need for legal harmonization with EU standards, including copyright reform and the adoption of open data principles. Legislative gaps remain in implementation, especially concerning metadata standards and long-term preservation policies.

3. National Digitization Strategies

3.1 Italy

The COVID-19 pandemic accelerated Italy's digitization processes. A key development is the National Digitization Plan for Cultural Heritage (PND), implemented by the Ministry of Culture through the Digital Library (Biblioteca Digitale). The PND 2022–2026 strategy promotes digitization and preservation according to guidelines that align with EU standards.

Central to the PND is the concept of relational digital cultural objects, built from raw digital data and enriched through semantic networks. These are organized through a Data Lake structure, ensuring interoperability and thematic integration.

Regulatory frameworks like the Digital Administration Code (CAD) and AgID guidelines provide the national legal and technical infrastructure. Examples of successful implementation include the National Archival System (SAN) and contributions to Europeana.

3.2 Albania

Albania lacks a unified national digitization plan but has implemented several important projects:

The Digitalization Center at the Ministry of Culture oversees the digitization of archives, manuscripts, and ethnographic collections.

The Marubi National Museum of Photography has digitized thousands of photographs with EU support.

The National Library of Albania is leading digitization efforts of rare books and periodicals through the EU4Culture project.

Additional projects supported by the Albanian-American Development Foundation (AADF) include digital imaging units in Berat and Korçë museums. However, coordination remains fragmented, and there is no centralized metadata standard or integration platform.

4. Regional Digital Ecosystems

4.1 Italy

Italy has developed regional digital ecosystems integrating cultural and documentary data from various institutions. Platforms are designed according to FAIR principles (Findable, Accessible, Interoperable, Reusable). Key parameters include:

- Traceability of sources
- Accessibility across physical and digital barriers
- Interoperability with national and European systems
- Reusability in educational, academic, and commercial contexts
- Examples include regional networks in Tuscany and Emilia-Romagna, which connect libraries, museums, and archives to a unified platform.

4.2 Albania

In Albania, digital ecosystems are emerging at the city or institutional level. Examples include:

- Tirana’s online archives of archaeological heritage;
- The digitization and virtual tours of UNESCO cities like Berat and Gjirokastër
- The National Museum of Medieval Art’s digital catalog

Many of these projects are co-financed by the EU (IPA, Interreg, Creative Europe). However, technical infrastructure remains limited, and the ecosystems are not interoperable. Integration into platforms like Europeana would require standardized metadata and sustained investment.

5. Challenges and Future Perspectives

Both Italy and Albania face challenges in sustaining and scaling digitization:

Legal Uncertainty: Particularly in Albania, legislative gaps hinder systematic digitization;

Funding Limitations: Medium and small institutions in both countries often lack resources for software updates and digital storage;

Technical Capacity: Skilled personnel are essential for metadata management, digital preservation, and rights clearance.

Technological Obsolescence: Fast-evolving software and formats require ongoing investment.

Equity in Access: Ensuring access for rural populations, diasporas, and disabled users remains a shared challenge.

6. Conclusions

Italy and Albania exemplify two stages of digital transformation in the cultural heritage sector: one consolidated, the other emerging. Italy's mature legal and technical infrastructure provides a valuable model. Albania, with promising pilot projects, must prioritize national coordination, legislative reform, and capacity building.

Collaboration through EU-funded projects, knowledge transfer, and regional cooperation will be essential. Long-term success depends on inclusive policies, institutional stability, and citizen engagement.

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