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Kürşat ÇAPRAZ

Vol. 1. Issue.1

December 2018

Open access, peer reviewed academic journal

Publisher

Kürşat ÇAPRAZ

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Scope

InTraders International Trade Academic Journal is a well-known international journal that publishes original and scientific research in the field of international trade in English. The journal has free and open access to all researchers. The language, science, legal and ethical responsibility of the articles published in the journals belong to the authors. Articles published in the journal can not be used without reference.

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In the Pre-Exam process, the article consists of three phases; formal, academic and written. In the formal review, the "similarity report", the keyword, the JEL code and the author information are checked. The preliminary examination is carried out by the secretariat board. At each stage, the writer is contacted and requested to complete the necessary transactions, and each subsequent step is passed to the next step. It is targeted to complete within 10 days according to the speed of the author.

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Appreciation

I am gratified to have the honor to put forward the vote of thanks to all the InTraders Journal Committees, Writers and Authors who provided the intensive work performance for the InTraders under the name of InTraders Academic Platform.

InTraders topics; international trade, business, economics and supply chain management.

In upcoming next issue, waiting your studies.

Wish to meet you all in this new international conferences...

Kürşat ÇAPRAZ

Director of InTraders Academic Platform

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**Bridging the relationship of Transformational Leadership and Turnover intentions with
mediating effect of Employee engagement[×]**

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Article Received: 2018-07-28

Article Accepted: 2018-12-14

Abstract

Today in driving organizations, the crucial part in accomplishing the objectives of the organizations is through effectual leadership. Considering the ultimate goal to stimulate employees, managers and leaders adopt a transformational leadership style. The employee turnover ratio in the organization depends on the behavior of supervisory personnel. If there is a gap between the supervisory staff and the employees of the organization, there is a greater risk of a higher rate of employee turnover. Based upon deep down concepts of transformational leadership and turnover intention, this study is employing mediation analysis to investigate the causal relationship amongst transformational leadership, employee engagement and turnover intentions of academic staff of business schools of Private Universities. In this study, responses of 345 academic staff have been used based upon convenience sampling technique. Research findings of this study demonstrates the partial mediation between transformational leadership and turnover intentions through employee engagement. The study was cross-sectional in nature. A questionnaire was used to accumulate data from Business schools of 5 private sector universities through self-administered practice. The data was investigated by utilizing SPSS (Statistical package for social sciences) 22.0. Pearson correlation, descriptive statistics and mediation (through Andrew

[×] Expanded Conference Article, Presented in I. InTraders International Conference on International Trade, 10-12 May 2018, Sakarya, Turkey

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F.Hayes) were used to analyze data. Outcome generated revealed the significant negative relationship between dependent (turnover intention) and independent variables (transformational leadership) and employee engagement partially mediates the relationship between the variables.

Keywords: *Transformational Leadership, Employee engagement, Turnover Intention.*
JEL Code: *M10.*

Introduction

Today in leading organizations, the vital role in achieving the organization's goals is through effective leadership. The primary purpose of the study is to assess the transformational leadership style adopted by the leaders and their impact on the turnover intentions mediated by employee engagement.

Leaders who have transformational leadership qualities always involves in engaging behaviors, foster enthusiasm among their followers and treat followers with individualized consideration. In this way, the followers are transformed by the behavior of their leader and help them to produce a useful output and improve the goodwill of the organization. The core intent of the transformational leader is to give importance to the growth of the follower. In addition, these leaders evaluate the talent of all followers regarding their abilities to fulfill their current obligations and responsibilities. It is also evident that leadership feature is also very effectual in reducing employee's turnover intention. The connection between leader and human resources plays a crucial role in reducing employees' turnover intention. Transformational leaders follow high ethical standard and leads that's why the followers tend to show fewer turnover intentions (Gill, Mathur, Sharma, & Bhutani, 2011). Lack of job satisfaction and poor leadership are among the key motives for why employees left their jobs (Christina Yu- Ping, Mei-Huei, Hyde, & Hsieh, 2010).

Worker's turnover intention is becoming one of the most significant issues in today's competitive circumstances. Mulki et al., (2007) investigated that the essential focus is to comprehend the leadership efficacy on employees intend to leave the organization; outcome demonstrates that leadership efficacy negatively affects the turnover intentions of the employees; in this way, if leadership is authentic employees will be less intended to leave the organization.

Private universities play a very significant role in the overall progression of the country. Though, university education in private universities in Pakistan must be modernized to make it more

accessible and more pertinent to the varying circumstances. Private universities get much attractiveness among students who cannot get admittance in universities of the public sector. Many private universities in Pakistan are offering different programs; several are very popular, such as business schools offer a variety of courses in the field of business. The leadership among these institutions plays a vital role for the growth and progression of higher education which is impossible without the engagement of academic staff working there.

Horn-Turpin (2009) indicated that there is strong evidence that transformational leadership behavior show a significant relationship with the psychological state of teachers, such as teaching effectiveness, job satisfaction, and the level of engagement to their organization. Different investigations give solid proof that there is a noteworthy connection between transformational leadership and worker fulfillment with their work, particularly in the field of teaching. Each of these practices was impacted by individualized consideration and intellectual stimulation, which are two essential measurements in the model for transformational leadership.

Moreover, employee engagement symbolize participation, fulfillment and perception for work. Engaged employees exhibit greater efficiency, benefit, security and are more averse to quit.

Research Objectives

The study aimed to accomplish the following objectives;

- To find out whether the transformational leadership style has an influence on employee turnover intentions.
- To study the influence of transformational effectiveness on turnover intention.
- Inquiring the influence of employee engagement on turnover intentions.
- To find out the combined impact of transformational leadership, employee engagement on turnover intentions of academic staff of business schools of private sector universities.

Research Questions

- Does transformational leadership decrease turnover intentions among academic staff in business schools?
- Does employee engagement play the role of a mediator to reduce turnover intention?

Research Hypothesis

- **H1:** There is a significantly positive impact of Transformational Leadership on Employee Engagement.
- **H2:** Employee engagement has a significantly negative effect on Turnover intention.
- **H3:** Transformational Leadership has a significantly negative effect on Turnover intention
- **H4:** Transformational Leadership has a significantly negative effect of on Turnover intention through Employee Engagement.

Literature Review

Transformational leadership is considered as an encouraging trait of personality, and the leaders with this style and qualities are more morally attractive and are esteemed by their subordinates. Meihami and Varmaghani (2013) consider that followers' reliance on their leaders is an imperative factor that assumes an intervening part between the transformational administration relationship and worker conduct.

Krishnans (2008) instigate the concept that the collective well-being of team under a leader is valued more by transformational leaders. In addition, such leaders have always remained focused in meetings; have broader standards of impartiality and introducing diversity standards for their employees. Ibraheem et al., (2011) examined that transformational leadership is different from other leadership styles and is based on development, progress, motivation and strategic thinking. Transformational leaders support change more effectively, never discriminates and support organizational goals and objectives. In this leadership style there is a high rate of productivity, low turnover and a high level of job satisfaction. These leaders involve their subordinates in making decisions to share a common vision. They always think of organizational rather than self-interest to efficiently meet organizational objectives. Leaders who practice this type of

leadership are more dedicated and satisfied than any other leadership style. Moynihan and Wright (2011) enlighten that the leadership effects in the implementation of management reforms and examines how performance reformation are implemented through transformational leadership behavior using empirical evidence-based theory.

Nowadays in rapidly growing economy firms are confronting numerous difficulties in decreasing turnover intention of their skilled workers. Previously, many researches on the relationship of employee and employer management have concluded that the best leading firms realize that the talented workforce is composed of determined workers and try to retain that talented workforce. The renowned firms concentrate on keeping the talented workforce and keep on finding new and skilled workers.

Managing workers and lessening turnover goal beneath the objective is one of the primary issues that most of the organizations are confronting these days (Phillips & Connell, 2003). Employee turnover is considered an important issue within an organization that is why it is considered as the focus (Chabbra & Mishra, 2008). According to recent studies, each organization has different turnover rate where private sector has a high turnover rate in comparison to public sector (Bajwa, Yousaf & Rizwan, 2014). Many leading and competitive organizations face several challenges regarding employee turnover.

Organizations hire employees to achieve its goals and employees work to earn something in return of their services. Without valuable employees, an organization cannot generate profit and prosper. Employees are not committed to the organizations if they are not satisfied (Hom & Kinicki, 2001). It is necessary for the organizations to make its employees satisfied so that the employees may prove helpful in getting the organization's goals and targets (Hancock et al., 2013).

If the active performers renounce, then it's difficult for the organization to revive them back. The organization will experience with a loss when employees leave their jobs once they are trained. The employee who is working for a longer period is well aware of the rules and regulations of the organization, so he/she can adjust easily. So, retention of trained and experienced staff is obligatory for the best performance of an organization (Dane & Brummel, 2013). According to the research done by Amar (2004) demonstrates that the most significant task of the employers today is to keep the most dynamic employees motivated and satisfied. If the management keeps the staff motivated and satisfied, they will stay with the organization. Ultimately, the success of the organizations is

dependent upon the satisfied and happy employees. Hiring top-quality and experienced employees is an important task no doubt, but to maintain any employer's constant progression is a critical strategy to reduce turnover intention. In fact, hiring the candidate doesn't mean that candidate will stay for a longer time.

Well-planned policies and beneficial initiatives should be taken seriously along with the constant nurturing of employees so that employees will have the reasons to stay with the organization. An employer should follow a well-developed strategy for lowering the turnover rate. Obviously, organizations cannot cling to all its excellent staff, but can surely reduce the turnover level. Reducing turnover intention of a valuable employee is essential for any organization (Coşar, Guner & Tybout, 2016). The employee turnover can cause significant hindrance in the advancement of the organization if it would be unable to retain its employees for the long term (Steel, 2002). It has been found out through research that companies which are able to retain employees for the long run are more successful and are able to become more efficient. Faithful employees work harder and are sincere to the organization; therefore, they take care of the organization and its operations. This gives their work a more personal touch which can help the organization become more efficient and productive (Jensen, 2013). The leadership feature is very effectual in plummeting employee's turnover intention. However, the connection between leader and human resources plays a crucial role in reducing employees' turnover intention. Silbert (2005) has shown in his research work that well organized, having full expertise in their field and artistic employees can easily hunt good jobs and can adjust to any workplace by recognizing their skills. However, the most effective and efficient way of reducing turnover intention of the employees is to develop strong, friendly working environment and leaders should promote their support for their followers.

At the point when workers feel esteemed and regarded will take a dynamic part in firm's objectives to depict positive behavior, give profitable results which ultimately diminish absenteeism and turnover rates. Workers do react to respect, consolation and support from their leaders. Organizations need to brush up their managers to support the employees and construct such a job environment where workers desire to work. Moreover, Tuzun (2007) discussed that there should be a clear understanding between the leader and its employees; in other words, withdrawal behaviors are also known as turnover intention.

Mulki et al., (2009) explored that the primary focus is to understand the leadership efficacy on employee's plan to leave the firm; results show that leadership efficacy has a negative impact on the turnover intentions of the employees; in this way if leadership is transformational employees will be less intended to quit the organization. Past research recommended that stress is the key factor of turnover intention; on the other hand, the important factor that plays a role in reducing the turnover intention of employees is leadership support. The connection linking between the leaders and its followers is powerful which makes the environment of the organization pleasant and result in less turnover intention.

Many researchers elaborate the definition of employee engagement in different ways (Harter & Schmidt, 2008; Macey & Schneider, 2008). Macey and Schneider (2008) stated that employee engagement is individual feelings, individual traits and behavior in the workplace.

Employee engagement is depicted in particular “high levels of individual speculation into the task assignments executed on a job” (Christian et al., 2011) that results in intellectual, physical and emotive connectedness with the work. Engagement refers to a “positive, fulfilling, work related state of mind that is characterized by vigor, dedication and absorption” by (Schaufeli & Bakker ,2004). Work engagement is a dynamic, satisfying and positive job-related position that is portrayed by sentiments of power, devotion and assimilation (Vecina et al., 2012). He kept up that work engagement has been identified with work fulfillment, authoritative responsibility, individual activity, pro-social conduct, inspiration to learn and life fulfillment.

Over the years, organizations are more centered on worker advancement and their performance (Heger, 2007). Organizations must push toward expanding the level of employee engagement (Batista-Taran et al., 2013) for better results.

Perfect leaders who assemble a culture of engagement maintain workers trust, drive perfect levels of benefit, satisfaction, maintenance and can position the association for progress. An essential segment in building confidence, awakening execution, and growing worker engagement is having people at the best that move trust in the organization's future (Wiley, 2010).

Research Design and Methodology

This research was conducted to determine the influence of transformational leadership on turnover intention among the teaching staff working in the private universities of Lahore by mediating the employee engagement. The type of research design selected for the study was cross-sectional and quantitative in nature. The present study was based on a deductive approach in which the different theories and literature are reviewed to determine the phenomena of research under study. This was a casual study because the basic intent of this research is to determine the connection between transformational leadership and employee turnover intention. The target audience for this study was the faculty of business schools at private universities in Lahore, Pakistan. To carry out the survey, the questionnaires were administered personally. The total number of questionnaires that were collected was 345. To obtain a complete response from respondents, a likert scale with five points was used in this study. The sampling technique used in this research study was convenience and non-probability sampling. Academic staff working in the universities of the private sector of Lahore was taken as sample size. The questionnaire for transformational leadership, employee engagement and turnover intentions were adapted from the work of Podsakoff, Mackenzie and Bommer (1996), Schaufeli, Gonzalez-Roma and Bakker (2002) and Yucel (2012) respectively.

Reliability Analysis of Instrument

The reliability of the data means consistency of data, if similar research is frequently done with same variables as well as their dimensions in some other circumstances and it would give the similar outcomes that are called as reliable variables. Reliability of the data tells that the variables under study give the errors free results as well as provide similar outcome if research is conducted in some different settings. The overall reliability of the data was 0.61.

Table 1. Reliability Analysis

Variables	Cronbach's Alpha
Transformational Leadership	.922
Employee engagement	.836
Turnover Intention	.882

Overall Reliability Statistics

Cronbach's Alpha	N of Items
.61	20

Analysis and Interpretation

Data Coding

Before executing the analysis, the coding of variables was carried out in order to obtain a significant view of the data trends. The questionnaire was isolated into two primary sections. To begin with first section, it contains the general data (Demographics) of members including age, sexual orientation, qualification, marital status, designation and experience. In the second section questions with respect to the primary factors (Transformational Leadership, Employee engagement and Turnover intentions) have been inquired from the participants.

Demographic Analysis

Statistic data incorporates the members' insights regarding sexual orientation, marital status, designation, age, and aggregate experience in the Universities. The investigation has been directed in business schools of private Universities of Lahore. Questionnaires were distributed among the respondents out of which 345 questionnaires received were fit for the analysis purpose.

The proportion of females i.e. 59% (n=204) was greater than male (41%, n=141) due to the reason that the data were mostly collected from Women universities. The age of majority of employees (69%) falls in the range of 26-40(n=337) while 20%(70) of the employees were having age in the range of less than 25, 10%(34) were in the age group from (41-55) and only 1% (n=4) of the employees were of an age greater than 55. The table shows that 49.3 % of respondents are married whereas 50.4% are single and 0.3% is fall in the category of others.

Qualification details disclose that majority of the respondents (75.4%, n=260) had M.Phil./Equivalence while 13.3 %(n=46), 10.4% (n=36) and 0.9% (n=3) had PhD and Post -Doc respectively. Following table values display the different designations i.e. Lecturer have 67% where n= 231. Assistant professors 14.2% (n=49) which fill the questionnaire, Associate professors have 3.5 % where n=12, Professors have 3.2% where n=11 and others have 12.2 % where n=42.Others category includes Teaching assistants, visiting faculty and adjunct faculty members. The experience of the employees was 81% (n=280) falls in the category of 1-5 years,15% (n= 52) in 6-10 years,3% (n= 10) were in 11-15 years and 1% (1) falls in 16-20 years of experience.

Table 2. Demographic characteristic of the respondents (n = 345)

DEMOGRAPHICS

		FREQUENCY	PERCENTAGE
Gender	Male	141	40.9
	Female	204	59.1
	Total	345	100
Status	Single	174	50.4
	Married	170	49.3
	Others	1	0.3
	Total	345	100
Age	Less than 25	70	20.3
	26-40	337	68.7
	41-55	34	9.9
	Above than 55	4	1.2
	Total	345	100
Qualification	Masters/ Equivalence	46	13.3

	M.Phil/ Equivalence	260	75.4
	PhD	36	10.4
	Post-Doc Fellow	3	0.9
	Total	345	100

Designation	Lecturer	231	67.0
	Asst. Professor	49	14.2
	Associate Prof.	12	3.5
	Professor	11	3.2
	Others	42	12.2
	Total	345	100

Experience	1-5 years	280	81.1
	6-10 years	52	15.1
	11-15 years	10	2.9
	16-20 years	3	.9
	Total	345	100

Descriptive Statistics

Variables with their all mean values are provided in the table given above. The mean statistic values and corresponding standard deviations of Transformational Leadership, employee engagement and turnover intentions are provided (M= 18.7362, 40.6290, and 15.3855) with (standard deviations values as well are given as 4.46726, 9.03104 and 6.05347). High standard deviation represents a broad stretch of scores from mean and high variance.

Table 3. Descriptive Analysis

	Mean	Minimum	Maximum	Std. Deviation	N
Transformational Leadership	18.7362	5.00	18.7362	4.46726	345
Employee Engagement	40.6290	2.00	40.6290	9.03104	345
Turnover Intention	15.3855	6.00	15.3855	6.05347	345
Valid N					345

Correlation Matrix

According to Sekaran and Bougie (2009), to find out the correlation among the variables, the correlation coefficient is a solitary number that represents the "level of relationship" between the variables. The commonly used tool is the Pearson correlation coefficient (Triola, 2008) to evaluate the relationship between the variables.

Table 4. Correlational Analysis

Correlations

		Transformational Leadership	Employee Engagement	Turnover Intention
Transformational Leadership	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	345		
Employee Engagement	Pearson Correlation	.254**	1	
	Sig. (2-tailed)	.000		
	N	345	345	
Turnover Intention	Pearson Correlation	-.378**	-.473**	1
	Sig. (2-tailed)	.000	.000	
	N	345	345	345

** Correlation is significant at 0.01 level.

As indicated by the table given, a significant relationship exists between turnover intention, transformational leadership, and employee engagement. At 0.01 levels (2-tailed) correlation of all variables is significant.

Pearson Correlation (r) shows Transformational Leadership have significant negative relationship (r= -.378, n= 345, p-value < 0.01). Similarly, the Pearson correlation coefficient (r) for employee engagement have significant negative relationship (r= -.473, n= 345, p-value < 0.01), whereas transformational leadership has a significant positive effect on Employee engagement (r=.254, n=345, p-value<0.01).

Interpretation of the Analysis

The result lists all the variables in the analysis, indicating what is considered as a dependent variable (Y = turnover intention), that an independent variable (X = transformational leadership) and what mediator (M = Employee participation). The total sample size is also shown, that is (n = 345). Then a series of regression models is adjusted to find out the relationship among dependent, independent and mediating variables.

Table 5. Analysis of proposed mediating variable

	IV	DV	R	R square	b	P-value
H1	TL	EE	.2544	.0647	.5142	0.000
H2	TL	TI	.3776	.1426	-.5117	0.000
H3	TL & EE	TI	.5426	.2944	-.2700 -.3729	0.000

Note: T L= Transformational leadership, EE=employee engagement, TI=turnover intentions.

In above case, the independent variable (Transformational Leadership) was significantly associated for both the dependent (Turnover intention) and the intervening variable (employee engagement), it also proves to be significant in the presence of the mediator variable (employee engagement); prove the partial mediation effect. The indirect effect of X on Y is also depicted in the regression models. In this study, the effect size was (-.1388) at $\alpha = .05$ and with a 95% confidence.

In **Step1** in mediation model, the regression of Transformational Leadership with turnover intentions, neglecting the mediator, was significant, **b= -.5117, t(343)= -7.553, p=<.001.**

Step2 demonstrate that the regression of the Transformational leadership with employee engagement, was also significant, **b=.5142, t(343)=4.8712, p=<.001.**

Step3 in the mediation procedure demonstrate that the mediator (employee engagement), by controlling Transformational leadership was significant, $b = -.2700$, $t(342) = -8.5762$, $p < .001$. **Step 4** the results revealed that, by controlling the mediator (employee engagement), transformational leadership was also significant i.e. $b = -.3729$, $t(342) = -5.8585$, $p < .001$. A Sobel test was employed and proved a **partial mediation** in the model ($z = -4.2141$, $p = .000$). It was discovered that employee engagement has partial mediation between transformational leadership and the turnover intention.

Table 6. Direct and Indirect effect

	Effect	P
Direct	-3.729	0.000
Indirect	-1.388	0.000
Z	-4.2141	0.000

The total affect is the sum of direct and indirect affect. The value of direct effect is -3.729 is significant, $p = 0.000$. The value of indirect effect is -1.388 . This shows that value has been decreased between independent and dependent variable through the introduction of mediating variable. A Sobel test was employed and partial intervention in the model shows (Z value is -4.2141)

Conclusion

The rationale of the current research was to explore the association between transformational leadership, employee engagement and turnover intentions among the university staff of Business schools. Findings indicate significant negative relationship between dependent (turnover intention) and independent variables (transformational leadership). Employee engagement intervene the relationship between the variables. The first hypothesis, that transformational leadership has a positive impact on employee engagement was supported. The second hypothesis that employee engagement has a negative effect on turnover intention and third hypothesis that transformational leadership has a negative effect on turnover intention was also supported. The fourth hypothesis

that transformational leadership has positive and significant relationship on turnover intention through employee engagement also supported. In this case it was found that staff member's engagement **partially mediates** the relationship between the transformational leadership and the turnover intention. To summarize the findings, the relationships assumed between the transformational leadership, employee engagement, and turnover intentions are all compatible by significant correlations, which is similar with prior findings (Sahu, Pathardikar & Kumar, 2018; Vincent-Höper, Muser & Janneck ,2012).

It is considered that engaged employees are totally focused and well absorbed while doing their work (Schaufeli & Bakker, 2004). Although, those employees who are not engaged in their jobs and were not steered by transformational leaders find it difficult to stay in the organization. Through transformational leadership, leaders create a vision of the future that attracts subordinates and makes them an important part of the organization (Piccolo & Colquitt, 2006). This will be minimizing the turnover intentions and make them committed to their organizations.

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Andrew F.Hayes Procedure

***** PROCESS Procedure for SPSS Release 2.12.1 *****

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2013). www.guilford.com/p/hayes3

Model = 4
Y = Turnover
X = Leadersh
M = Employee

Sample size
345

Outcome: Employee

Model Summary

R	R-sq	MSE	F	df1	df2	p
.2544	.0647	76.5048	23.7290	1.0000	343.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	30.9941	2.0332	15.2441	.0000	26.9950	34.9932
Leadersh	.5142	.1056	4.8712	.0000	.3066	.7219

Outcome: Turnover

Model Summary

R	R-sq	MSE	F	df1	df2	p
.5426	.2944	26.0091	71.3334	2.0000	342.0000	.0000

Model	coeff	se	t	p	LLCI	ULCI
constant	33.3416	1.5354	21.7150	.0000	30.3216	36.3617
Employee	-.2700	.0315	-8.5762	.0000	-.3319	-.2081
Leadersh	-.3729	.0636	-5.8585	.0000	-.4981	-.2477

***** TOTAL EFFECT MODEL *****

Outcome: Turnover

Model Summary

R	R-sq	MSE	F	df1	df2	p
.3776	.1426	31.5105	57.0479	1.0000	343.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	24.9731	1.3049	19.1386	.0000	22.4066	27.5396
Leadersh	-.5117	.0677	-7.5530	.0000	-.6450	-.3785

***** TOTAL, DIRECT, AND INDIRECT EFFECTS *****

Total effect of X on Y

Effect	SE	t	p	LLCI	ULCI
-.5117	.0677	-7.5530	.0000	-.6450	-.3785

Direct effect of X on Y

Effect	SE	t	p	LLCI	ULCI
-.3729	.0636	-5.8585	.0000	-.4981	-.2477

Indirect effect of X on Y

	Effect	Boot SE	BootLLCI	BootULCI
Employee	-.1388	.0377	-.2278	-.0742

Normal theory tests for indirect effect

Effect	se	Z	p
-.1388	.0329	-4.2141	.0000

***** ANALYSIS NOTES AND WARNINGS *****

Number of bootstrap samples for bias corrected bootstrap confidence intervals:

1000

Level of confidence for all confidence intervals in output:

95.00

----- END MATRIX -----

The impact of competitiveness on export performance of the Republic of Macedonia[×]

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Article Received: 2018-09-17

Article Accepted: 2018-12-09

Abstract

The benefits of the increased competitiveness are discussed in the context of the superior national productivity, achieving higher GDP growth, but as well higher export with positive implications on the trade and current account balance. The Republic of Macedonia, as a small an open economy, continuously works on improving its national competitiveness, which in parallel with the aspiration towards the EU accession process, became its strategic interest too. Although in the recent decade, there is a trend of improved competitiveness in Republic of Macedonia, the progress is much slower than in other EU countries with limited impact on its export performance. Therefore, the aim of this paper is to analyze if the competitiveness made an impact on different aspect of export performance such as: export growth, export market size growth, as well as trade and current account balance. Using the trend and regression analysis, for the period 2005-2015, this paper presents that there is still positive correlation between competitiveness and the exports of goods and services but close to the critical level of t-value (2,25) and the statistical significance of 95%. However the exports growth and other export performance indicators show some discrepancies from the basic findings, which are in details presented in the paper.

Keywords: Competitiveness, export growth, market share growth, trade balance.

JEL classification: F 31, F 41, F45

[×] Expanded Conference Article, Presented in I. InTraders International Conference on International Trade, 10-12 May 2018, Sakarya, Turkey

Introduction

The competitiveness at the national level is based on superior productivity performance and the economy's ability to shift output to high productivity level" (European Competitiveness Report 2000) enabling higher production, higher exports and prosperity of a country on the long run. Having in mind that the economic growth of the small and open economy, such as Macedonia, relies very much on its export performance, improving export performance is critical to boost the economic growth, as well as to reduce unemployment and trade deficit.

Namely, in the short to medium run, an improved export performance is needed to strengthen the trade balance and reduce the country's dependence on remittances from migrant workers to raise national income, while in the longer run, companies are expected to promote integration of the domestic tradable goods sector into global supply chains and support sustainable growth. (IMF Report, 2015)

Thus, competitiveness can have direct impact on economic growth if it enables higher exports value and volume through improving its export performance, in terms of better and more diversified export structure. As the export has been proofed as a major contributor to the GDP growth of the Republic of Macedonia, there is a continuous attempt by the Macedonian authorities to increase its chances for the better positioning at the global markets by implementing various measures towards increasing companies' and overall national competitiveness. In fact, despite the global financial and economic crisis in the recent decade, Macedonia is continuously improving its competitiveness, being a leader in overall competitiveness among the other Western Balkan countries, but still, much behind the one in EU countries.

Therefore there is a challenge for the policy makers and academicians to analyze if the increased competitiveness in Macedonia has made significant and positive impact on different aspect of export performance such as: export growth and export share in GDP, export /import coverage rate, export value index, trade balance annual change, as well as quality and diversification of the Macedonian export structure.

II. Evidence Of Competitiveness Impact On Export Performance -Literature Review

Theoretical standings about the positive impact of competitiveness on export performance derive from the definition of the competitiveness concept.

However in the literature on competitiveness, there are variety definitions that understand this concept in it narrow or wider sense of meaning.

Generally, the "competitiveness" concept can be used to cover almost any aspect of market performance: product quality, the ability to innovate, the capacity to adjust rapidly to customers' needs and the absence of restrictive practices in the labor market are frequently evoked in discussions of competitiveness. (Turner and Van't Dack,1993).

Krugman (1994) defined the national competitiveness as: ability to produce goods and services that meet the test of international competition, while OECD uses varying definitions, among which the following might be quoted: "[Competitiveness] may be defined as the degree to which, under open market conditions, a country can produce goods and services that meet the test of foreign competition while simultaneously maintaining and expanding domestic real income" (OECD Programme on Technology and the Economy 1992). Hence, competitiveness relates to the country's trade performance (which can be referred to as international competitiveness) and to the economic welfare of the country's citizens.

Besides the brother understanding of competitiveness, there are definitions which are focusing on its price and costs side (price/costs competitiveness). Changes in price/cost competitiveness depend on movements in nominal exchange rates as well as costs and prices at home and abroad. According to a standard export demand equation, the appreciation of the country's real effective exchange rate should lead to a fall in demand for its goods.(Bierut & Kuziemska-Pawlak, 2016). There is furthermore understanding of so called "technological competitiveness" that can be defined as "the capacity to innovate, as well as to increase efficiency and reduce costs"(ECB, 2012). The ability of a country to innovate and provide differentiated products in international markets constitutes an important source of competitive advantage. Spending more on innovation-spurring activities allows firms to improve the quality of their products and climb up the quality ladder. Technological advancements can lead to process or product innovations: process innovation results in a product being manufactured in a more efficient way, thereby reducing the costs of production, while product innovation results in a new commodity or a higher quality good (ECB, 2005). Hence,

process innovations influence the intensive margin of export volumes via their impact on export prices. In turn, product innovations affect the extensive margin of exports through their impact on export offer.

Beside theoretical standings there is also an empirical evidence of such relationship in the world scientific literature.

Namely, the role of variables reflecting technological change as a part of increased competitiveness is found as crucial one in explaining export performance. Amable and Verspagen (1995) report a significant, negative impact of a measure of unit labor costs and a significant, positive impact of the patenting variable (representing the effects of innovation) on export market shares, while the impact of the investment variable (representing the effects of new capital equipment) is positive but insignificant.

Carlin et al. (2001) suggest that successful export performance might be associated with 'relatively deep-seated features of a nation's institutions'. These institutional variables include human capital formation, disembodied technical progress (as reflected in aggregate business sector total factor productivity growth) and the structure of corporate ownership. Bournakis and Tsoukis (2013) also attempt to uncover some of the deep institutional determinants of export performance. Apart from confirming the significant effect of traditional variables, relative unit labor costs and the share of R&D expenditures in GDP, on export performance, they show that product market rigidities such as barriers to entrepreneurship, barriers to competition and barriers to FDI impact negatively export performance via their adverse effect on R&D.

Finally, Bierut and Kuziemska-Pawlak(2016) analyzing competitiveness and export performance of CEE countries, came to the results that higher competitiveness (especially innovation pillar) and better overall regulatory quality have positive and consistently significant impact for export performance.

III. Data and Methodology

The empirical analysis presented in this paper is based on the World Economic Forum's Global Competitiveness Index (GCI) historical annual data for Republic of Macedonia over the period 2005-2015. Additionally for the comparison purposes the GCI historical data for other four Western Balkan Countries are used for the same time period. The historical data in the data set correspond to the data that was originally published in eleven past editions of the WEF Global Competitiveness Report. The GCI is a composite competitiveness index combining "hard data" on various national characteristics and "soft data" compiled from the WEF's annual Executive Opinion Survey. To ease the calculation of indexes, the WEF converts all hard data items onto a 1-7 scale using a min-max transformation. The theoretical maximum of GCI is 7.

The WEF constructs a Global Competitiveness Index (GCI) which includes a weighted average of 114 different components. These components are grouped into 12 pillars of competitiveness which are further organized into three groups (sub-indexes): basic requirements sub-index (pillars 1-4), efficiency enhancers sub-index (pillars 5-10) and innovation and sophistication sub-index (pillars 11-12).

The analysis are focused on testing the impact of the level of competitiveness on export performance indicators, such as : Export annual growth rate , export contribution in % of GDP, export /import coverage rate , trade deficit annual change in % . All these data are taken from the World Bank data base, from the World Economic Forum's Competitiveness Reports in the period 2005-2015, as well as from the State Statistical office of the Republic of Macedonia at annual basis for the same observed period, which is presented in the Table 1 as follows:

Table 1 ; Summary of the data and their sources

Variable	Abbreviation	Description	Source
WEF Global Competitiveness Index	GCI	GCI is a composite competitiveness index consisted of 12 pillars and 144 indicators (1-7 scale)	World Economic Forum's Competitiveness Reports (2005-2015)
Export share in GDP in %	EXP	export share as % in GDP	World Bank data base
Export annual growth rate	EXPGr	Percentage annual change	World Bank data base
Export /import coverage rate	CovR	The % of coverage of import with export	Macedonian State Statistical Office
Trade Balance annual change in %.	TB Ch	The % annual change of the trade balance	Macedonian State Statistical Office (calculated by author)
Export Value Index	EXPVINX	The index of the export value related to baseline year 2005	World Bank data base

Source: Related sources, created by the author

In order to analyze the trend of diversification as well as potential export structure quality improvement the trend of export by sectors according to Standard International Trade Classification (SITC) is presented.

For estimating the impact of Macedonian economy's competitiveness on selected export performance indicators, the trend and regression model is used. Thus, to examine if the increased competitiveness contribute to the increased export contribution to GDP , export growth , as well as export /import coverage rate and trade balance improvement in the case of the Republic of Macedonia , it is examined the level of correlation that the GEF's Global competitiveness index (considered as independent variable) has on the five selected indicators. (as dependent variables). In order to analyze if the increased competitiveness positively affected the export structure of the Macedonian economy, and thus improved the export's quality , the trend analysis of the export by sectors developments is made for the period 2005-2015 as well, it is done the comparison between the trend developments of the export volume index and export value index.

IV The Trend Of Competitiveness and Export Performance Indicators

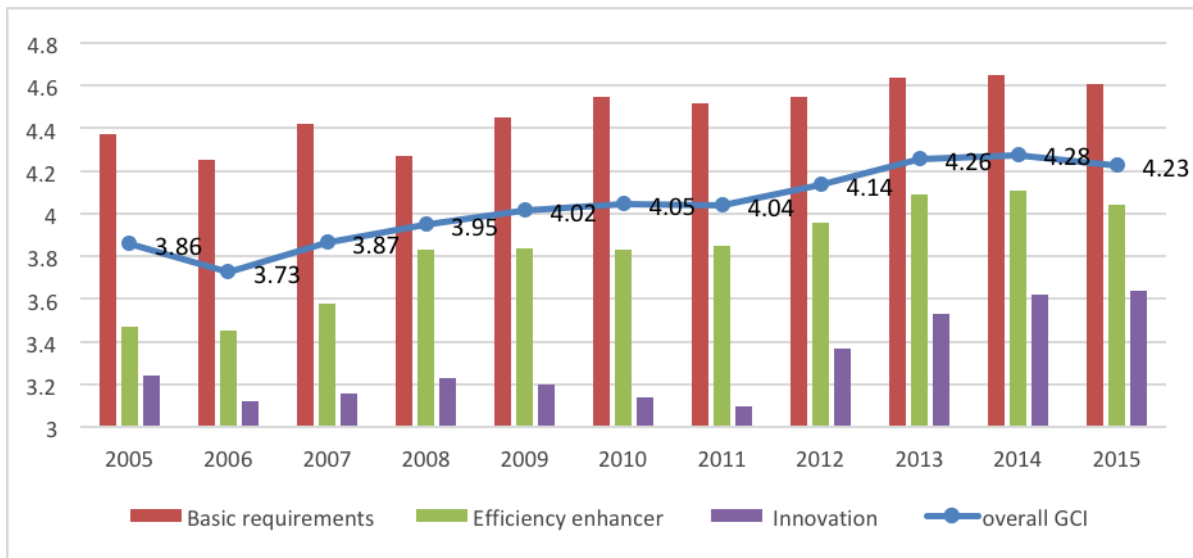
4.1. Competitiveness indicators (Global competitiveness index and 3 sub-indexes)

Being part of Europe with EU aspiration, Macedonian economy is struggling to catch up with European Union members, employing numerous of policies and measures to increase its competitiveness.

Namely, regardless the poor results in comparison with the EU countries¹ and despite some turbulence over the global financial crisis, Republic of Macedonia in the period 2005-2015, marks the modest, but still, continuously upward trend of competitiveness within the observed period, starting with the score of 3,86 in 2005 and reaching the score of 4,23 in 2015. (Figure 1). Thus overall improvement of the competitiveness of Republic of Macedonia, measured through global competitiveness index is at the level of 9,5%

¹ As per latest Global Competitiveness Report 2016/17 data the European average competitiveness score (4.72), is much above the Macedonian score of 4.23

Figure 1: Macedonian Global Competitiveness Index and 3 sub-indexes (2005-2015)



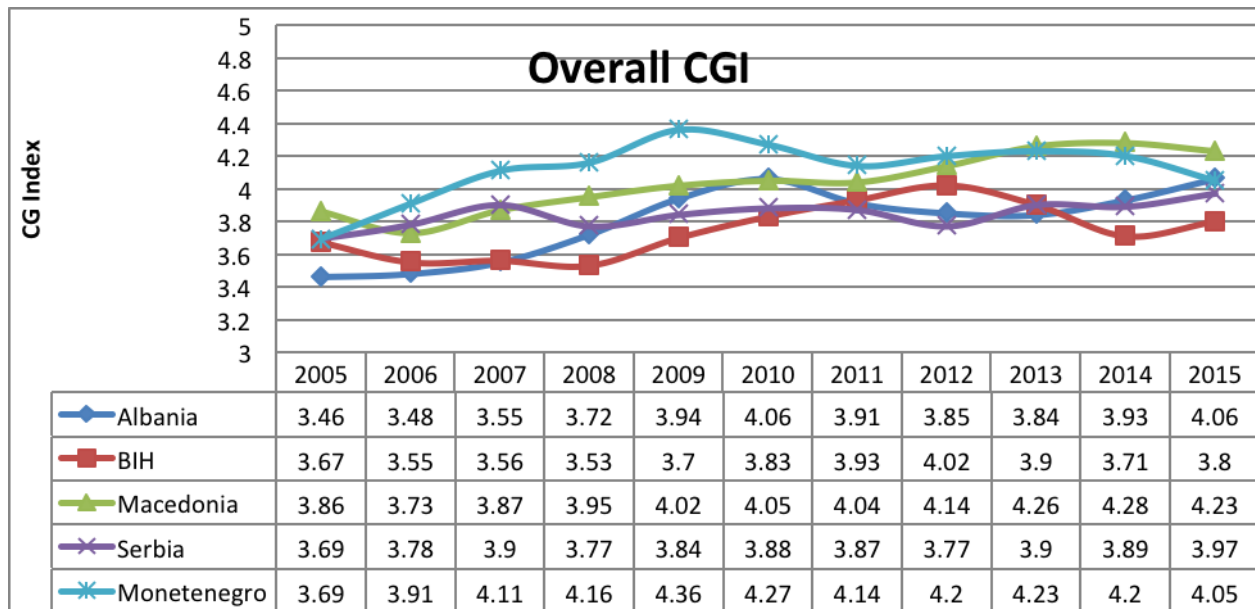
Source: GEF Global Competitiveness Report 2016/17, created by the author

Analyzing the competitiveness sub-indexes, the following can be noticed:

- The basic requirements sub-index which is related to the institutional and legal environment in the country is the highest in relation to the other two sub-indexes, reaching the score of over 4,5 since 2010 despite the crisis turbulence.
- The lowest but the most volatile sub-index is the innovation sub-index with the trend of continuous increasing since 2012. But, even in the best period, the innovation sub-index hardly reached the score of 3.6.

.However, being compared with the competitiveness indicators from the other Western Balkan countries, Macedonia marks the most stable upward trend of competitiveness, as it is the most competitive country at the beginning and at end of the observed period. (Figure 2)

Figure 2 : GCI trend in Western Balkan Countries (2005-2015)



Source: GEF Global Competitiveness Report 2016/17, created by the author

4.2. Macedonian Export Performance indicators

As a small and open country, the economic development and progress in Republic of Macedonia very much depends on its export performance. Export of goods and services has been presenting significant share of the economy's GDP, providing major contributions to the real growth, and therefore, helping to pull the country out of the recession over the global financial crisis. Export increase derives mostly from the export oriented production in the subsidized Technological Industrial Development Zones (TIDZ) representing about half of the total exports in the recent years. In the following the basic performance indicators trend will be presented and analyzed.

a) Export of goods and services share as % of GDP

The turbulence of the crisis period affected the positive and upward trend of the export of goods and services contribution in nominal GDP of the country. Exports of goods and services have been presenting contribution in the nominal GDP at the level between 35% in 2005 up to 50% at the end of 2015(Figure 3). In that respect, the most critical year was 2009, when Macedonian export reached the its lowest share of 32 % in the national GDP, due to the canceled arrangement from

the EU countries which suffered tremendous consequences from global financial crisis. The trend of turbulence is evident for all Western Balkan countries (WBC) except for Serbia, which previously suffering with both economical but as well as political problem, increased its openness to the world and increased its export of goods and services from 27.14 % to 46,7 % from the GDP. (Figure 4).

Figure 3: Republic of Macedonia

Export of goods and services (% of GDP)

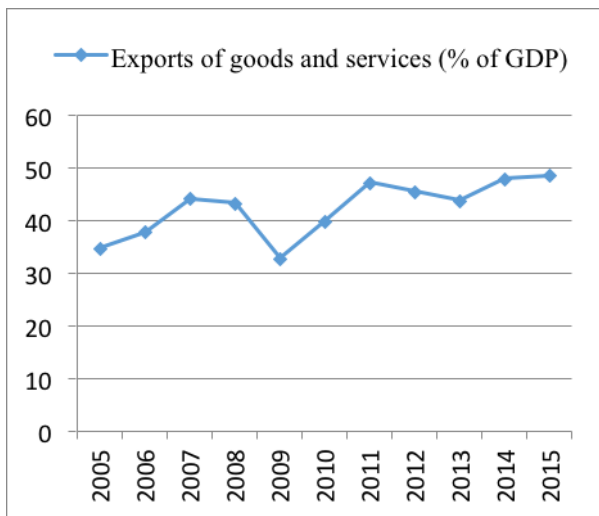
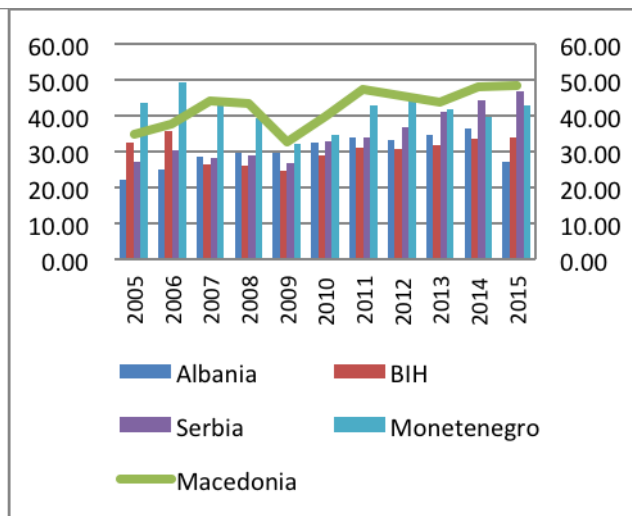


Figure 4: Western Balkan Countries

Export of goods and services (% of GDP)



Source: WB database, author's calculations

Albania as the country with the lowest level of participation of the export in GDP is also marking upward trend till 2014 when it reached the level of 36,37% of export in GDP , however experienced drop to 27.19% in the next year. Macedonia and Montenegro are the two countries who have the highest level of export at the beginning of observed period but experience significant ups and downs in the export participation in gross domestic product of their countries.

b) Export of goods and services annual growth rate

The ability of Macedonian exporters to maintain or even increase their positions during times of severe contraction in trade flows has allowed for steady market share gains within the European Union, as well as in the world. During the observed period the exports of goods and services marked 8% average annual growth rate, achieving the highest annual growth rate of 23,7% in 2010 related to the previous year (2009) marked as the worst economic year not only for Macedonia but for the whole Western Balkans. Namely, the turbulence of the financial crises affected the Macedonian export annual growth, marking negative trend in 2008 and 2009 (-4,6% and -13,9% respectively), but as well as modest growth rate of less than 2% in 2012 caused by the sovereign debt in Euro zone. (Figure 5).

Comparing with the exports growth rate in the neighborhood and EU countries the exports of Republic of Macedonia has marked much higher positive growth rate than its peers countries in the period of prosperity and stabilization, but also significant negative export growth rate in the period of the crisis.(Figure 6)

Figure 5: Republic of Macedonia

Export growth change in %

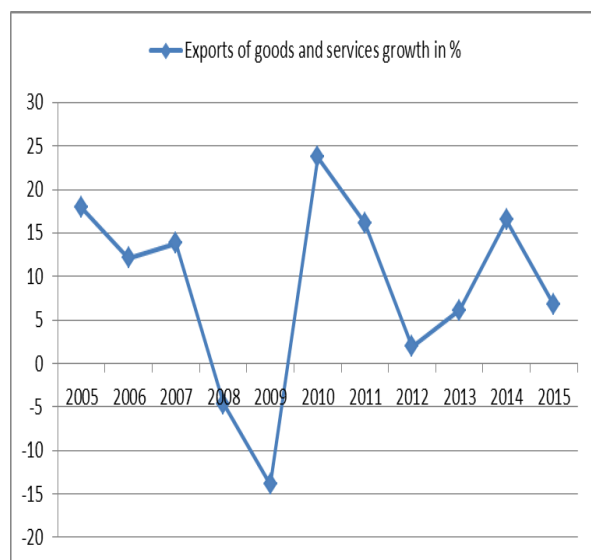
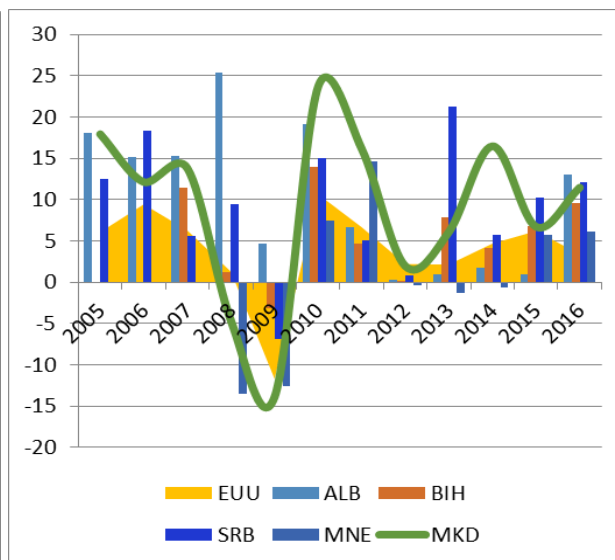


Figure 6: WBC & EU countries

Export growth change in %



Source : WB database , author's calculations

c) Export /import coverage rate

The positive tendency of increasing import coverage by export is evident throughout the whole observed period with some downfalls in 2009 and 2012. Namely, at the beginning of the observed period about 63 % of the import was covered by export , while in 2015, export /import coverage rate increased at the level of over 70%. (Figure 7)

Figure 7: Export/import coverage rate

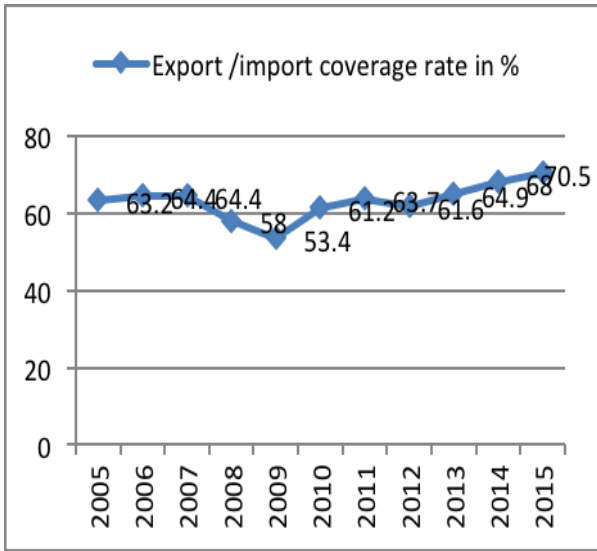
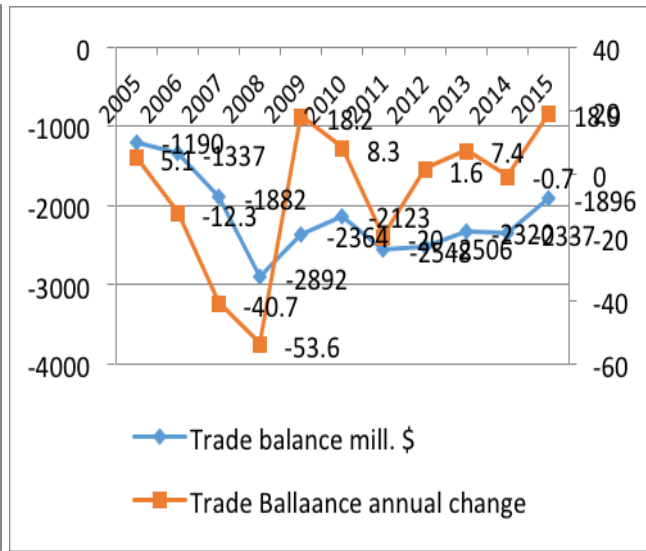


Figure 8: Trade Balance &TB annual change



Source : State Statistical Office of RM, author's calculations

d) Trade Balance and Trade Balance annual change

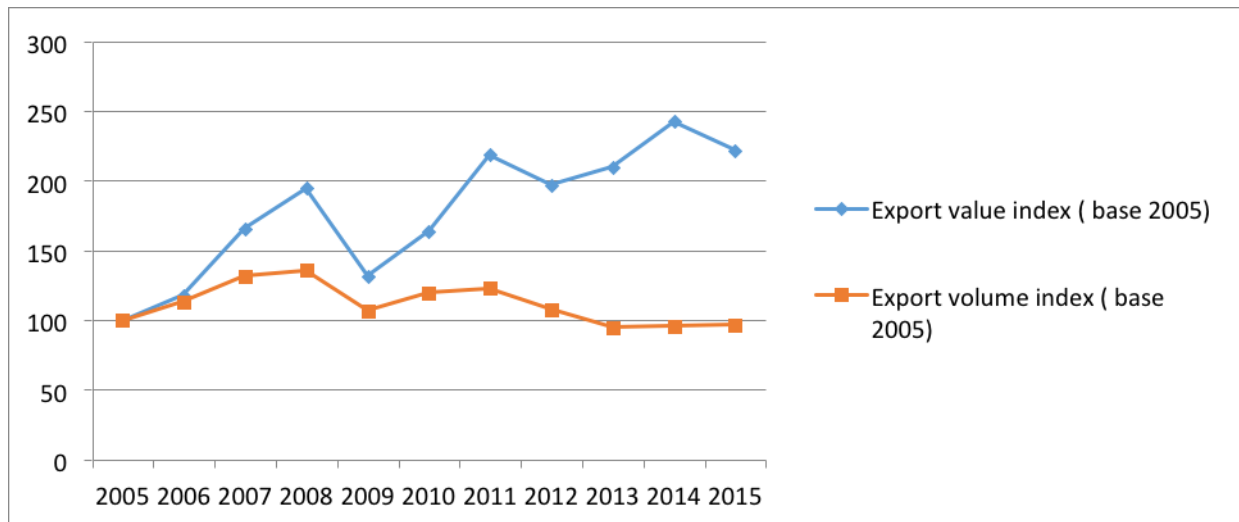
The trade balance and thus the trade balance annual change didn't follow the improving trend of exports and export share in the nominal GDP in the observed period. Actually, besides the fluctuations in the crisis years, the level of trade deficit reached in 2005 (amounting 1,1 million\$) has even been worsened over the observed period , including 2015 , when the trade deficit was almost doubled reaching 1,9 billion \$. The trend of trade balance annual change was also unlike the other analyzed indicators , as it has shown the biggest drop in 2008, due to the sudden cuts in exports (as the foreign trade partners have canceled their trade arrangement), but still keeping the imports on the high level. However in the next 2009, which is considered as the worst year for

the Macedonian economy, the decreased export was accompanied with even the lower import, reflecting the improvement in the trade balance annual change of 18%.

4.3. Trend of improving quality of export structure (composition)

Despite successful integration into European supply chains, there is significant room for improvement in the overall quality of Macedonian export products. Namely Macedonian export is still concentrated in certain sectors (textile, food and tobacco) exporting over 87% of its goods and services in the European Union and Western Balkan countries. However in the recent years there is a trend of improvement, regarding quality of the Macedonian economy exports, in terms of product diversification, moving the export structure from dominant traditional export products to new capital intensive goods, as well as from low technology export structure to high technology one. The increasing trend of exported goods with higher value added is evident when analyzing the trend of export volume versus export value index over the observed period. Assuming the 2005 as a baseline year, the exports volume index hasn't been changed much, as it has increased slightly till 2008 and then with fluctuations even marked values slightly below 100. In the same time, the export value index in 2015 has been more than doubled comparing with the baseline year, which refers to conclusion that in the export structure it is trend of increasing of high skills and technology intensive products, having in mind the very low level of inflation rate for the observed period. (Figure 9)

Figure 9 :Export volume vs Export value index



Source : State Statistical Office of RM, author's calculations

The positive change in the Macedonian export structure is even more obvious, when analyzing the trend of exports by sectors, according to Standard International Trade Classification (Table 2).

Table 2: R. Macedonia export structure by sectors according to SITC (2005-2015) in mill.\$

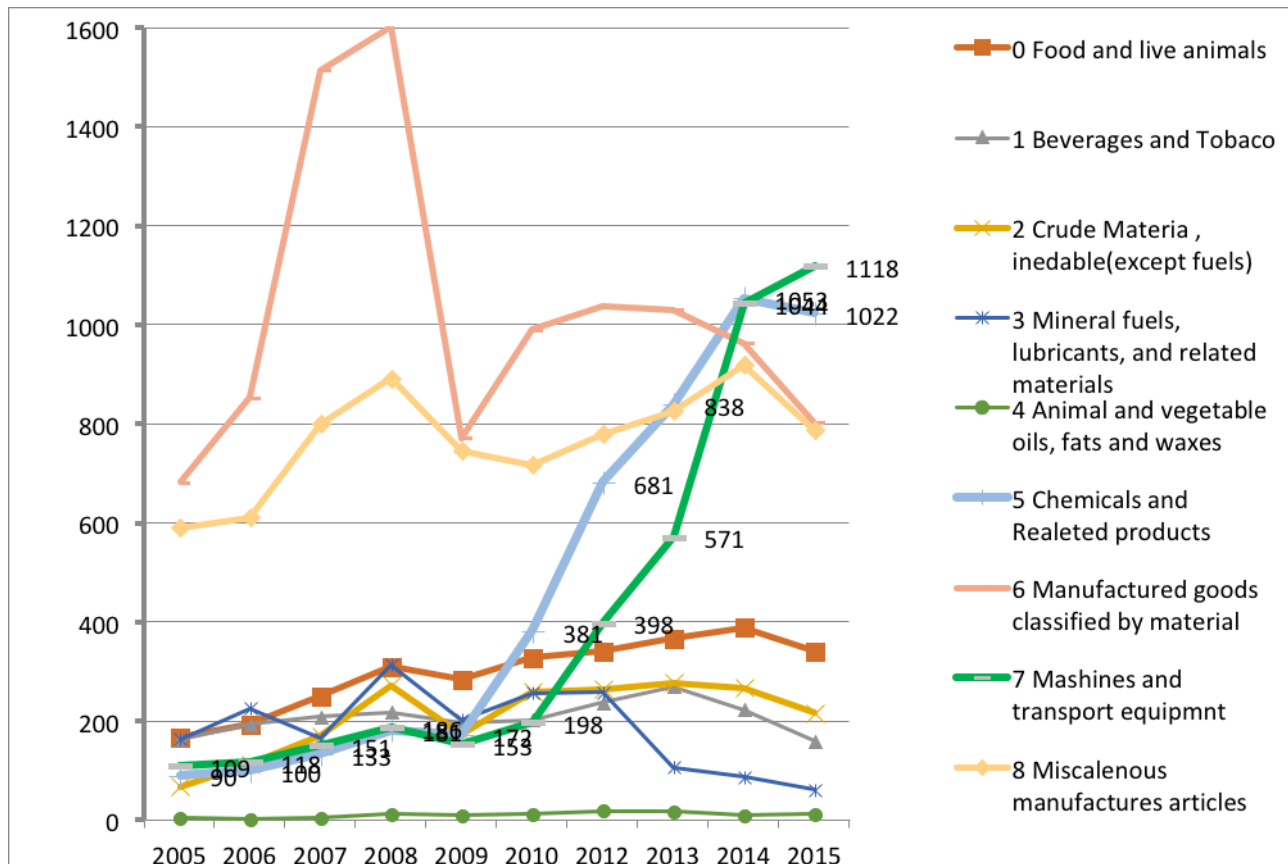
export in mill. \$	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0 Food and live animals	167	192	250	308	283	328	373	339	365	388	339
1 Beverages and Tobacco	163	193	209	218	197	202	234	237	270	223	160
2 Crude Materia (except fuels)	67	113	170	272	173	259	288	265	278	267	216
3 Mineral fuels, lubricants,...	163	225	165	314	202	257	390	258	106	87	61
4 Animal&vegetable oils, fats&waxes	2.8	2.1	2.5	12.4	8	11	10	17.8	15.5	9.7	12
5 Chemicals &realeted products	90	100	133	181	172	381	747	681	838	1053	1022
6 Manufactured goods by material	682	853	1513	1602	771	990	1233	1038	1030	962	802
7 Mashines and transport equipmnt	109	118	151	186	153	198	353	398	571	1044	1118
8 Miscalenous manufactures articles	590	612	800	892	745	717	836	779	825	920	787
9 Other unclassified goods	3	3	2	1	1	2	3	1	3	4	1

Source: State Statistical Office of RM, author's calculations

Namely, although the exports value has been more than doubled in the analyzed period, the export structure has been change in favor of certain group of products, while the other are participating with the same or even lower value in the total Macedonian export. In that respect the traditional exporting products from the sector “Food and live animals” doubled its export value in the observed

period, while tobacco products within sector 1 (Beverages and Tobacco) (although with some increasing fluctuations), have finished the observed period with the same (even decreased) export value index. It is also important to notice that there is a negative trend of export value index in the sector 3 “Mineral fuels, lubricants and other...”, as the value of the export is threefold lower than the one at the beginning of the observed period. This fact confirms the notion about the trend of decreasing share of the low-skills & technology products in the Macedonian exports structure. The exported goods from the sectors 6 and 8 (“Manufactured goods by material” and “Miscellaneous manufactured articles”) have noted about 50% increase, which is also a sign of improving export quality structure. However the biggest improvement is noticed in the case of the two sectors according to SITC , “sector 5 – Chemicals and related products ” as well as the sector 7 “ Machines and transport equipment”. Both of these two sectors marked tenfold increase of their export value in the observed period, both presenting almost half of the Macedonian export value in 2015. The other two sectors – sector 2 “Crude materials, except oil” and sector 4 – “Oils, fats and waxes”, although marking 2-6 times increase introspectively over the observed period, their share in the overall export is still insignificant to reflect the change in the export structure. The trend of exporting value of the goods clarified as per SITC is even more evident in the presented Figure 10. As a conclusion it can be said that the textiles, beverages, tobacco, and food products remains to be highly dominant in the Macedonian overall export of goods , however the country managed to push its advantage in chemical products and production of transport equipment and other manufactured goods with higher added value.

Figure 9 : Macedonia export structure by sectors according to SITC (2005-2015) in mill.\$



Source : State Statistical Office of RM, created by the author

V. Impact Of Competitiveness On Export Performance Indicators

To examine if the increased competitiveness contribute to increase of exports and exports growth as well as the level of coverage of the import with export , and improvements in trade balance in Republic of Macedonia, it is examined the influence of the GEF's Global competitiveness index on the four already observed export performance indicators: participation of the export as % in the nominal GDP , exports annual change rate in % , export /import rate annual change, trade balance annual rate change and export value index –all data covering the period between 2005 and 2015 .

For that purpose OLS approach is applied, where as independent variable is considered competitiveness level measured through the Global competitiveness index (GCI), while as the dependent variables are used already mention export performance indicators.

The Econometric Model represents the random effects of linear regressions as follows:

$$\ln EXP_i = \beta_0 + \beta_1 \ln GCI_i + \varepsilon_i$$

$$\ln EXPGr_i = \beta_0 + \beta_1 \ln GCI_i + \varepsilon_i$$

$$\ln CovR_i = \beta_0 + \beta_1 \ln GCI_i + \varepsilon_i$$

$$\ln TBCh_i = \beta_0 + \beta_1 \ln GCI_i + \varepsilon_i$$

$$\ln EXPVINX_i = \beta_0 + \beta_1 \ln GCI_i + \varepsilon_i$$

where all dependent variables EXP, EXPGr, CovR, TBCh and EXPVINX are the expression for the respective trade performance indicators in time i ; β_0 is the constant; while GCI is the level of competitiveness measured and expressed as Global Competitiveness Index. With ε is presented the error term, or stochastic factor that is supposed to be with zero conditional mean and constant variance, $\varepsilon_i = 0$ for each period i . All the data are transformed into logarithms.

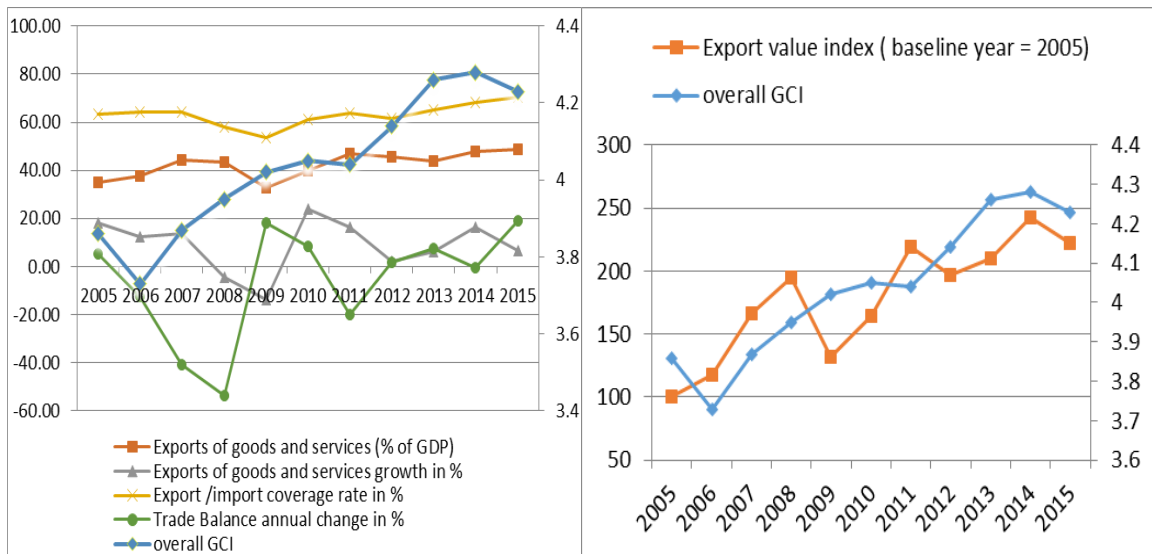
All data from independent and depended variables for the observed period are presented in the Table 3, while the trends of their developments are presented in the Figures 10 and 11.

Table 3 : Global Competitiveness Index and Export Performance Indicators (2005-2015)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
overall GCI	3.86	3.73	3.87	3.95	4.02	4.05	4.04	4.14	4.26	4.28	4.23
Exports of goods and services (% of GDP)	34.81	37.79	44.12	43.22	32.81	39.79	47.12	45.37	43.79	47.86	48.53
Exports of goods and services growth in %	17.92	12.13	13.79	-4.66	-13.89	23.68	16.13	1.95	6.09	16.47	6.71
Export /import coverage rate in %	63.2	64.4	64.4	58	53.4	61.2	63.7	61.6	64.9	68	70.5
Export value index (baseline year = 2005)	100	118	166	195	132	164	219	197	210	243	222
Trade Balance annual change in %	5.1	-12.3	-40.7	-53.6	18.2	8.3	-20	1.6	7.4	-0.7	18.9

Sources : WEF, WB data base, Statistical office of RM, authors calculations

Figures10&11 : GCI and Export Performance Indicators (2005-2015)



Sources : WEF, WB data base, Statistical office of RM, created by the author

The results from regression analysis are presented on the table 4 which bring us to the following conclusions:

Table 4: Regression models results

reg EXP GCI

EXP	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
GCI	17.83017	7.938985	2.25	0.051	-.1290625 35.7894
_cons	-29.72586	32.09469	-0.93	0.379	-102.3291 42.87737

reg CovR GCI

CovR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
GCI	13.99961	5.982777	2.34	0.044	.4656302 27.53359

_cons | -11.22488 22.90915 -0.49 0.636 -63.04898 40.59922

reg EXPGr GCI

EXPGr | Coef. Std. Err. t P>|t| [95% Conf. Interval]

GCI | -4.852212 20.48112 -0.24 0.818 -51.18373 41.47931

_cons | 28.35797 82.7984 0.34 0.740 -158.945 215.661

reg TB Ch GCI

TB Ch | Coef. Std. Err. t P>|t| [95% Conf. Interval]

GCI | -4.453684 17.99829 -0.25 0.810 -45.16864 36.26127

_cons | 23.47685 59.57799 0.39 0.703 -111.2979 158.2516

reg EXPVINX GCI

EXPVINX | Coef. Std. Err. t P>|t| [95% Conf. Interval]

GCI | 14.05002 7.352581 2.91 0.028 -2.582678 30.68271

_cons | -4.137096 24.33854 -0.17 0.869 -59.19469 50.9205

Source: created by the author

The results of the first model indicate the positive correlation between competitiveness and the exports of goods and services as % of GDP but just above the critical level of t-value (2,25) and the statistical significance of 95%. This means that the modest, but continuous improvement of

competitiveness of Macedonian economy positively contributed to the increasing trend of the exports share in the national gross domestic product. Very similar findings can be concluded when analyzing the impact of GCI on export import coverage rate. Namely, in years, along with the improved competitiveness of Macedonian economy, the coverage rate of import with export was also improved, which is empirically confirmed with the second regression model achieving positive t-value of 2,34, with statistical significance slightly above 95%. However, the other two observed indicators show quite different results. Both, “export growth rate” and “trade balance annual change” have similar fluctuation over the observed period and thus show significant discrepancies from the competitiveness line trend. In that respect, the annual change of both indicators shows negative and insignificant correlation with GCI at very low statistic significance of about 20%. However, it is important to mention that the observed period 2005-2015 is considered as the most turbulent one, not only for Macedonia, but as well for the whole Europe. In fact over the period Macedonian export was growing at the annual average rate of 8%, but with high fluctuation, achieving its lowest change rate of - 13,9% in 2009 (considered as the worst economic year due to the Global financial crisis) and achieving the highest export growth rate of 23,7% in the next year(2010). Shortly after the recovering, the sovereign debt crisis in the Euro zone affected the Macedonian export as its annual growth achieved positive, but very modest rate of less than 2% in 2012. However, the reasons for annual changes (positive or negative) of both exports and trade balance are rather due to other outside factors than to the factors related to the competitiveness of the Macedonian economy. Yet, if we analyze the global competitiveness index and export value index (having 2005 as a baseline year) the correlation of these two indicators is significant enough, as the t-value of 2,9 is above the critical level and the statistical significance is at the level above 95%. Therefore it can be concluded that the increased competitiveness is contributing the increased level of export, its share in gross domestic product and improved export/import coverage ratio, but no significant impact can't be confirmed in the case of export and trade balance annual changes. As the changes of export in the crisis period very much depends on the external factors much more related to the problems of the Macedonian trading partners rather than to Macedonian competitiveness factors the latest results discrepancies from the general findings can't be accepted as accurate ones.

Conclusions

Competitiveness can have direct impact on economic growth if it enables higher exports value and volume through improving its export performance, in terms of better and more diversified export structure. Despite the global financial and economic crisis in the recent decade, Macedonia is continuously improving its competitiveness, being a leader in overall competitiveness among the other Western Balkan countries, but still, much behind the one in EU countries. Although Macedonian export is still concentrated in certain sectors (textile, food and tobacco), there is a trend of improvement, regarding quality of the Macedonian economy exports, in terms of product diversification, moving the export structure from dominant traditional export products to new capital intensive goods, as well as from low technology export structure to high technology one. In that respect, the exports value has been more than doubled in the analyzed period, while the export structure has been changing in a favor of high-skills & technology products. In particular, the biggest improvement is noticed in the case of the two sectors “Chemicals and related products” and “Machines and transport equipment”, both of them marking tenfold increase of their export value in the observed period, and presenting almost half of the Macedonian export value in 2015. The empirical analysis partly confirmed the notion about the national competitiveness impact on Macedonian exports performance.

In fact, out of the regression analysis it can be concluded that the modest, but continuous improvement of competitiveness of the Macedonian economy positively contributed to increased level of export, its share in gross domestic product and improved export/import coverage ratio, but, no significant impact can't be confirmed in the case of export and trade balance annual changes. As the changes of export in the crisis period very much depends on the external factors much more related to the problems of the Macedonian trading partners rather than to Macedonian competitiveness factors the latest results discrepancies from the general findings can't be accepted as accurate ones.

Therefore it can be finally concluded that the textiles, beverages, tobacco, and food products remains to be highly dominant in the Macedonian overall export of goods, however increased competitiveness in the recent years contributed in improving the quality of the export structure pushing its advantage in chemical products and transport equipment as well as other manufactured goods with higher added value.

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Central bank independence and its impact on the macroeconomic performance. Evidence from Romania before and after crisis*

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Article Received: 2018-09-17

Article Accepted: 2018-11-13

Abstract

This paper aims to approach an overheated topic in the context of dynamic economies and modern democracies, namely the central bank independence related to the adopted monetary policy strategy, as well as their impact on the good functioning of the economy. The independence of the central bank (CBI) is a pillar for the effectiveness of the monetary policy, providing the premise of a credible and depoliticized institution. To put it differently, a high level of CBI may be linked to a smaller level of corruption and political interference; therefore, the central bank has an appropriate margin of maneuver, which increases financial stability. The central bank independence has been measured under various forms after signing the Maastricht Treaty in 1992, but the initiators are Cukierman and GMT, who provided the fundamental indices. Measuring the central bank autonomy both legally (de jure) and informally (de facto) represents a complex endeavor in a dynamic and volatile socio-economic context. This paper's objective is to calculate CBI starting from the CUK and GMT indices, but also to empirically approach the relationship between CBI and macroeconomic performance, namely price stability and output (GDP). Hence, the study starts from the hypothesis of a correlation between the GDP and CBI, on the one hand, and between inflation and CBI, on the other hand. Numerous studies have shown an insignificant positive correlation between independence and GDP, and also the fact that a negative correlation between inflation and CBI is not generally valid. Accordingly, this paper aims to demonstrate whether CBI is a viable determinant of growth and inflation volatility. The analyzed time series encompass the 2007-2016 period of time and the subject of the research is the National Bank of

* Expanded Conference Article, Presented in I. InTraders International Conference on International Trade, 10-12 May 2018, Sakarya, Turkey

Romania, whose credibility in the post crisis era is high, due to the lack of bank failures and to the general stability and soundness of the banking system.

Keywords: *Central bank independence, economic growth, inflation*

JEL classification: *E31;E52; E58;F43*

1. Introduction

First of all, we have to incessantly approach the matter of central bank independence related to the fundamental objectives of central banks in the context of a dynamic economic , political and social environment. In order to establish how independent a central bank should be for a leveraged monetary policy, we have to acknowledge the monetary policy strategies and instruments applied in the national economy.

Having a look behind the history of central banks (Bordo, Michael, A brief history of Central Banks, Federal Reserve Bank of Cleveland, 2007) we can draw the conclusion that the main purpose of creating the first central banks (Bank of England, 1694, Swedish Riksbank, 1668) was to ‘purchase the government debt’ and hence safeguard states from insolvency, given the pressures of unemployment and hyperinflation that prevailed upon the global economy in the 18-19th centuries. Not only were banks chartered with banknotes issuing, but they also operated as banks for the bankers, a role which is nowadays played by commercial banks.

The 19th century represented a full-length film characterized by financial distress, fiscal dominance and real economy non-performing outputs; therefore, a shift in the central banks goals occurred and financial and economic stability became the epicentre of the monetary policy.

This period was characterized by the turmoil of change and by the reconfiguration of a hermetic banking system, whose legislation narrowed the entry into the banking industry. From a cumbersome process, laying the groundwork of a new bank became a common charter for individuals. Therefore, banks legal operationally was conditional on only two prerequisites: the notes issued by the bank ‘had to be backed by state bonds deposited at the state auditor’s office’ and it was mandatory that the notes were ‘redeemable on demand at par, or face, value’(Rolnick A.J., Weber W.E., 2010). Amid the growing number of banks and a less controlled framework of issuance, many financial institutions gone bankrupt, generating panic and instability.

The preoccupation with macroeconomic performance aroused more interest on the relationship between governments and central banks and a new key collocation intruded in the current language of economists : central bank independence.

2. Central bank independence – between concept, principles and practice

In a wide operational framework of central banks, the underpinning of central bank independence finds its roots in the Treaty on the Functioning of the European Union (Article 130) and in the Statute of the European System of Central Banks and of the European Central Bank, Protocol (No 4)(Article 7). From a narrower perspective, at the national level, central bank independence is set out in the Statute of the National Bank of Romania (NBR), which refers to the multidimensional concept of independence, namely the functional, institutional, personal and financial aspects that are enforced regarding the relationship of a central bank with other institutions, bodies and officials.

The four dimensions of the core concept of this paper are described in the Convergence Reports of the European Central Bank and they are a tool in assessing the harmonization of the national legislation with the enforced legislation at the European level.

Beyond the stipulations regarding independence in the Statute, we need to scrutinize the modern concept of independence and differentiate the de jure independence from the de facto one. From a modern point of view, legal independence is considered to be a pillar of economic and financial soundness and „a way to improve a country’s (or region’s) inflationary performance” (Gabriel Mangano, The Subjectivity of CBI Indices and its Consequences). It is important to highlight the fact that independence is not a sine qua non requirement for a successful monetary policy. To put it differently, being independent does not guarantee the central bank that the inflation target is going to be met, given the fact that „inflation is not always a monetary phenomenon” (Milton Friedman). For example, the great inflation is an event that proved how ephemeral can numbers or the expectations about numbers be; Fed, which was thought as a highly de jure independent bank, failed in maintaining stability.

It is also claimed that ,’central banks have accumulated a much wider range of powers than was common at the time the consensus around central bank independence was built, in areas of unconventional monetary policy, crisis response and financial stability” (Andries, Alin Podpiera, Anca, NBR Seminar, 2018). Therefore, independence is not an unalloyed good, given the

multitude of indirect goals that a central bank aims at. In the context of the financial crisis in 2008, central banks exceeded their narrow operations to supplying liquidity to the banking sector and to the government as well. The implication of central banks in this systemic matter was also meant to recover investors' and consumers' trust in the financial markets and the economy.

3. Measures of central bank independence – literature survey

Central bank independence is not only a concept, but an indicator represented differently according to each author's perspective and national peculiarities. Over time, CBI has been the focus of numerous authors, such as Rogoff (1985), Wagner (1998), Kydland and Prescott (1977), Bade Parkin (1988), Grilli et al. (1991), Cukierman et al. (1992), Barro and Gordon (1993), Meade and Crowe (2007), Arnone et al. (2009) and so on. There are multitudinous empirical studies assessing the independence of several central banks and testing the determining factors upon CBI. Most of the studies use measures of legal (de jure) independence, whereas others focus on the actual (de facto) independence, for whose quantification there is no yardstick. Therefore, some scholars develop their studies based on questionnaires, whilst the turnover rate of the governors has been gaining ground in literature. However, "questionnaires may not be the most reliable measure of CBI, particularly because of their narrow coverage, their problematic cross-sectional comparability, and their little within-country variation" (Cukierman & Webb, 1995).

These fundamental indices, referred to as GMT and CUK, encompass criteria providing information about the legal independence level of central banks, whereas the actual independence is not thoroughly represented. The de jure independence depends on the jurisdictional laws of every country, but the normalized values of the indices provide a comparable basis in a cross country analysis. "Measures based on statutes have been criticized because laws do not contemplate all contingencies that might affect the relations between the central bank and the government" (Garriga, 2016).

In order to determine the indices of independence for NBR, I analyzed the currently enforced law regarding the statute of the NBR (law no.312/2004), which replaced the law no.101/1998 and which stipulates that NBR "is an independent public institution with its headquarters in Bucharest". Therefore, we start from the widespread premise that NBR, as a central bank, is insulated from

political engagement and the governor and the Board of NBR are not elected and have no party affiliation.

On the one hand, the index calculated following the methodology of Cukierman consists of four sections of criteria, which are graded in the closed interval [0,1]. The components of the composite index are relating to, respectively, appointment procedures for the head of the central bank, the resolution of conflict between the central bank and the executive branch of government, the use of an explicit policy target, and rules limiting lending to government'. (Crowe et al., 2008)

The fact that each of the 16 variables holds a certain weight (LVAW - Legal Variables – Weighted) offers a more accurate view on the bank's relationship with the Government. Namely, the higher the level of the index, the greater the level of independence is against political interference.

Table 1 The calculation of CBI index of NBR in 2018 using CUK methodology

Variables	Weight variables	of Score
Chief executive officer	0.2	
term of office (mandate)	0.05	0.5
appointment	0.05	0.5
dismissal	0.05	0.83
is the governor allowed to have other public positions	0.05	1
Policy formulation	0.15	
Who formulates the monetary policy	0.05	1
Who has authority in the resolution of conflicts	0.05	0.8
Role in the government's budgetary process	0.05	0
Objectives	0.15	
Price stability importance amongst other monetary objectives	0.15	0.8
Limitations on lending to the government		
Advances	0.15	1
Securitized lending	0.1	1
Terms of lending	0.1	1
Potential borrowers	0.05	1
Definition of limits	0.025	0.67
Maturity of loans	0.025	1
Interest rates	0.025	0.75
Buying or selling on the primary market	0.025	1

Source: author's calculations based on Cukierman's methodology published in "Measuring the independence of central banks and its effect on policy outcomes", World Bank Economic Review, 6(3), 353–398

On the other hand, the independence level is quantified according to the GMT methodology following two directions, namely the political approach of the central bank and the financial autonomy of the bank. Consequently, the 15 variables converging to the index are divided into the two categories: political independence and economic independence. Firstly, the political interference is determined by aggregating the results for the eight criteria marked with 1 if the requirements are met or with 0 otherwise.

The assessment of economic independence is similarly developed, aggregating the results regarding the involvement of the central bank in the public policies' financing. Hence, an

independent central bank should not charter monetary instruments or issue tenders for paying the public debt of a country.

The variables are marked with 1 whether the requirements are met or with 0 otherwise, according to the framework outlined by Cukierman et al.

Table 2 The calculation of CBI index of NBR in 2018 using GMT methodology

Political independence	Appointments				Relationship with government		Constitutiony	
	1	2	3	4	5	6	7	8
	*	*	*	*	*	*	*	
Economic independence	Direct credit to the government (financing the deficit)					Monetary instruments		
	1	2	3	4	5	6	7	
	*	*	*	*	*	*		

Source: author's processing based on GMT methodology published in Grilli, V., D. Masciandaro, Tabellini, G.(1991), Political and Monetary Institutions, and Public Finance Policies in the Industrial Countries, Economic Policy, Issue 13

Assessing the actual or de facto independence regards indicators such as "the turnover rate of governors, the personalities of central bank governors, the design of policy coordination mechanisms in practice"(Dvorsky, 2000). The most reasonable proxy for actual independence is the turnover rate, which reveals the substitution frequency of the governor and has been proved that it can influence the degree of real independence, at least in terms of reputation (reputation can influence the population expectations). Cukierman et al. (1992) disclosed this fact in their case study of Argentina, where the legal mandate term of the governor is 4 years, but as a tradition, the governor usually resigns in the case of government or Chancellor of Exchequer change. (Chrigui et al., 2011)

The turnover rate is calculated dividing the number of governors by the number of years or fractions of years of a certain period of time, meaning that the more frequent the substitutions, the smaller the independence degree. Moreover, the political debates that lead to such substitutions, the conflicts between the government and the central bank and their controversies that may appear in the political life of a nation are undoubtedly significant determinants of the real independence.

In Romania, despite the political instability and the turmoil that has been invariably hovering over our country, the governor of the central bank is one of the most credible personality. His mandate started in 1990, the first year of transition from communism towards capitalism (our country is still considered to be part of the developing countries or an emergent economy), and his fifth and last mandate is going to end in 2019. Therefore, the governor and the other NBR specialists and employees managed to conduct a credible, transparent and independent monetary policy, keeping open a two-way communication channel with the Government, without accepting external intrusive pressures.

$$\text{Turnover rate : } 2006-2016 = 1/11 = 0.09$$

Figure 1 The average annual turnover of the central bank governor around the world

Average annual turnover	1995-2007		2008-2013	
	Total	Irregular	Total	Irregular
Advanced economies ¹	4.4	2.7	4.2	1.3
Commonwealth of Independent States	1.2	0.9	1.2	1.0
Emerging and Developing Asia ²	4.2	2.9	2.7	2.0
Emerging and Developing Europe	1.8	0.8	1.0	0.5
Latin America and the Caribbean ³	6.6	4.8	4.3	2.7
Middle East, North Africa, Afghanistan and Pakistan	2.1	1.7	2.7	2.2
Sub-Saharan Africa ⁴	4.1	2.2	3.8	2.5

Source: De Haan, J., Eijffinger, S., The politics of central bank independence, DNB Working Paper, No.539, 2016, p.16

Governments do not benefit of such credibility as central banks and their commitment to non-expansionary policies can affect the expectations of potential consumers and tax payers. Hence, the solution to this problem is to delegate monetary policy to an independent central bank that

commits to a low-inflation target (Rogoff 1985; Walsh 1995). Even though the governor is not allowed to be invested with other public duty (at least in Romania) and a party (governing or opposition) affiliation is significantly reducing the central bank independence, it is possible that the duration of the governor's tenure depends on the government's interference as well. (Jedenastik, L., 2013)

4. An overview on the macroeconomic performance of Romania in the pre and postcrisis era

Key performance indicators of the Romanian economy from 2006 hitherto

Table 3 The evolution of the inflation rate in Romania in the period 2006-2018

Inflation rate, average consumer prices (Annual	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Romania	6.6	4.8	7.8	5.6	6.1	5.8	3.3	4	1.1	-0.6	-1.6	1.3	4.7
Eastern Europe	7.2	7.4	11.9	8.5	5.5	7.7	5.4	4.8	5.3	10.2	4.4	3.5	3.2
Advanced economies	2.4	2.2	3.4	0.2	1.5	2.7	2	1.4	1.4	0.3	0.8	1.7	2
Euro area	2.2	2.2	3.3	0.3	1.6	2.7	2.5	1.3	0.4	0	0.2	1.5	1.5
European Union	2.3	2.4	3.7	1	2	3.1	2.6	1.5	0.5	0	0.2	1.7	1.9

Source: Source: IMF Data Mapper, 2018

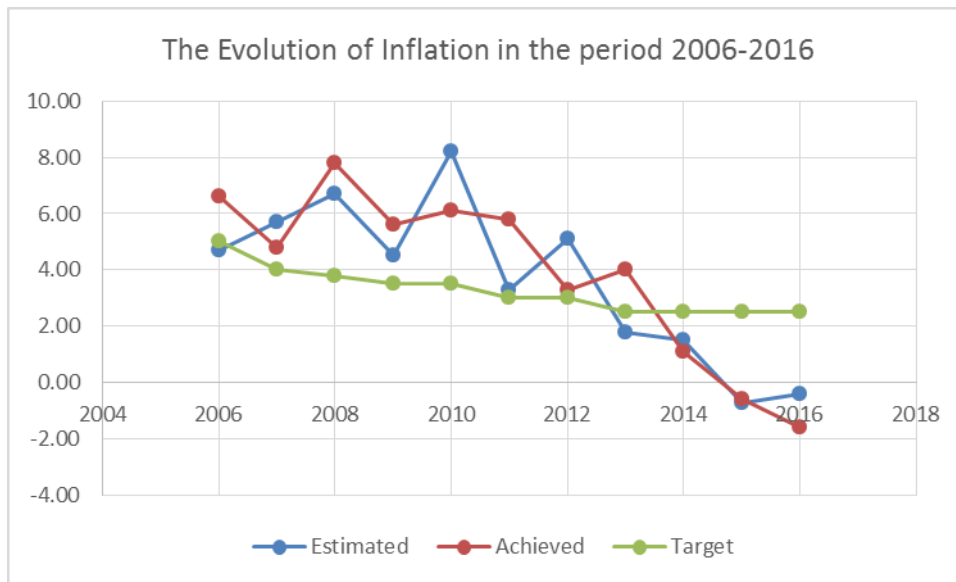
Table 4 The evolution of the inflation rate target as opposed to the achieved inflation rate and the forecasted inflation rate in Romania from the year 2006 hitherto

	<i>Estimated(%)</i>	<i>Achieved (%)</i>	<i>Target(%)</i>
2006	4.7	<u>6.6</u>	5
2007	5.7	<u>4.8</u>	4
2008	6.7	<u>7.8</u>	3.8
2009	4.5	<u>5.6</u>	3.5
2010	8.2	<u>6.1</u>	3.5
2011	3.3	<u>5.8</u>	3
2012	5.1	<u>3.3</u>	3
2013	1.8	<u>4</u>	2.5
2014	1.5	<u>1.1</u>	2.5
2015	-0.7	<u>-0.6</u>	2.5
2016	-0.4	<u>-1.6</u>	2.5

Source: data collected from the Inflation Reports of NBR over the period 2006-2016

The deviation of the achieved inflation rates from the target in the analysed period of time is represented in the graph below. The negative inflation recorded in 2016 was marked by the fiscal easing measures (direct effect - reduction of VAT from 24% to 20%), by higher disposable income and by developments in main commodity prices on international markets, according to the NBR Inflation Report in 2016. Hence, the causes of negative inflation are not monetary and have no direct connection to the NBR monetary policy, meaning the policy did not fail due to internal malfunctions.

Graph 1 The evolution of inflation in Romania in the period 2006-2016



Source: author’s projection based on the collected data from the NBR Inflation Reports

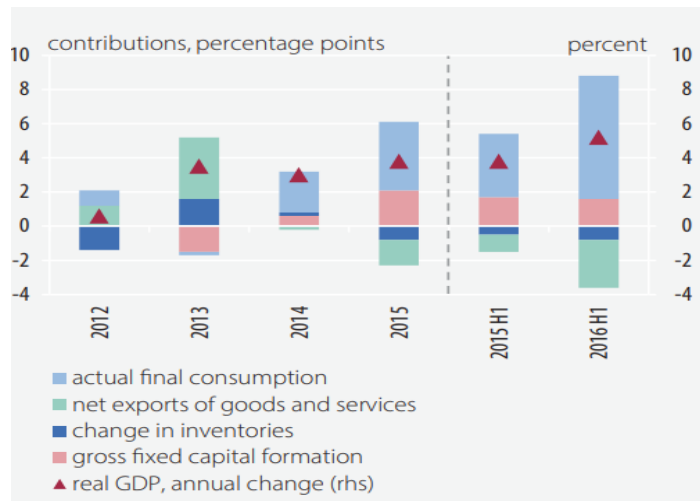
Table 5 The evolution of real GDP growth in Romania in the period 2006-2018

Real GDP growth (Annual percent change)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Romania	8.1	6.9	8.3	-5.9	-2.8	2	1.2	3.5	3.1	4	4.8	7	5.1
Eastern Europe	7.5	7.7	4.8	-6.2	3.2	4.4	2.3	1.6	1.1	-0.4	1.2	2.8	2.8
Advanced economies	3	2.7	0.1	-3.4	3	1.7	1.2	1.3	2.1	2.3	1.7	2.3	2.5
European Union	3.6	3.3	0.7	-4.2	2	1.8	-0.3	0.3	1.8	2.4	2	2.7	2.5

Source: IMF Data Mapper, 2018

The higher rate of economic growth has been generated mostly by an increase in the household consumption, which has been the driver of economic growth and partly due to a better absorption of EU structural funds, as presented in Figure 2.

Figure 2 The Structural Evolution of real GDP in Romania



Source: NBR Financial Stability Report, 2016

5. The correlation between CBI and macroeconomic indicators (inflation rate, real GDP) – case study

The central bank independence necessity gained momentum along with the Maastricht Treaty, which stipulated that central banks have to meet a certain degree of independence. Subsequently, there were carried out numerous studies focusing on the optimal independence, the relationship between macroeconomic variables such as CBI and inflation, CBI and GDP and other major variables related to the monetary policy.

To begin with, some of the easiest ways to determine the macroeconomic performance of a country are the inflation rate and GDP, mostly the real GDP, GDP per capita and GDP based on purchasing power parity (PPP). Generally, the hypothesis is that there should be an inverse relationship between inflation and CBI and a positive correlation between CBI and GDP. Bearing in mind that no phenomenon can be exhaustively tackled, each finding is significant, namely: some authors claimed in previous studies (Bade, Parkin, 1985) that the CBI is not a significant determinant of macroeconomic performance, that there is a negative correlation between them, but not statistically significant (Grilli, Masciandaro, Tabellini, 1991) or that significance is substantial and the correlation exists and can be empirically trusted (Alessina, 1988; Cukierman 1991, 1992). On the other hand, the results of testing the correlation between

the level of independence and the economic output, namely the growth rate of GDP revealed that CBI does not affect the economic output (GMT, 1991; Alessina and Summers, 1993; Cukierman, 1993).

More recent evidence shows that there is no or non-significant relationship between the variability of real GDP growth and CBI as well (Anastasiou, A., 2009; Dumiter, F., 2011), meaning that the economic output lies in other explanatory variables, such as employment rate, openness of the economy, inflation rate, exchange rate volatility and so on. I consider that even if statistically the degree of confidence is high for a correlation, from the real economy point of view, one cannot determine a reliable correlation only between 2 variables in a ceteris paribus situation.

Table 6 The evolution of CBI, the inflation rate and the real GDP growth in Romania from 2006 hitherto

year	cbi	Inflation(%)	real gdp growth (%)
2006	0.35	6.60	8.10
2007	0.35	4.80	6.90
2008	0.35	7.80	8.30
2009	0.35	5.60	-5.90
2010	0.59	6.10	-2.80
2011	0.59	5.80	2.00
2012	0.59	3.30	1.20
2013	0.81	4.00	3.50
2014	0.81	1.10	3.10
2015	0.81	-0.60	4.00
2016	0.81	-1.60	4.80

Source: author's data processing

Figure 3 The regression statistics of CBI and inflation

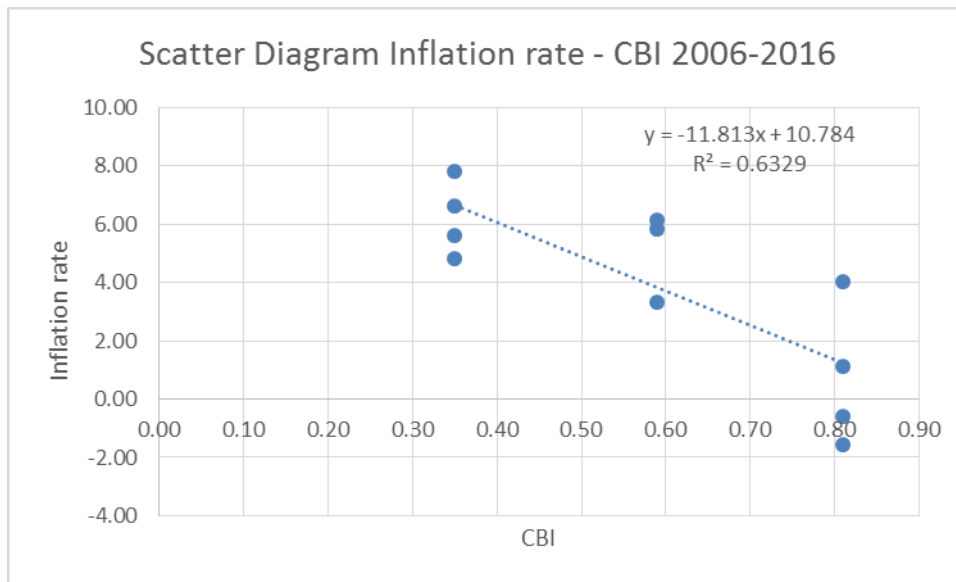
Regression Statistics								
Multiple R	0.795570213							
R Square	0.632931964							
Adjusted R Square	0.592146627							
Standard Error	1.95133777							
Observations	11							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	59.09052817	59.0905282	15.51861541	0.003409232			
Residual	9	34.26947183	3.80771909					
Total	10	93.36						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	10.78397887	1.843869383	5.848559	0.000244197	6.612856542	14.955101	6.612856542	14.9551012
cbi	-11.8133803	2.998801361	-3.9393674	0.003409232	-18.5971403	-5.0296203	-18.59714026	-5.029620302

Source: author’s calculations in Excel Data Analysis

The results outline the following aspects: there is an inverse correlation between CBI and the inflation rate, given by the coefficient’s value and sign (-11.83); the coefficient of determination (R Square), which is the proportion of variability of the independent variable (CBI) in the dependent variable (inflation rate) is 0.63, meaning that 63% of the inflation level is determined by the CBI; the standard error shows the precision with which the coefficient is measured; p-value or significance F is $0.003 < 0.05$, meaning that the p-value is smaller than the significance threshold (0.05) and the correlation is statistically significant. Another measure of observing the trend of the variables’ coexistence is generating the scatter plot. (Graph 2)

In other words, the correlation is significant and sticks to the previous studies’ findings regarding the relationship between the CBI and the inflation rate. From my point of view, price stability as a fundamental goal for NBR could have not been achieved by a dependent central bank. Moreover, even though the inflation target has been missed in the recent years, the deviation is not alarming and this was not due to internal factors and it would not be rational to question NBR’s independence, transparency and accountability.

Graph 2



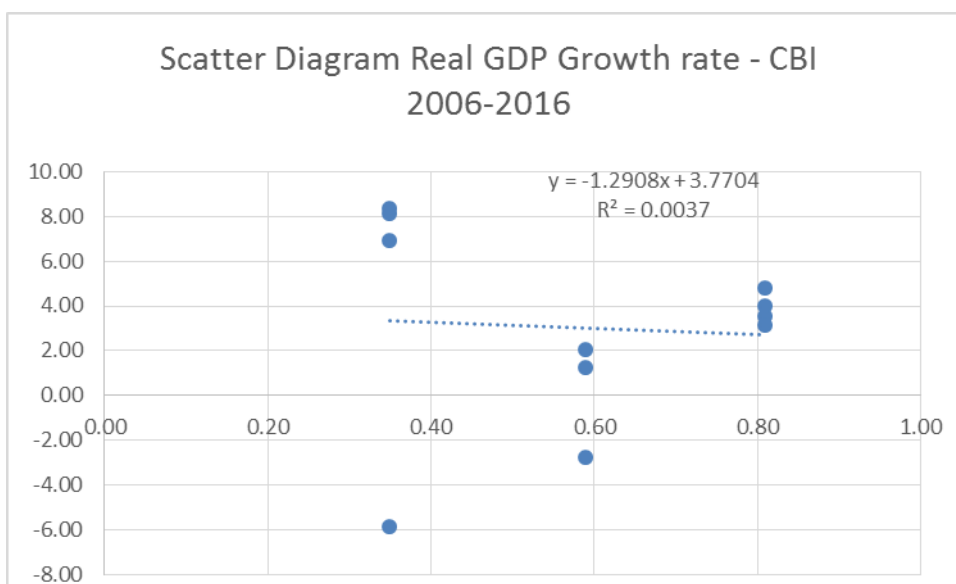
Source: author’s projection in Excel Data Analysis

Figure 4 The regression statistics of CBI and real GDP

Regression Statistics								
Multiple R	0.060791479							
R Square	0.003695604							
Adjusted R Square	-0.107004885							
Standard Error	4.596990396							
Observations	11							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	0.705477343	0.705477	0.03338381	0.85907325			
Residual	9	190.1908863	21.13232					
Total	10	190.8963636						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	3.770362418	4.343814779	0.867984	0.40795094	-6.056029297	13.59675	-6.05603	13.59675413
cbi	-1.290793542	7.064620626	-0.18271	0.85907325	-17.27207569	14.69049	-17.2721	14.69048861

Source: author’s calculations in Excel Data Analysis

The regression statistics do not reveal any correlation between the analysed variables, given the p value (0.8590), which is much higher than 0.05 and the R Square, which clearly states that the correlation is not valid. The scatter plot generated in order to visualize the relationship between CBI and GDP conveys the absence of correlation as well.



Source: author's projection in Excel Data Analysis

6. Conclusions

Central bank independence is a multidimensional concept whose quantification is hard to encompass all the significant aspects regarding the central bank, the governor and the Board of governors, as well as the management of the relationship between the central bank and the government.

David Ricardo was one of the first authors to recognize this inherent conflict between government and the money supply, but also extended the argument to public discretionary control over the money supply. Ricardo suggested that no entity, whether it is the state or a bank, could be trusted to manage paper money and the issuance responsibility without being prone to abuse. The state is a conglomerate of public policies that should converge to the single goal of economic and financial sustainable development. At this juncture though, ‘under the umbrella of the public interest’ (Cargill & O’Driscoll, 2012), the state can become a furnace of private interests, serving individual agendas. Due to the lack of transparency of the budget execution, inefficient allocation of public financial resources and political turnovers, the state is more likely to control the money supply poorly backed by the necessities of the real economy. To put it in a nutshell, history has proven that power is a bone of contention. I share Hamilton’s belief that giving all power to the many will

cause the oppression of the few and giving all power to the few will lead to the oppression of the many. (Hamilton, 1787)

The stabilization of the price level is not reached only by rendering the central bank the responsibilities of safeguarding the banking system or controlling money issuance, but stipulating the legal central bank independence is able to increase credibility, transparency and accountability.

In democratic societies, entrusting non-elected officials the lead in hand may trigger discomfort amongst citizens; the central bank governor is the most important non-elected policy maker and he cannot be impeached of political affiliation. Adoption of a credible nominal anchor and achieving price stability, however, require an important precondition for a successful monetary policy: central bank independence.

The study I carried out, in spite of the small extent of observations, confirms the results obtained by previous studies regarding the impact of CBI on the inflation rate and economic output in the analyzed period of time. To put it in a nutshell, a negative correlation was observed between CBI and the inflation rate, whereas the growth rate of the economic output is not affected by CBI. CBI did not fluctuate during and after the crisis, but the macroeconomic performance had a significant variability, due to the financial impairment.

To conclude, no matter the degree of legal independence, central banks are not completely insulated by the government's interference. However, legal CBI in Romania is high, with a level of 0.81/1(CUK) or 13/15 (GMT). In addition, the actual independence can be well reflected by the turnover rate, given the fact that NBR has had the same governor for the past 28 years, meaning that the monetary policy was elaborated, conducted transparently and monitored according to the real economy needs and the international context.

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The Relationship between Economy and Foreign Policy: The Case of Iran (2011-2016)[×]

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Article Received: 2018-07-27

Article accepted: 2018-10-24

Abstract

Since 2011, Iran has had two problems in its state-run and oil-dependent economy. The first problem was a set of severe sanctions against Iran for its nuclear program. The second was the war in the Middle East after the Arab uprisings in which Iran was engaged directly or indirectly. Along with other factors, especially the corrupt management in the economy, Iran's economy suffered structural bankruptcy. The statistics show the depth of the impact of these two factors. The comparison between the two periods of 2005-2010 and 2011-2016, shows that in the second period the Iranian economy has damaged seriously. In fact, Iran's foreign policy was facing serious challenges before 2011, and UN Security Council resolutions also put pressure on it. Under the effects of these fluctuations, the non-oil economy's production capacity declined, and Iran's currency lost its value especially after Donald Trump rising to power in the United States. The effects of these problems are concretely seen in the Iranian economy. In these few years, a huge number of factories were affected by the crisis. But, after assignment of an agreement named The Joint Comprehensive Plan of Action in July 2015, some economic indicators are recovering. The purpose of this study is to identify the relationship between Iran's economy and foreign policy, especially in the case of Syria and Iraq, which has been conducted in a descriptive-analytical manner. The results of the study indicate that Iran's economy is strongly linked to foreign policy, and if the crisis continues in the Middle East, Iran's economy will suffer more.

Keywords: *Iran, economy, foreign policy, stagnancy, crisis*

JEL Code: *F51*

[×] Expanded Conference Article, Presented in I. InTraders International Conference on International Trade, 10-12 May 2018, Sakarya, Turkey

Introduction

Iran's economy is always tied to foreign policy. Since 1979, the country's economy has undergone massive fluctuations. This is due to various fluctuations in foreign policy as well as the tendency of deployed governments. The important thing is that the United States imposed sanctions on Iran since the revolution that lasted without interruption (www.state.gov). The Iraqi invasion of Iran and war between two countries during 1980's was a huge hit to Iran's economy. Thus the government could not continue the economic plans that were implemented in the previous regime. According to Iranian authorities, Iran's direct loss in that time was about \$ 440 billion, which Iran could not recover (www.khabaronline.ir). Of course, Iranian officials say the losses were about \$ 1 trillion. The low oil price also crippled the economy but the government, with its interference controlled totally the economy. Therefore, the Iranian economy became state-owned and the government managed the economy with oil sales. This situation is still ongoing and the government is trying to reduce its dependence to oil sales which has not been successful. These problems have been linked to the problem of the Iranian nuclear program since 2002. Along with these problems, the war in the Middle East since 2011 has caused another extra charge imposed on Iran, which is discussed in this article.

Literature review

There is not sufficient academic research on the effects of foreign policy on Iran's economy. Nader Habibi (2008) believes that Iran has been able to gain experiences from many years of international sanctions. Iran has tried to change the effect of sanctions by providing incentives to foreign investors. But with all of the actions, the Iranian economy has suffered greatly from international sanctions. Therefore, Iran's foreign economy suffered serious damage even before the war in the Middle East.

Jennifer Hsieh et al. (2015) believe that international sanctions reduced oil exports and locked the Iran's economy in 2012 and 2013. However the Hassan Rouhani's policy has led to positive developments in the Iranian economy. The authors further argue that international sanctions have tightened Iranian foreign policy and Iranian policymakers have been forced to negotiate with the West, especially on the nuclear program issue.

Most articles and books related to Iran's foreign policy have been written on international sanctions related to Iran's nuclear program. There is no specific academic work on Iran's foreign policy in the Middle East and its impact on the Iranian economy.

Iranian Foreign Policy

From the beginning of the 1979 revolution, Iran's foreign policy aim has been the export of the revolution and confronting with the US-led the West axis (Gharayag Zandi, 2008:281). This policy opposed the United States in the region and imposed costs on Iran. Under these pressures, Iran could not expand its markets and industries, and it was forced into the investment on infrastructure industries to reduce the dependence of domestic economy to abroad. Therefore, Iran tried to gain some degree of economic independence in order to carry out its revisionist foreign policy. The damages of 8 years war and the complete control of the economy by the government caused the backwardness of the rapid development process that had begun in the previous regime.

After a decade, in 1990's Iran has made its foreign policy soften and tried to adapt to global realities. In another side, Iran has taken steps to neutralize sanctions, including offering commercial privileges to foreign investors and foreign companies wishing to trade with Iran. As a result, sanctions have become a process of dynamic and complex economic war between Iran and western countries especially the United States (Habibi, 2008:1). Therefore, Iran was forced to abandon aggressive and revisionist policy and adopted a defensive policy in various fields up to day.

With the election of Mahmoud Ahmadinejad to the presidency in 2005, the conflict resumed with the West. At the same time, Iran's nuclear energy problem became an international hot topic. Ahmadinejad called for a revision of the global order and the structure of the United Nations and the Security Council (Irna, 2012). The result of these actions was the issuance of six Security Council resolutions against the activities of Iran in 2006 (Irna, 2015).

With the election of Hassan Rouhani as Iran's president, the talks finally came to an end in 2015. The Joint Comprehensive Plan of Action signed and Iran and the West agreed to lift sanctions related to Iran's nuclear program in exchange for waiving part of the nuclear program (Borger, 2014).

Iranian Engagement in Syria and Iraq (2011-2018)

But, the Middle East crisis in 2011 has added a new case to the problems of Iran. Iran's officials believed the demonstrations in the Arab countries inspired by Iran's Islamic revolution. But with the Western intervention, the Arab revolutions deviated from their goal (Sadri Alibabalu, 2017). So the US used the crisis against Iran, targeting Iran's regional allies. In this way, Iran's foreign policy was based on countering Western efforts for any regional change. At the end in one side Iran entered into a bloody war in Syria and Iraq and tried to make proxies in the region for fight in different fronts.

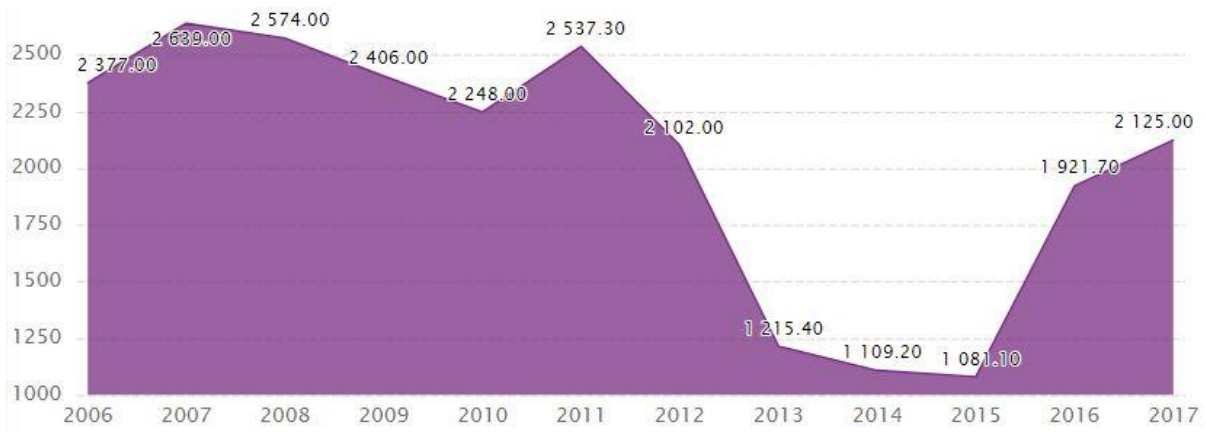
Given that the Iraqi government did not lose its coherence, Iran's spending in Iraq is not comparable to Syria. Iran's largest spending has been in Syria, according to estimates, Iran has spent at least \$ 6 billion a year in Syria since 2011. Of course, some sources estimate it much more (Lake, 2015). It can be claimed that Iran has spent near to \$ 50 billion up to date in Syria.

Iran-Saudi Arabia Oil War

In 2011, Saudi prince Turki Al-Faisal, along with British and American officials, announced that Riyadh was preparing to launch a flood of oil to reduce Iran's oil revenues to prevent Iran from acquiring a nuclear bomb. He said they have so much production capacity that they can replace Iranian oil if Iran cut its exports (Helman, 2011). Saudi Arabia has saturated the oil market to defeat its regional opponents, especially Iran. Thus the oil prices of the Organization of Petroleum Exporting Countries fell from \$ 130 in 2008 to \$ 30 in 2016 (Krauss, 2017).

Therefore Iran faced many income constraints. Although part of these restrictions was due to the sanctions related to the nuclear program since 2012, but the decline in oil prices was a huge loss for Iran. The war showed its impact in 2012 and Iran's oil revenue fell by \$ 62 billion. But the Iran's oil economy experienced a shock in 2015, and Iran's oil revenue fell to \$ 17 billion (shargdaily.ir). Although most oil producers have suffered from the oil war, the Iranian economy suffered serious damage due to Iran's costs on regional wars and the severe sanctions imposed by the UN Security Council since 2011.

Graph 1. Iran's oil exports

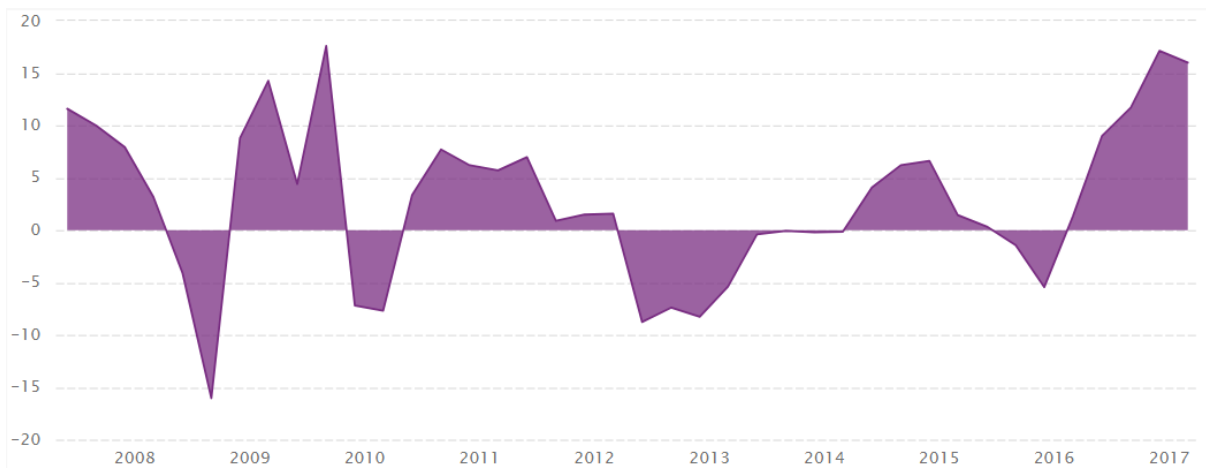


Source: <https://www.ceicdata.com/en/indicator/iran/crude-oil-exports>

Iranian Economic Indexes

Iran's GDP growth fell by -10% in mid of 2012, compared to 9% in 2011. Only in 2016, the Iran's GDP experienced a 17% increase in the positive impact of the nuclear deal. The following table shows the annual GDP growth rate of Iran.

Graph 2. Iran's GDP growth



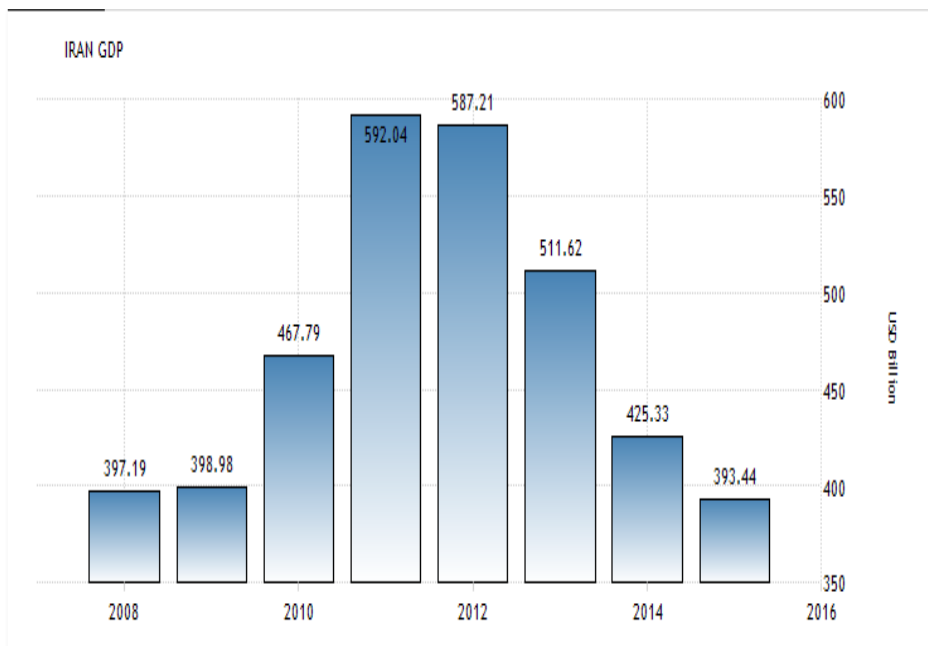
Source: <https://www.ceicdata.com/en/indicator/iran/real-gdp-growth>

The comparison between the two periods of 2005-2010 and 2011-2016, shows that in the second period the Iranian economy has fallen sharply. This fall showed its impact on all aspects of Iran's

economic life. In the first period, Iran's average economic growth without oil was 5.6 % while in the second period it fell to -0.3 %.

Iran's GDP decreased from \$ 590 billion in 2011 to \$ 393 billion in 2015 (<https://tradingeconomics.com/iran/gdp>). The following table shows how Iran's GDP fell sharply.

Graph 3. Iran's GDP



Source: <https://tradingeconomics.com/iran/gdp-growth-annual>

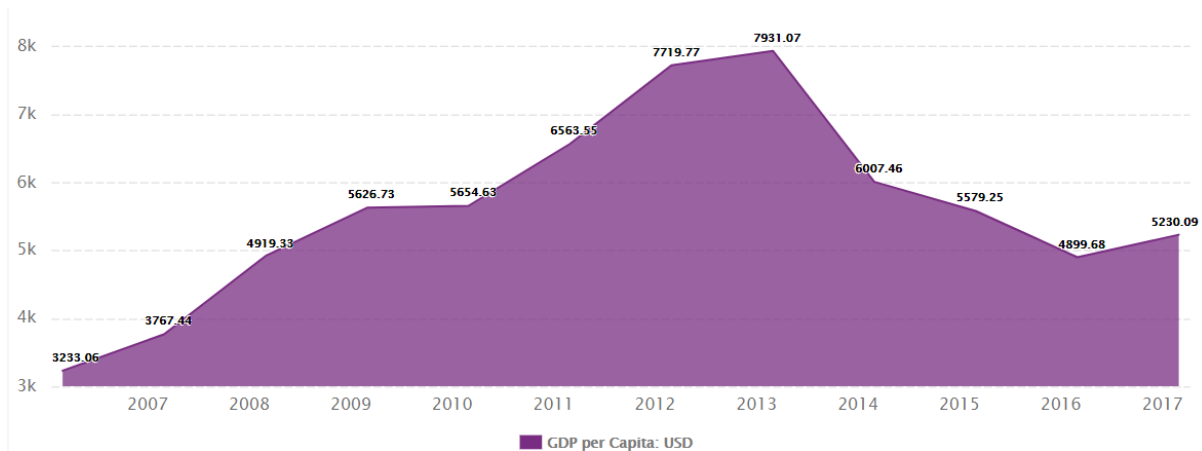
Iran's GDP per capita has been severely damaged as a result. In 2012, the value of the Iranian currency dropped by 60% in 8 days, resulting in a high price tag (O'brien, 2012). During these few years, the Iranian Rial has become the third low-value currency confronting the US dollar (<http://tabnakeghtesadi.ir>). Under the influence of rising oil prices before 2011, the GDP per capita income had improved slightly, but international sanctions have gradually affected people's income and in 2013 GDP per capita fell from \$ 7,900 to \$ 4,900 in 2016.

Table 1. Devaluation of Iran's Currency

Devaluation of Iran's Currency (percent)	2011	2012	2013	2014	2015	2016	2017
	15.4	116.4	22	3	5.2	5.6	9.7

Source: <https://www.mashreghnews.ir/news/785406>

Graph 4. Iran's GDP Per Capita



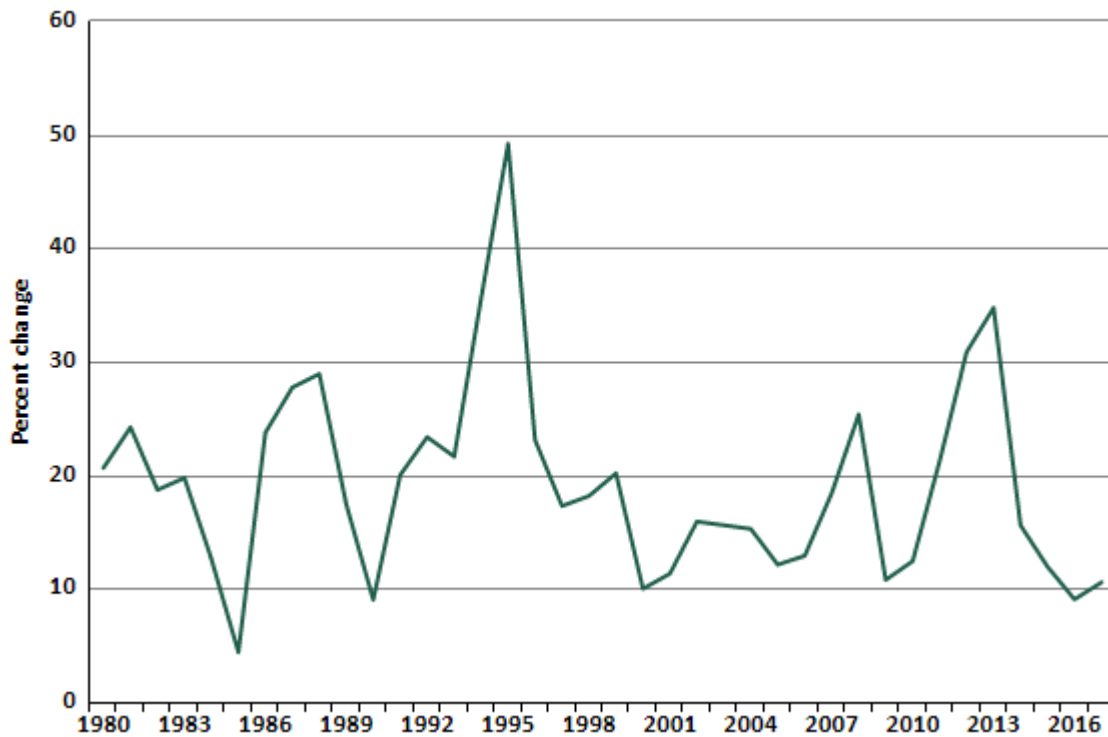
Source: <https://www.ceicdata.com/en/indicator/iran/gdp-per-capita>

In 2012, 33 percent of urban households, and in 2013, 40 percent of rural households were under the poverty line. Absolute poverty in Ahmadinejad's government (2005-2013) was greatly increased, and the villages returned to the statistics before the revolution. This increase was due to the economic mismanagement and sanctions (<http://www.eghtesadonline.com>).

According to 2015 statistics, 14,000 factories were closed, 22,000 factories operating with less than 50% capacity, 24,000 factories operating with 50-70% capacity and 21,000 factories are operating with 70% or more capacity (donya-e-eqtasad.com). An industrial activist said in 2014 that 'industrial settlements have become industrial cemeteries' (www.isna.ir). Moreover the head of

industrial cities in Iran said that in 2016 more than 5,000 small and medium-sized manufacturing units have been closed (<http://kayhan.ir>).

Graph 5. Inflation Rate in Iran



Source: <https://knoema.com/atlas/Iran/Inflation-rate#>

As illustrated in the chart, under the impact of sanctions and pressures of war spending, the inflation rate increased sharply from 12% in 2010 to 34% in 2013. But with the impact of positive policies of the Hassan Rouhani's government, and in particular the nuclear deal in 2015, the inflation rate has slowly declined to 10% in 2017.

Conclusion

In this paper, the researcher attempted to illustrate the close relationship between foreign policy and its direct and indirect effects on the economy of a country. Iran was the case of this research. The researcher attempted to review the causes of the economic deterioration of Iran from 2011 by providing a historical background. The following research shows that Iran's foreign policy has a very close and direct impact on its economy, and any change in foreign policy has positive or

negative effects on the Iranian economy. Since 2011, the political storms in the Middle East and the subsequent wars have been severely damaged the Iranian economy.

Although Iran's attempt was to fight its enemy outside the border and carry it to other territories, but in general, these wars had devastating effects on the Iranian economy. With the mismanagement and financial corruption of some statesmen, the effect of the Middle East War is clearly visible. The value of the Iranian currency in 2012 dropped by 120%, which led to price volatility in the market. Thus the value of Iran's currency has always been declining. In early 2018, the value of Iranian currency fell sharply and this trend continues. The process of rising prices and deteriorating economic condition have led to wide social discontent, as there was a massive demonstration in the cities of Iran in late 2017. These demonstrations show that people are under economic pressure.

The crisis in the Middle East seems to have no end. Iran will continue to increase spending on the continuation of the war. An important issue with the election of Donald Trump to the presidency of the United States is the West's nuclear deal with Iran in 2015. Given that Trump has threatened to quit the agreement in line with restricted regional activities of Iran; it seems Iran will experience a tough future. Although the nuclear deal gives Iran a significant breakthrough, it is clear from the statistics that many of the provisions of the agreement have not been implemented. After 3 years of the agreement, the international SWIFT system for Iran has not been activated, and Iran's international trade has many problems.

Trump administration's regional efforts show that he is determined to hit Iran in any possible way. The US coalition with Iran's regional rivals, including Saudi Arabia and Israel, is very dangerous for Iran. Iran is trying to avoid to giving any excuse for the United States. But the US seems to be taking every opportunity to thwart the benefits of the nuclear deal for Iran. Finally, this research shows that Iran's foreign policy has failed to meet its economic needs. Subsequent crises in foreign policy, including Iran's nuclear issue on the Security Council, the Middle East conflict, and the Saudi oil war prevented Iranian officials from addressing domestic issues. Of course, the Middle East crisis is not unique to Iran, but it has a lot of economic and social consequences for Iran. Moreover, Iranian officials say that they must fight over the borders in order not to fight extreme groups inside Iran. So they are ready to pay for any expenses.

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Nepali International Trade Before and After the World Trade Organization

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Article Received: 2018-07-14

Article Accepted: 2018-10-23

Abstract

Nepal got the membership of the World Trade Organization through the negotiation process in 2004. The objective of Nepal in achieving the membership was to diversify its trade and to liberalize the trade regime. The paper attempts to evaluate whether Nepal achieved its objective as compared to the international trade regime before its accession to the WTO. The paper uses the secondary data retrieved from the World Bank and Nepal Rastra Bank. On the other hand, we have evaluated the trade diversification by using data from Nepal Rasta Bank. It was found that the objective of trade diversification was not found statistically significant, even after the accession to the WTO. Finally, the findings of the study can be translated to the trade policy to serve the national interest of trade balance in the backdrop of rocketing trade deficit of Nepal.

Keywords: *Nepal, international trade, WTO*

JEL Code: *F13*

Introduction

In the international trade and economic development, trade liberalization is a key to achieve higher efficiency (OECD, 2017). However, barriers, like tariff and the non-tariff, are the major determinants of the efficiency in the trade. Therefore, the World Trade Organization (WTO) was instituted on January 1, 1995 (WTO, 2015) to remove the non-tariff barriers and to encourage trade by reduction of the tariff. Therefore, the basic objective of all members of the WTO is to broaden the market access and to diversify their trade.

Nepal is become 147th member on 23 April 2003 (Pandey, Adhikari, & Wagle, 2014) through a "full working party negotiation" process (Adhikari, Dahal, & Pradhananga, 2008). It is a land-locked country between China and India. Its total international trade was Rs. 1,030 billion in 2016. In this period, Rs. 74.59 billion (7.24%) was export and Rs. 956.5 billion (92.86%) was import

(TEPC, 2017). The share of export in the GDP is quite small, which was just 3.1% in 2015/16, whereas the share of import was 34.4%, which were 7.3% and 27.2% respectively in 2007/08 (MoF, 2017). Remittance is the major foreign currency earning, which was Rs 665.1 billion in 2015/16 and it is significantly dependent on foreign aid for its economic development goals (Jull, 2006). Nepal is trading with its immediate neighbours as major trading partners, which jointly occupied 58.8% (NRB, 2017).

During 2009 to 2016, Nepal's major exports are dominated by agricultural products like Big Cardamom, Ginger, Lentils Woolen Shawls, juices, etc along with carpet and some iron products and its imports were - "Petroleum", "M.S. Billet", Gold, "Liquefied Petroleum Gas", Crude soybean oil, "Motorcycle", "Telephone", "Rice", "Medicines" and "Cement clinkers" (TEPC, 2017).

Objective

The paper attempts to assess the Nepali international trade sector by comparing it before and after the accession to the WTO.

Methodology

Data

The data from 1965 to 2015 from the World Bank databank on an export and an import of "Goods and Services", value addition of agriculture, industry and service sectors, the Gross National Income (GNI) and the Exchange rate was accessed. To evaluate the diversification of the destination for Nepal's international trade, data from fiscal year 1994/95 to 2016/17 were used from the Nepal Rastra Bank, the central bank of Nepal ([https://nrb.org.np/red/publications/economic_bulletin/Quarterly Economic Bulletin--2017-04_\(Mid_April\)-new.pdf](https://nrb.org.np/red/publications/economic_bulletin/Quarterly_Economic_Bulletin--2017-04_(Mid_April)-new.pdf)).

Model specification

To assess the difference between before and after accessions to the WTO Welch's t-test is used. The t-test is specified as below.

$$t = \frac{X_1 - X_2}{\sqrt{\frac{S_1^2}{N_1} + \frac{S_2^2}{N_2}}}$$

Where, X_1 , S_1^2 and N_1 means sample mean, population variance and sample size of sample 1. Subscript 1 and 2 represent sample.

Similarly, f-test is given as

$$F = \frac{\text{explained variance}}{\text{unexplained variance}}$$

In order to assess the trade diversification, a trend analysis was carried out for export and import with India and rest of the world.

Data Analysis

The data was analyzed using t-test, F-test and the trend analysis.

Results

The obtained results have been presented hereunder.

T-test

To assess the difference between after accession to the WTO and before accession to the WTO, Welch's t-test was performed at 95% level of confidence interval. The table below presents the detail of the t-test result.

Table1: T-test results

Variables (X, Y)	t-value	Df	p-value	Mean	
				X	Y
A.TV, B.TV	5.35	12.01	1.75×10^{-05}	6829.49	2585.08
A.AgVA, B.AgVA	6.02	11.62	6.90×10^{-05}	4640.50	1861.19
A.SerVA, B.SerVA	6.95	12.07	1.50×10^{-06}	6449.13	1775.76
A.IndVA, B.IndVA	6.44	12.24	2.92×10^{-07}	2133.18	954.71
A.GNI, B.GNI	6.45	11.74	3.53×10^{-05}	14652.42	4903.43
A.Ex, B.Ex	3.66	22.00	0.001	79.91	61.80
A.Export, B.Export	4.46	17.71	3.11×10^{-05}	1674.53	1031.28
A.Import, B.Import	5.43	11.48	1.78×10^{-05}	5154.96	1553.80

(Note: A: After the WTO and B.: Before the WTO)

The Welch's t-test results revealed that all variables were found significantly different between before accession to the WTO (1992 – 2003) and after accession to the WTO (2004-2015) since all p-values are highly significant.

F-Test

To assess the variance before and after the WTO, F-test was implemented and the results are presented hereunder.

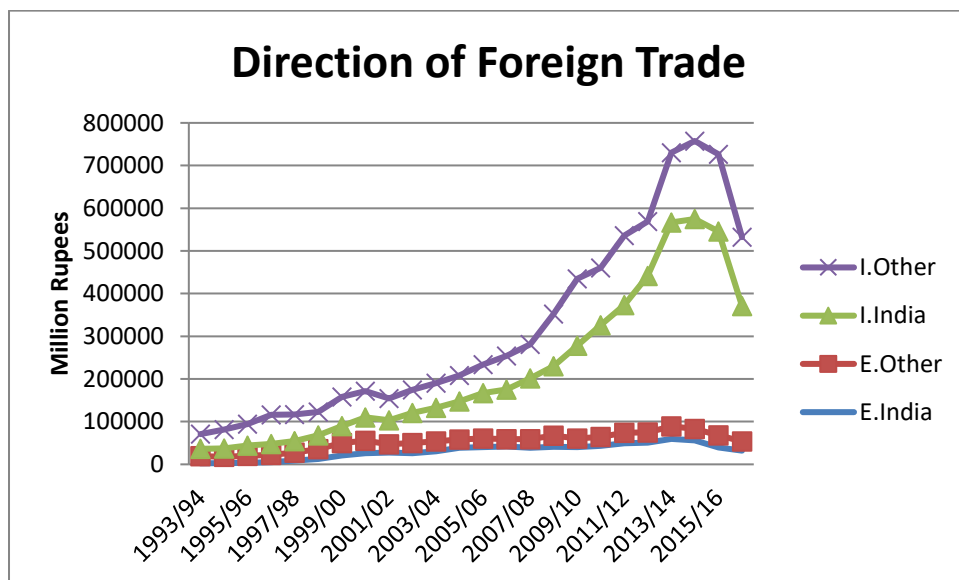
Variables (X, Y)	F-value	num df	denom df	p-value	Ration of variances
A.TV , B.TV	21.81	11	11	1.38×10^{-05}	21.81
A.AgVA , B.AgVA	35.16	11	11	1.17×10^{-06}	35.16
A.SerVA , B.SerVA	20.50	11	11	1.89×10^{-05}	20.50
A.IndVA , B.IndVA	17.70	11	11	3.96×10^{-05}	17.70
A.GNI , B.GNI	29.86	11	11	2.74×10^{-06}	29.86
A.Ex , B.Ex	1.01	11	11	0.99	1.01
A.Export , B.Export	2.94	11	11	0.09	2.94
A.Import , B.Import	45.87	11	11	2.87×10^{-07}	45.87

(Note: A.: After the WTO and B.: Before the WTO)

The result showed that except exchange rate and export, variance of all variables were found significantly different since p –values for all variables were highly significant.

Trend Analysis

To evaluate the objective of market diversification, international trade data were plotted from 1994 to 2017.



The trend confirmed that export is increasing at a much slower rate as compared to import. Likewise, total trade was found to be growing every year except in 2015/16 when Nepal-India border was disturbed and flow of goods were restricted from India. Likewise, the growth rate of export and import with India and rest of the world was found almost similar.

Independent t-test		
	t-value	p-value
Growth in export with India	3.37	0.01
Growth in export with rest of the world	0.53	0.60
Growth in import with India	0.71	0.49
Growth in import with rest of the world	-0.40	0.70

The independent t-test of the growth rate in export and import with India and the rest of the world showed that only the export to India was found significantly different. Therefore, the result does not justify Nepal's objective of trade diversification by accessing to the WTO.

Conclusion

The analysis of trade data allowed us to evaluate the performance of Nepali international trade before and after the accession to the WTO. To evaluate the objective of Nepal's accession to the WTO, independent t-test, f-test and trend analysis were carried out using before and after analysis. The independent t-test suggested that all parameters used for analysis were found significantly different before and after the accession to the WTO. It is indicating that after accession to the WTO, all trade is increasing. In the case of f-test, exchange rate and export were not found significantly different. Nevertheless, the trend analysis and independent t-test of the growth rate of export and import with India and the rest of the world rendered a different picture. The growth rate of export to India was found significantly increased after accession to the WTO, however, it is not a case for export and import with the rest of the world. It means the objective of trade diversification was not achieved by Nepal after accession to the WTO. As a result, even being a member of the WTO, Nepal is largely depending on India. Due to limited availability of data, trade with China could not be performed. China is incorporated with rest of the world.

Increased import itself is not a bad indicator for developing economies like Nepal. It should be qualified by disintegrating the data. If the import of raw materials increased and consumables are not large enough it is considered as a healthy trade. Disaggregation of import list suggested that the increasing imports are merely promoting productivity of the economy since most of the imports are for immediate consumptions. Therefore, increasing import is mounting pressure to the domestic industry and affecting their welfare.

Finally, either existing policy and structures are not instrumental to achieve the objective of the WTO membership or there are weaknesses on its implementation. Therefore, it is suggested that the further study is deemed necessary for trade policy evaluation of the country.

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Generational differences in human resources management: a study on generation Y health workers^x

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Article Received: 2018-10-31

Article Accepted: 2018-11-14

Abstract

One of the issues that has been frequently researched in the field human management in recent years is generation differences. The aim of this study is to examine the general trends and attitudes towards the institution that they are affiliated with, including the young professionals of today's business world, which is expressed as "Generation Y" in human resources literature, which covers 25% of Turkey's population and was born in 1980-1999.

The study was carried out in a public hospital operating in Sakarya province and data were obtained by questionnaire method. In this study, the attitudes towards work, tendency to use technology, the perception of education, communication at work, career management, organizational culture, attitudes in the areas of place attachment and wages in the field of human resources of human health are examined.

As a result of the studies carried out, it was revealed that the participants differed within the Generation Y; it had breaks and this affected the perceptions of work style in a different way.

Keywords: Human Resource Management, Generational Differences, Generation Y

JEL Codes: J53, M12

^x This study is presented as a summary in the ICPESS (International Congress on Politic, Economic and Social Studies) congress.

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1. Introduction

Different generations show alterations in business, technology, and even to adaptation to life. When we discuss the features of Generations X, Y, Z evoking like math equations here, we try to understand the Generation Y that identifies especially today's young professionals.

Many different definitions are being developed in most of the studies carried out on Generation Y and the common personality traits of the individuals belonging to the Generation Y are becoming clearer through these definitions.

In light of the definitions, this generation composed of young people who are fond of freedom, marginalized, challenging authority, and admirers of technology, and also who live in a period of increasing globalizing economy and intercultural interaction.

Within the framework of these definitions, it has been found that members of the Generation Y have some breaks within themselves, similar to the differences observed between the other generations. In the framework of the study, the attitudes towards work, the tendency to use technology, the perception of education, communication at work, career management, organizational culture, belonging and wage factors were evaluated and period differences within the generation were compared.

2 Conceptual Framework

Generation is defined as “ a group of people born around the same time in the cycle, who shape their visions and characteristics, and share meaningful history and/or social life experiences” (Kupperschmidt, 2000). Based on literature, it can be said that members of different generations have different perspectives in business life.

According to their emergence in time, there are four generations including Baby Boomers, Generation X, Generation Y and Generation Z, and there are important differences between these four generations; each of them has its own characteristic features.

2.1 Baby Boomers

People who are born between 1946 and 1964 form the generation of Baby Boomers. The generations born in the years of population explosion right after World War II represent this generation.

In this period when economic prosperity had been rising slowly, serious changes in the political and economic structures of the countries also affected the thinking structure of this generation.

There are also countries and intercultural differences in defining the boundaries of this generation (ERC Report, 2011).

2.2. Generation X

This generation is classified as people born between 1965 and 1979 (Alwin, 2002). Generation X members are at peace with technology and knowledge, entrepreneurial, goal oriented and independent (Jianrui, 2011).

The members of generation X put a great effort to keep up with the world's changing conditions. However, those in this generation feel excluded because the effort and the race give them the impression of “not being able to catch up and not being able to keep up with the time” (Dias, 2003).

In the sense used today, the concurrence of the sale of the first personal computer in to this generation’s period gives the impression that this generation forms the infrastructure of developing technology habits. Therefore, when generation X takes the chair in business world, information and communication technologies develop rapidly and the effects led to profound changes on generations (Yelkikalan and Altın, 2010). These changes can also cause conflicts with the generation Y who has the technological wisdom, entrepreneurial personality and promotion expectation in a fast pace and also working as a subordinate.

2.3. Generation Y

According to Lower, the range of birth years of this generation is not limited by any parameters. Most experts use this term for those born between 1980 and 2001. They are known by different names such as Millennials, Generation Next, Digital Generation, Echo Boomers and Nexters (2008).

They have high power of adaptation and can perform multitasking. Besides this, they have a nature which is they can be easily bored from the work they do. These people have advanced thinking skills and a fast acquisition process. They have the capacity to embrace change and the capacity to challenge the future in a constant way. In addition, these people have a high standard of living and they also come into prominence in teamwork (Lower, 2008).

2.4. Generation Z

The first members of this generation who have come to the world and/or it is believed that they will come in the future between the years 2000-2020 will have entered the working life within the next five years (Kuran, 2010). Therefore, the behavior of this generation in social and business life has not yet begun to be investigated. There is not much information about this generation yet in the literature.

This generation, which is also called "internet generation ", is always in contact with new technological opportunities, communication and transportation facilities. Unlike previous generations, 'network' youth can become members of various networks. It is argued that they can live and have lived solely because they can develop a relationship from distance. It can be said that they have developed their ability to deal with more than one topic at the same time (Mengi, 2009).

3. The Scope, Sampling And The Method Of The Research

Health workers within the scope of the Y Generation, who are employed in a hospital operating in a public institution located in central Sakarya constitute the population of this research. The sample consists of 128 randomly selected people among these. The questionnaire was distributed to 128 people and precisely collected back.

The birth year interval in the classification of the generations for Generation Y is accepted as between 1980 and 1999.

The starting point of this study is the assumption that "members of the generation Y differ in their business manner and behavior in themselves". From this point, the individuals that comprise the sample are divided into four groups according to the birth year of generation Y. This distinction was in the form of (1980-1984), (1985-1989), (1990-1994), (1995-1999).

The questionnaire has been prepared by examining the literature and generated by the expert opinion, in this way survey validity and reliability are provided. The developed questionnaire was divided into eight main factors and analyzes were carried out on these factors. It comprises of 5-point likert scale and includes 50 Items (1 = Absolutely Disagree, 5 = Absolutely Agree) SPSS for Windows 20.0 program was used to evaluate the data obtained in the study.

4. Research Findings

Before the testing of research questions, a measurement model was established using confirmatory factor analysis and it was investigated whether there was a high correlation between the variables and the factors. It is necessary that the values of the the parameter estimations found as a result of confirmatory factor analysis using the covariance matrix and Maximum Likelihood Estimation (MLE) should be between 0,50 and 0,99, and also have t values above the theoretical values and being statistically significant.

This study investigates the participants 'attitudes towards work, the tendency to use technology, perception of education, communication at work, career management, organizational culture, place attachment, and wage factors' breakdown on job perception.

In the study, first of all demographic data about participants were explained, then it is followed by differences between groups, independent sample, t-test and ANOVA analysis. With the discrimination of generation Y according to the year of birth, the differences between the factors were evaluated. As a result of this evaluation, discriminatory differences were observed between the defined birth intervals.

According to the gender of the employees participating in the survey, 81 of them are women, 47 are men; According to the education level, 54 of them graduated from high school, 23 of them have associate degrees, 42 of them have a bachelor degree, 6 of them have master degrees, 3 of them have doctor's degree; According to the occupational groups 7 of them are doctors, 54 of them nurse-medical officers, 5 of them are health technicians, 53 of them are interns (health departments), 9 of them are other health professional groups.

According to the years of birth of the members of generation Y, 37 people participated in the survey in the period between 1980 and 1984, the number of people who participated in the period between

1985-1989 is 15, the number of people who participated in the period between 1990-1994 is 23, and the number of people who participated in the period between 1995-1999 is 53.

In accordance with the basic assumption that the members of the generation Y are divided and differentiated among themselves and generation Y is divided into 4 groups in order to reveal the difference of birth years and differences on the factors. In order to avoid the confusion of meaning, those who were born between 1980 and 1984 will be named as Group 1, those who were born between 1985 and 1989 will be named as Group 2, those who were born between 1990-1994 will be named as Group 3, and finally those who were born between 1995-1999 will be named as Group 4.

5. Analysis

5.1 Work Attitude

When the attitudes towards work are evaluated in generation Y, 2nd group members are more satisfied and trying to do their best, do not include ambiguity in preferences, and are composed of individuals who are self-sacrificing; for the 4th group members, it is concluded that they are in the opposite approach. In the 1st and 3rd group, it is possible to say that they have more moderate approach to work.

As a result of the analysis made in this case, Figure 1 below has been reached.

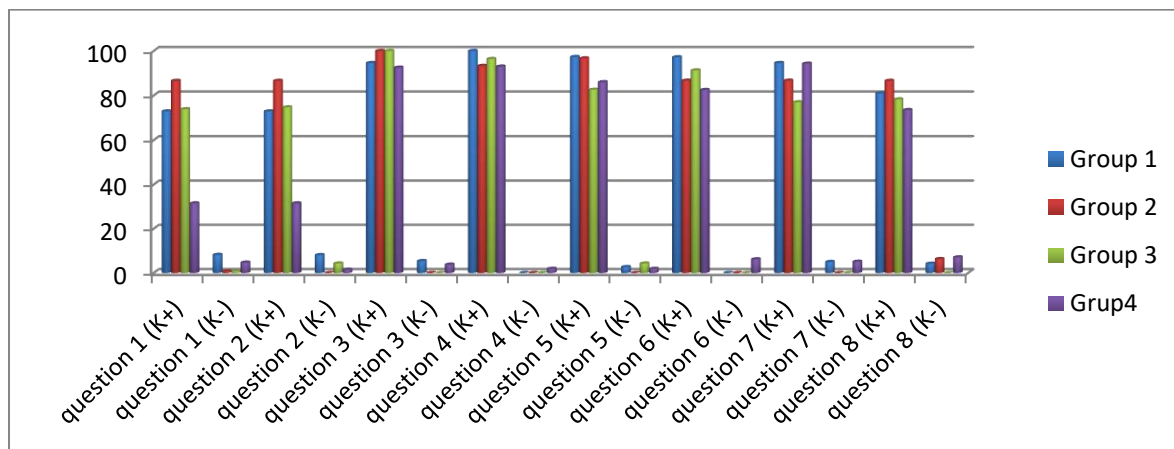


Figure 1: Factor 1 Work Attitude Graph

5.2. Tendency in Technology Usage

When the tendency to use technology is examined, the 3rd and 4th Group of Generation Y are observed to have a higher tendency to follow innovations, to use technology in their work and of their usage of internet and computer, while Group 1 and 2 have shown a more withdrawn attitude in terms of these properties.

When social media follow-up behaviors are examined, participants in Group 1, Group 2 and Group 3 are thought to be hesitant to respond to the questionnaire survey. Participants in the 4th group, however, gave answers indicating that they prefer to use social media extremely high for questioning about social media usage.

As a result of the analysis made in this case, Figure 2 below is reached

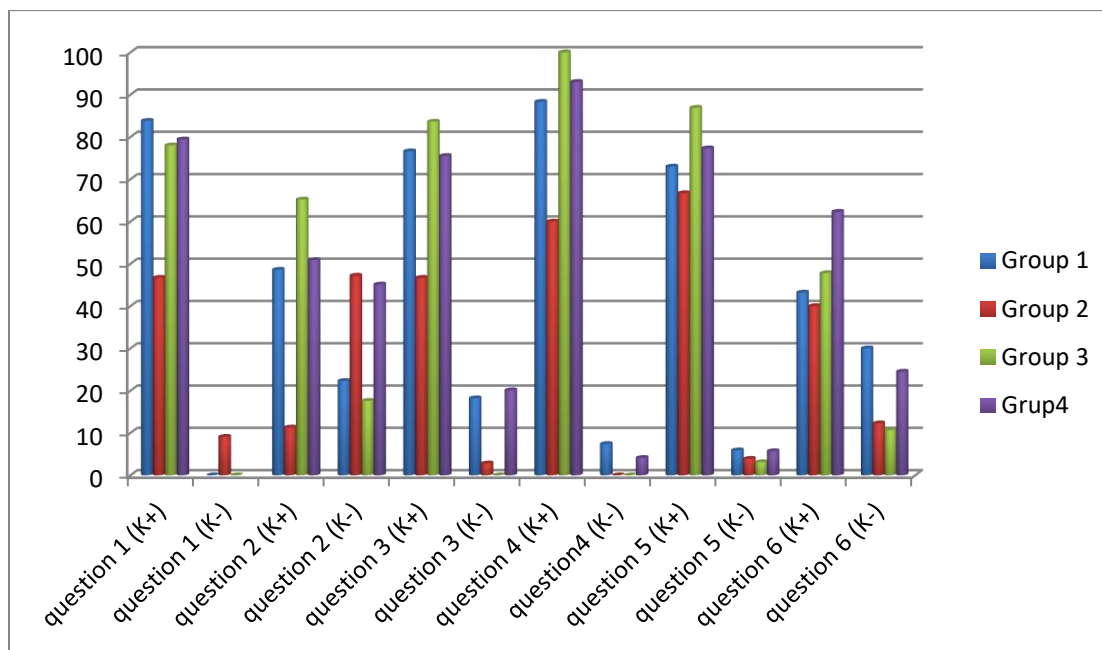


Figure 2:

Factor 2 Technology Tendency Graph

5.3. Perceptions of Education

When the perception of education is examined for Generation Y, it was observed that the 5.4% of the participants in the 1st group responded negatively to the questionnaire survey on the fieldwork they were studying. When the reasons for this situation were investigated, it was determined that after the participants in this age group began their business life, they had additionally studied

different departments. As an example, a health professional who starts working in the nursing staff responds to this question based on his / her department that he or she has recently graduated from because he or she has been studying or graduated in that period in departments such as health administration, sociology, laboratory, biology and public administration. When we considered the issue of education-related in-service trainings and the participation of those trainings in the facilitation of business attachments and the trainings organized at workplaces, Group 1 and 4 showed a negative attitude.

It was determined that the reason behind these negative attitudes of Group 1, born between 1980 and 1984, is that the most of participants experience at the sector was high and those who were born between 1995 – 1999 is due to the continuation of their learning life and the fact that they are already integrated with the field of education.

In the 2nd and 3rd group participants, the perception of education is significantly more optimistic than the participants in the 1st and 4th groups. As a result of the analysis made in this case, Figure 3 below is reached.

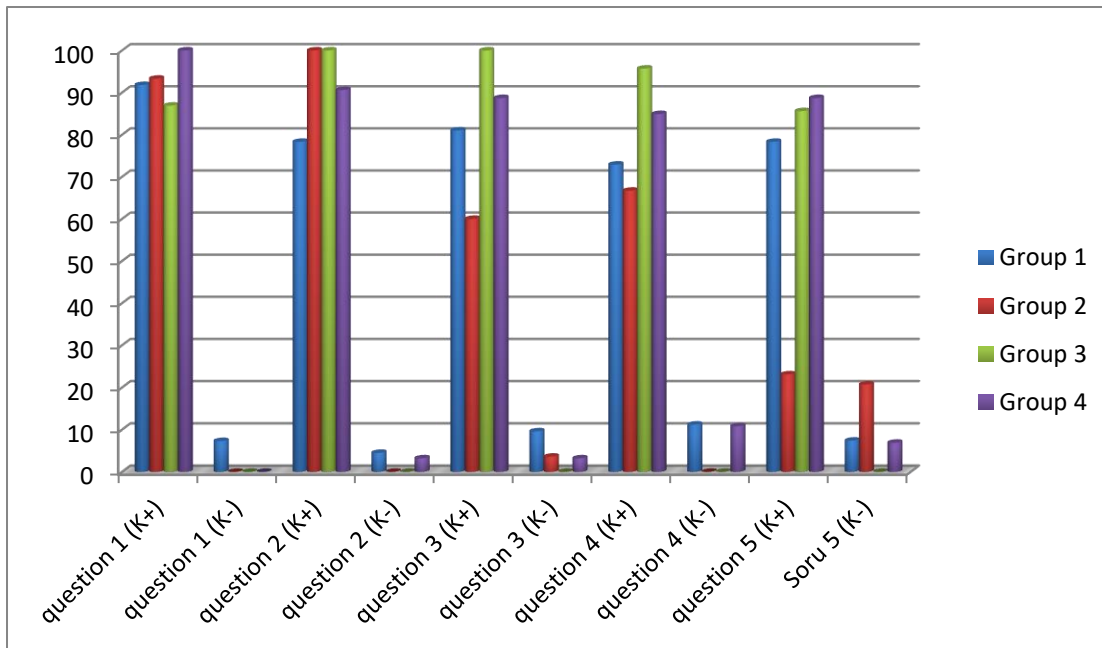


Figure 3: Factor 3 Perceptions of Education Chart

5.4. Communication at Work

When communication trends at work are examined, the 1st and 4th group of Generation Y shared negative opinions in the case of expressing their opinions freely, hesitating to take decisions that they would regret, and were preoccupied with the opinions and suggestions of colleagues and managers.

When the reasons behind these are examined, for Group 1 it is seen that it's due to job experience. The reason for this conclusion to the Group 4 is because of age-related self-esteem and inexperience of life brought about by work life.

In Group 2 and Group 3, communication tendencies were observed to be more positive. As a result of the analysis made in this case, Figure 4 below is reached.

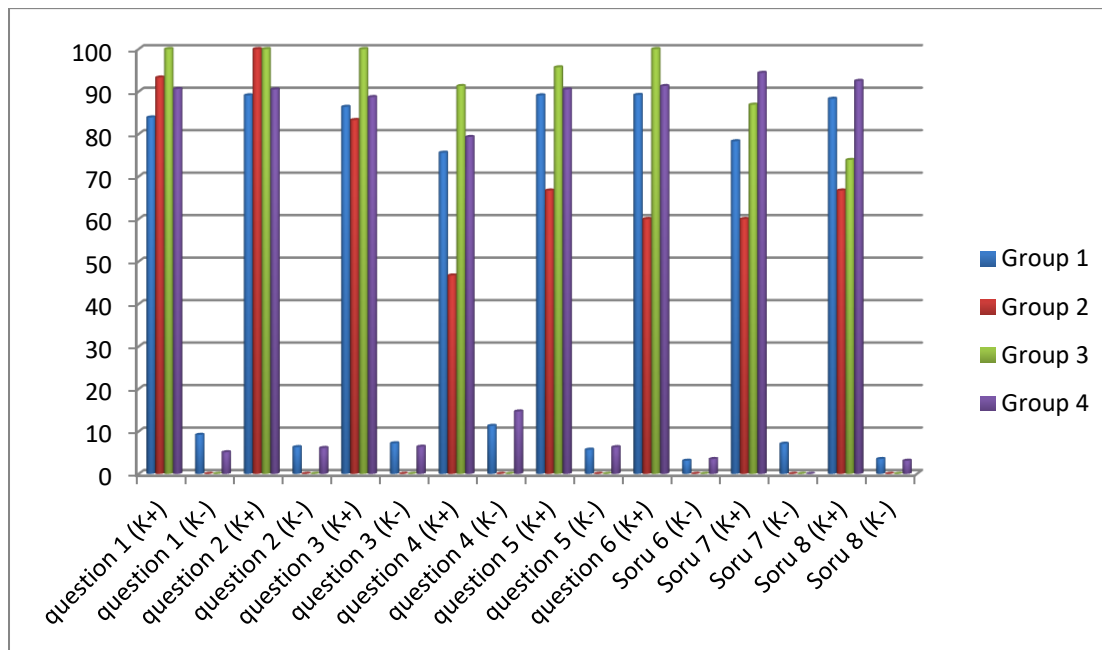


Figure 4: Factor 4 Communication at Work Graph

5.5. Career Management

When career tendencies are examined according to the grouping in Generation Y, career and future plans are evaluated and it is observed that the 1st and 4th group show the same characteristics. These groups have made statements that career and future plans are not a priority for them. Groups 2 and 3, on the other hand, paid more attention to the subjects that were case than the other groups

and responded to the questions by the statements indicating that they were doing their planning accordingly.

As a result of the analysis made in this case, Figure 5 below is reached.

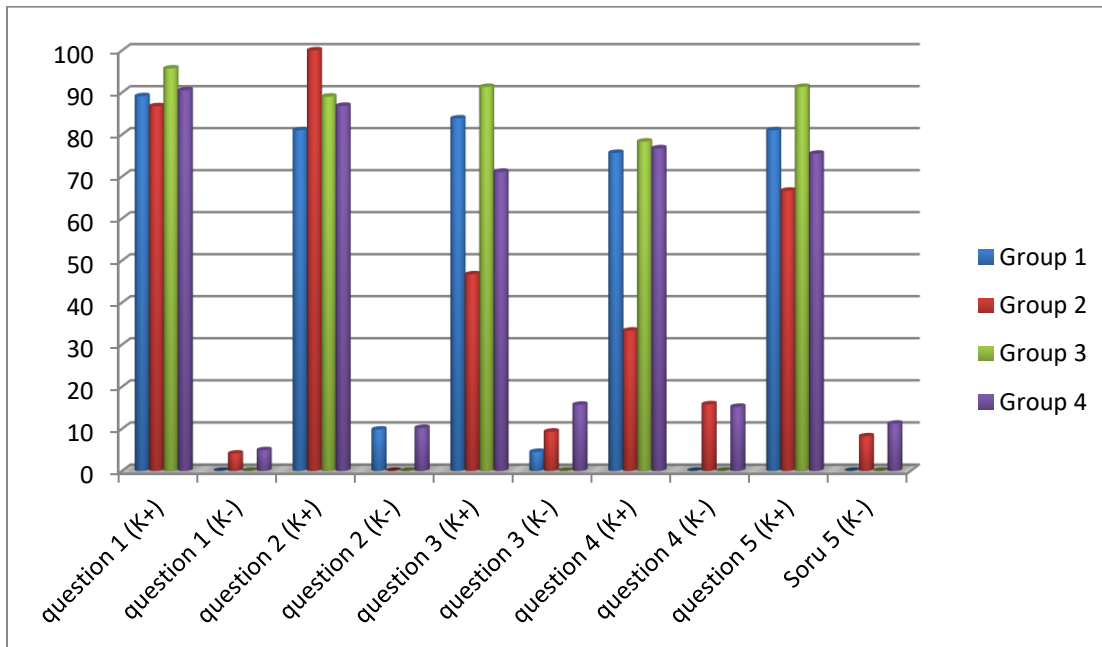


Figure 5: Factor 5 Career Management Graph

5.6 Organizational culture

In the organizational culture approach to Generation Y, has also shown breaks in itself. Analyzing organizational culture and examining teamwork, the value given to colleagues, co-workers friendships outside of the Office and trends of spending time in working hours at the Office, Groups 1 and 4 have shown common features and have been observed to give less importance to colleagues' relations in the context of organizational culture. The 2nd and 3rd groups are at the optimal level of adaptation to the organizational culture.

As a result of the analysis made in this case, Figure 6 below is reached.

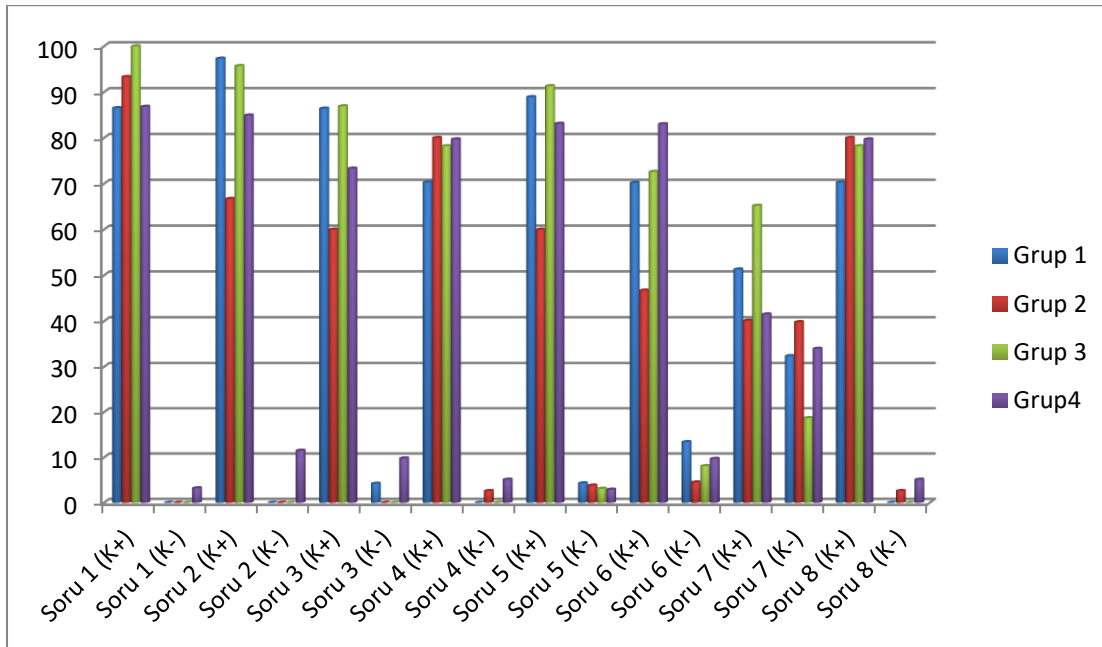


Figure 6: Factor 6 Organizational Culture Graph

5.7. Place Attachment

Members of Generation Y whose place attachment characteristics are observed, when it was examined the characteristics of changing work, evaluating more attractive conditions on behalf of job change and being affected by workplace negativity, the 4th Group exhibited a variable attitude compared to the other 3 Groups. It is observed that Group 4 can not clarify the sense of place attachment. the reason of this is due to the average of the overall age of the participants, either they are already students or they can't work full-time.

The sense of place attachment of the 1st, 2nd and 3rd group participants was evaluated optimistic.

As a result of the analysis made in this case, Figure 7 below is reached.

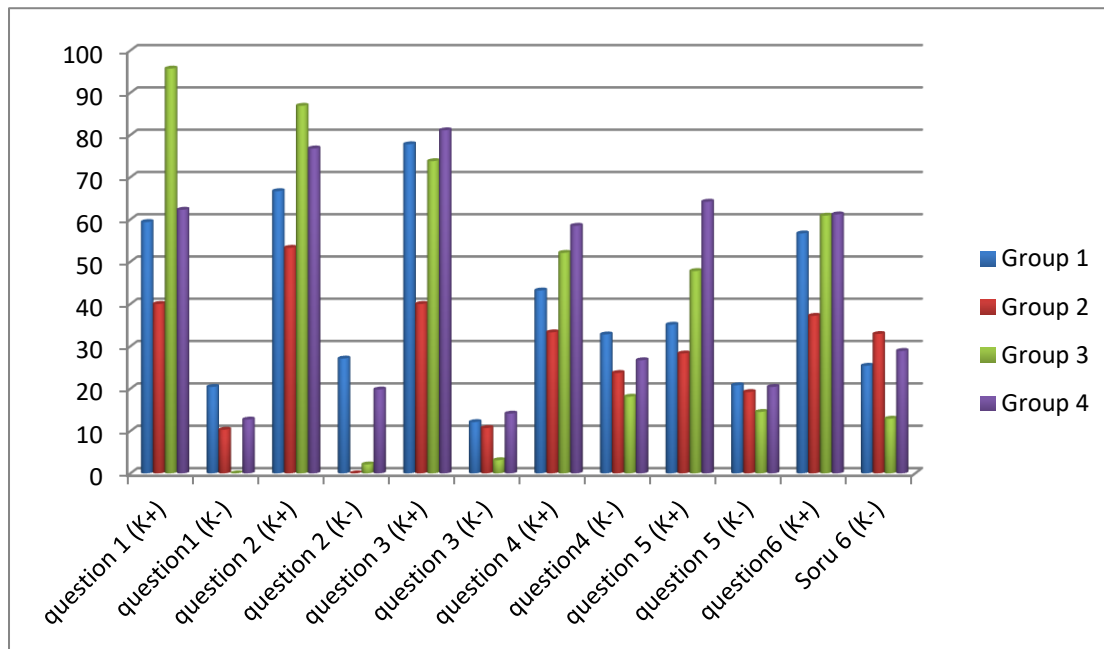


Figure 7: Factor 7 Place Attachment Graph

5.8. Wage

Members of Generation Y were examined at the wage factor level including seeing the wages enough to carry out his or her life, evaluation of additional opportunities to earn more money and satisfaction with overtime wages and the results are;

While Groups 1 and 4 declare that they are not satisfied with the conditions they are in the present situation, Groups 2 and 3 have higher levels of satisfaction. As a result of the analysis made in this case, Figure 8 below is reached.

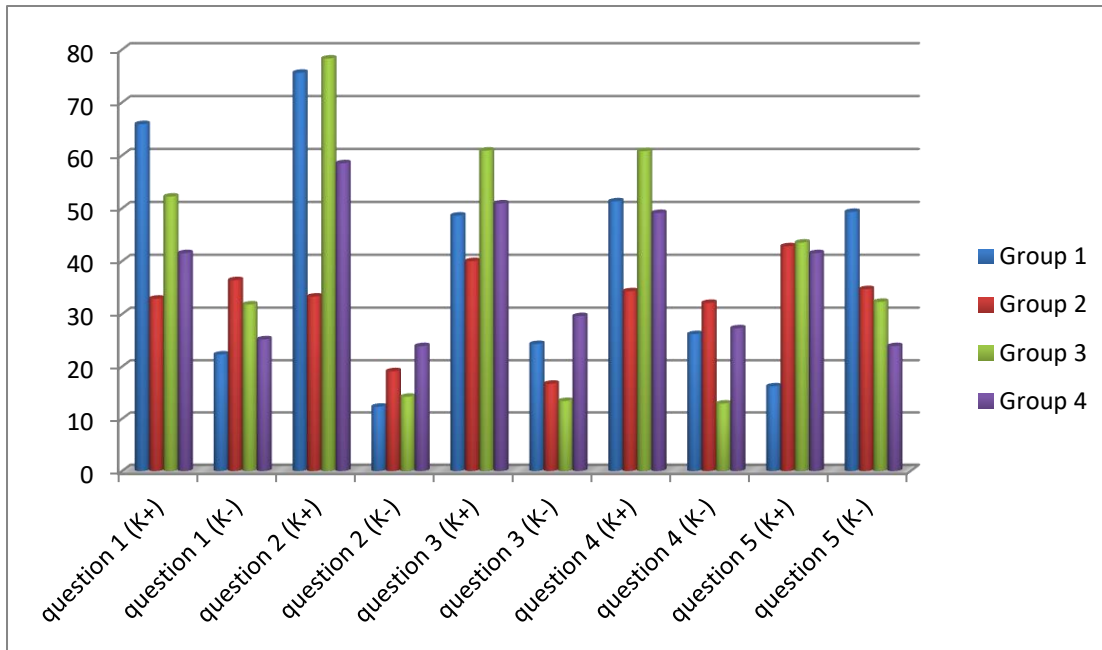


Figure 8: Factor 8 Wage Graph

6. Conclusion

As Generation Y includes the young professionals of business world, we examined Generation Y in this study. The reason for choosing the healthcare industry as a universe in the scope of the research is because it covers all ranges of age of the Generation Y. In order to observe the different attitudes in the age ranges, Generation Y is divided into 4 main groups. When examining the general trends of these groups, eight main factors were evaluated. When we looked at these factors in the general framework, it was observed that they had different attitudes for all the 4 group of age ranges. For all the analyzed factors, all the characteristics of the group we call 2nd Group (born in 1985-1989) are similar to the characteristics of the group we called 3rd Group (1990-1994). In addition to this, apart from the Place Attachment Factor, the characteristics of the Group 1 (born in 1980-1984) and the group named as the 4th group (born in 1995-1999) show similarities.

From this point of view, the characteristics of the Generation Y have already been described in the literature since currently it is the period the beginning of the generation.

By looking at this definition, the participants who are in the 1980-1984 age range were carrying these features and responded accordingly to the survey questions they were asked. The

characteristic features of Y Generation become more moderate and stable in Groups 2 and 3, which are the continuation of Group 1. The group that we call Group 4 which includes the ones born in the last period of the Generation Y have the characteristics of this generation, contrary to expectations. We can name the periods as the middle era that the Generation Y have refractions within. This era covers those who born between the years 1985 and 1994 which is Group 2 and 3. These people have different tendencies due to the fact that they have less features of the characteristics of Generation Y than that of the 1st and 4th groups. From this point, we can refer to the people who are in the age period we mentioned as 2nd and 3rd Group as 'Stable Generation Y'.

As a result of the refractions discussed in this study, we gave the participants of Group 4, who followed by suppressing the features of the Group 2 and 3 and shadowed by the participants of Group 1 of Generation Y, which comes right after Generation X to the foreground with its distinctive characteristics, the opportunity to show the features of characteristics of their generations and to express themselves better.

As a result of this study, it is necessary to carry out studies consisting of different variables on a wider sample, where participants of the Generation Y have a fracture and difference within themselves.

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