

**SELYE E-STUDIES**



**SELYE E-STUDIES**

# **Selye e-studies**

J. SELYE UNIVERSITY

Online reviewed scientific journal

Volume 11

Issue number 1 (2020)

ISSN 1338-1598



Publisher: J. Selye University Faculty of Economics and  
Informatics

## **EDITORIAL BOARD**

### **HEAD**

doc. RNDr. János Tóth, PhD. EF UJS Komárno

### **MEMBERS**

prof. Dr. József Poór, DSc. EF UJS Komárno

prof. Dr. Andrea Bencsik, CSc. EF UJS Komárno

doc. Ing. Radovan Madleňák, PhD. FPEDAS ŽU Žilina

doc. Ing. Loreta Schwarzová, PhD. FEŠRR SPU Nitra

doc. Ing. Jitka Langhamrová, CSc. FIS VŠE Praha

Ing. Tomáš Löster, PhD. FIS VŠE Praha

doc. RNDr. Zuzana Hajduová, PhD. PHF EU Košice

Ing. Ján Kavec, PhD. NHF EU Bratislava

Ing. Norbert Gyurián, PhD. EF UJS Komárno

Dr. habil. Ing. Renáta Machová, PhD. EF UJS Komárno

doc. Mgr. Ing. Ladislav Mura, PhD. EF UJS Komárno

Dr. habil. Zsuzsanna Széles, PhD. KTK NYME Sopron

Mgr. Ing. Tomáš Černěnko, PhD. NHF EU Bratislava

### **EDITOR**

PhDr. Silvia Tóbiás Kosár, PhD. EF UJS Komárno

**Table of contents**

<b>Kováčik, V.:</b> GREEN PUBLIC PROCUREMENT IN THE EUROPEAN UNION AND IN THE SLOVAK REPUBLIC .....	4
<b>Csordás, A.:</b> IMPACT OF DIGITAL COMPETENCE ON THE ECONOMY ARE .....	18
<b>Csinger, B. – Korcsmáros, E.:</b> THEORETICAL BACKGROUND OF THE IMPORTANCE OF SOCIAL MEDIA IN THE MARKETING STRATEGY OF SMALL AND MEDIUM-SIZED ENTERPRISES IN SLOVAKIA, CZECH REPUBLIC AND POLAND THE OPPORTUNITIES IN TOURISM FOR PEOPLE WITH REDUCED MOBILITY .....	27
<b>Baša, P. –Korcsmáros, E. –Csinger, B.:</b> JOB SEEKING TRADITIONS IN THREE DISTRICTS OF SOUTHWEST-SLOVAKIA .....	35
<b>Kitukutha, N. – Widyatama, R.:</b> IMPACT OF TV MEDIA ON E-COMMERCE GROWTH AND PERFORMANCE IN DEVELOPING .....	42
<b>Faragó, B.:</b> MANAGEMENT OF THE SPORT CAREER MODEL IN HUNGARY - DUAL CAREER RESEARCH.....	55
<b>Varga, J. - Kovács-Szamosi, R.:</b> COMPARATIVE ADVANTAGES OF LOCAL CURRENCY AGAINST REGULAR MONEY .....	67

## **GREEN PUBLIC PROCUREMENT IN THE EUROPEAN UNION AND IN THE SLOVAK REPUBLIC**

**Vladimír Kováčik**

### **Abstract**

Green public procurement is one of the key instruments in the EU's efforts to become a more resource-efficient economy and to achieve objectives of ensuring smart, sustainable and inclusive growth. In the Slovak Republic, the green public procurement is strongly supported at national level by public procurement legislation, by several strategic documents approved by the Government of the Slovak Republic as well as by the program declaration of the Government of the Slovak Republic. The objective of this paper is to provide an insight on the theoretical definition of green public procurement, its enshrinement in the European Union and the Slovak Republic legislation as well as in strategic documents and also to provide an insight of the usage of this instrument in practice at the level of central government authorities, self-government regions and municipalities in the Slovak Republic in the context of fulfilment of the goals set in the strategic documents in Slovak Republic.

### **Key words**

Green public procurement, environmental legislative, strategic documents, environmental aspect, sustainable development.

**JEL Classification:** H57, H72

### **Introduction**

One of the key policies of the European Union is the environmental policy, which is aimed at protecting the environment and ensuring the sustainability of energy use. The main aim of the environmental policies and legislation of the European Union (EU) is to enable European citizens to live well in the ecological clean, sustainable environment. The focus is centered on an innovative, circular economy, where biodiversity is protected, valued and restored and environment-related health risks are minimized. Over the past decades, the EU has been able to adopt many legislation acts in the area of environment protection, and as a result, the ecological situation in EU has been significantly improved. Yet, there are still many challenges that need to be tackled in the area of environmental protection.

The current adverse development in ensuring the sustainability of the use of energy sources as well as their consumption leave negative consequences for the quality of the environment. Sustainable development is the process of continually improving the quality of life and living conditions of present and future generations, while protecting the environment as its elementary component. The above mentioned reasons force the EU to constantly seek instruments to mitigate this adverse development.

The issue of defining instruments to ensure the sustainability of energy use and improving the quality of the environment is one of the key priorities of EU public policy, whether at the level of EU strategic documents or as a pivotal theme for many authors and publications. As in any public policy, public procurement policies, procedures and legislation have an increasingly important role in environmental protection. Every year EU member states spend overall approximately 19 % of Gross domestic product (GDP) for public procurement purposes, accounting more than 2.3 trillion EUR (European Union, 2016). With this amount of this public money authorities could have a significant impact on the market, therefore, by integration of environmental aspect within public procurement it is possible to increase the

share of environmentally friendly goods and services in the market. Public procurement is the core activity of all sorts of development policy implementations (Shakya, 2019).

One of the most important instruments for EU environmental, climate and energy policy is green public procurement, which means public procurement where environmental aspects are included in procurement procedures. Green public procurement is an important tool for achieving environmental policy objectives related to climate change, resource use and sustainable consumption and production, especially given the importance of public sector spending on goods and services in Europe. Policy makers can employ different instruments to address environmental policy targets, and public sector purchasing power, i.e., public procurement, is found on the list of plausible instruments around the world (Lundberg and Marklund, 2018).

Green public procurement is defined in the EU as a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured (European Commission, 2008). Green public procurement, i.e. public purchasing of products and services which are less environmentally damaging when taking into account their whole life cycle, is increasingly used by countries to achieve such policy objectives in the area of environmental protection (OECD, 2015).

Green public procurement is one of the voluntary instruments of public policy in the field of environmental protection. The principle of volunteering in this case means that individual member states and individual contracting authorities themselves can choose the extent to which they will use this instrument in practice. However, besides the indisputable positive impact on the environment, some countries recognize certain obstacles when trying to implement the green public procurement. One of the most relevant is the assumption, that the green goods and services may be more expensive than the conventional ones. Other issues are low awareness of the public procurement authorities, lack of capacities and know-how, low level of monitoring and low legislative obligations. However, countries increasingly recognize that green public procurement can be a major driver for innovation, providing industry with incentives for developing environment-friendly works, products and services, particularly in sectors where public purchasers represent a large share of the market, such as construction, health services or public transport (European Commission, 2011).

Green public procurement is a public procurement procedure that takes environmental considerations into account in the tender specifications. Green public procurement allows public authorities to respond to current environmental challenges (Alhola, 2012). Green public procurement, which focuses on ecological purchasing criteria, is somewhere in between environmental objectives and preserving the integrity of the internal market (Kunzlik, 2003). The green public procurement contributes to national and international environmental objectives and that it's a major driver for innovation and a vehicle for economic growth (OECD, 2013).

Green public procurement represents a relatively new area of research (Testa et al., 2012). There are many authors that describes green public procurement at national levels (Swanson, et al. 2005; Geng and Doberstein 2008; Stage and Arvidsson 2012). Some others are providing particular guidelines (Parikka-Alhola 2008; Tarantini et al. 2011).

Green public procurement is an important instrument the state has to promote public health and at the same time it is a good practice of effective public spending with an emphasis on protecting the environment and natural resources. As a result of such a procurement process, the delivery of goods, services or works with a more favorable environmental impact is in place than the delivery of their equivalents without taking environmental considerations into account. At the same time, green procurement is one of the ways in which public institutions can contribute to environmental protection through the implementation of environmental

characteristics in the description of the subject matter of the contract, the criteria for evaluation, and the implementation conditions. However, these institutions must provide strong support to this issue. Visible support from high-level officials would provide the stamp legitimacy to green procurement, thus increasing its likelihood to success (Thai, 2017).

In the Slovak Republic (SR), the issue of integrating environmental aspects in public procurement was gradually introduced into national legislation and strategic documents after EU accession. The aim of these measures was to bring the use of this instrument closer to the level of those Member States that achieve the best results in this area. The aim was also to promote and implement green public procurement in procurement processes, especially in local municipalities, and regional level, as well as the transfer of know-how from EU Member States where green procurement is already a daily practice.

### **Objectives, materials and methods**

The objective of this paper is to provide an insight on the theoretical definition of green public procurement, its enshrinement in the EU and the SR legislation as well as in strategic documents and also to provide an insight of the usage of this instrument in practice at the level of central government authorities, self-government regions and municipalities in the SR in the context of fulfilment of the goals set in the strategic documents in SR. In this paper, we were working with secondary data. The data we used in this paper were quantitative. To achieve the objective, the methods of analysis, synthesis, deduction and induction have been used. Another key method that has been used was the descriptive statistics. For better visualization, we used a graphical representation of the identified values. The results will contribute to knowledge about green public procurement practices in Slovakia and help technical staff understand the current situation when removing barriers of using this instrument in practice and further encouraging the use of environmental criteria.

### **Green public procurement in the EU**

In the last decade, green public procurement has become one of the fundamental pillars of environmental and procurement policies in the EU (Carlsson and Waara, 2006) The European Commission defined it as a process whereby public authorities seek to produce goods, services, and works with a reduced environmental impact through their life cycle when compared to goods, services, and works with the primary function that would otherwise be procured (European Commission, 2008). Public procurement has been the pillar of the functioning of the EU internal market for decades, while its principles, and in particular the legislation defining its rules, are constantly evolving and adapting to the current needs of the institutions and the market. EU public procurement legislation has evolved from a relatively peripheral area of EU economic law before the completion of the internal market in 1992 towards the central themes of EU strategic documents such as the Lisbon Strategy or the Europe 2020 Strategy (Ølykke and Graells, 2016). In particular, in the last two decades, both the EU and the Member States have developed a trend towards public procurement policy towards a greater importance of environmental aspects in public procurement.

Green public procurement is supported by a range of EU policies and strategies, proving that it is an important tool that contributes to achieving environmental goals. Applying green public procurement promotes the sustainable use of natural resources, achieving behavioral changes that lead to sustainable production and consumption, and also encourages innovation. It is very important to focus on the sustainability of the production and consumption at the level of public authorities, because the public sector is the biggest consumer of services, goods and works; therefore it can have positive impact when guiding the trends towards environmental friendly services and products. The United Nations defined sustainable public procurement as a procurement wherein an organization uses its buying power to signal

preferences to the market with its choice of goods and services that meet sustainable criteria (United Nations, 2008).

The Europe 2020 Strategy is a key EU strategic document to ensure smart, sustainable and inclusive growth measures as a means of overcoming the structural weaknesses of the European economy, improving its competitiveness and productivity, while defining a sustainable social market economy in terms of environmental protection and natural resources targets. One of the key instruments for achieving the environmental objectives defined in the Europe 2020 strategy is green public procurement (European Commission, 2010). At the same time, the green public procurement is defined in the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions COM (2008) 400 on Public Procurement for a Better Environment (European Commission, 2008).

The legal framework for public procurement in EU is defined by the provisions of the Treaty on the Functioning of the EU and by the EU Procurement Directives. In 2014, the Council of the European Union and the European Parliament adopted two directives aimed at simplifying public procurement procedures and making them more flexible. Directive 2014/24/EU on public procurement and Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors emphasize the implementation of strategic public procurement, which includes elements of an environmental, social and innovative nature, and support for SMEs (in this case it is the green public procurement). The EU Circular Economy Action Plan is considered to be one of the key policy instruments for the transition of the economy to the so-called the circulatory model and the EU actively supports and promotes it through a policy of sustainable production and consumption.

One of the most important instruments to support the implementation of the green procurement in EU is the adoption of the green public procurement criteria. The EU green public procurement criteria are developed to facilitate the inclusion of green requirements in public tender documents and can be required to meet as well as other technical or functional specifications of product. While the adopted EU green public procurement criteria aim to reach a good balance between environmental performance, cost considerations, market availability and ease of verification, procuring authorities may choose, according to their needs and ambition level, to include all or only certain requirements in their tender documents (European Commission, 2019).

The basic concept of green public procurement relies on having clear, verifiable, justifiable and ambitious environmental criteria for products and services, based on a life-cycle approach and scientific evidence base. The criteria used by Member States should be similar to avoid a distortion of the single market and a reduction of EU-wide competition. Having common criteria reduces considerably the administrative burden for economic operators and for public administrations implementing green public procurement. Common green public procurement criteria are of a particular benefit to companies operating in more than one Member State as well as SMEs (whose capacity to master differing procurement procedures is limited). Since 2008, the Commission has developed more than 20 common green public procurement criteria. The priority sectors for implementing green public procurement were selected through a multi-criteria analysis including: scope for environmental improvement; public expenditure; potential impact on suppliers; potential for setting an example to private or corporate consumers; political sensitivity; existence of relevant and easy-to-use criteria; market availability and economic efficiency. The criteria are regularly updated (European Commission, 2019).

Another important measure to ensure the support of the green public procurement in the EU Member States is the adoption of the National action plans. In 2003, the European Commission in its Communication on Integrated Product Policy encouraged Member States to

draw up publicly available National Action Plans for greening their public procurement. The National Action Plans should contain an assessment of the existing situation and ambitious targets for the next three years, specifying what measures will be taken to achieve them. The National Action Plans are not legally-binding but provide political impetus to the process of implementing and raising awareness of greener public procurement. They allow Member States to choose the options that best suit their political framework and the level they have reached (European Commission, 2019).

**Table 1: The status of the adoption of the National Action Plans in EU Member States, as of June 2019.**

National Action Plan for green public procurement or equivalent document adopted	23: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, UK
No existing National Action Plan	5: Estonia, Greece, Hungary, Luxembourg, Romania

Source: European Commission, 2019

As demonstrated in Tab. 1, most of the EU Member States governments have already adopted policies for the green public procurement of goods and services. However, when deploying them, most efforts have focused on developing resources for implementation (e.g. guidelines, green specifications, etc.). Only a small amount of resources have been allocated to implement the monitoring systems to track progress against the set objectives. This is crucial for the efforts to maximize green public procurement policy efficiency, since without regular monitoring and evaluation of the progress it is almost impossible to meet the objectives (or to be able to even come to conclusions that objectives have been met). Research has shown that if all the authorities in the EU procured green electricity, about 60 million tons of carbon dioxide could be saved; and in addition, if efficient toilets and taps were demanded, water consumption will reduce by 200 million tons (Buying Green, 2004).

### **Green public procurement in Slovakia**

In the SR, green public procurement has been supported as a horizontal public procurement instrument since 2001. By the Government Resolution no. 978/2001, The National Strategy for Sustainable Development has been adopted, which, as the first strategy in the SR, mentions the environmental aspect of public procurement among the relevant measures.

The Government Resolution no. 1091/2007 approved the Strategy for the Implementation of Voluntary Environmental Policy Instruments in Slovakia, one of the priorities of which is to support the green public procurement policy, which will take into account environmental characteristics in public procurement procedures while respecting competition, internal market and best practice guidelines.

A key document in the SR's support for green public procurement is the National Action Plan for Green Public Procurement in the SR. This document has already been approved in the SR three times, and for the first time it was approved by the Slovak Government by resolution no. 944 of 7 November 2007 for the years 2007 - 2010. This strategy document creates the conditions for increasing the use of green public procurement in public administrations, both at the level of central government institutions and in self-government. The aim was to come closer with usage of this instrument to the EU Member States with the best results in this area by 2010, while at the same time meeting the EU-level target of applying



public procurement principles in the Member States at 50% of public procurement within the central government institutions by 2010 and by local government organizations by 2015 (National action plan for green public procurement in SR for 2007-2010).

On January 18, 2012, the Government Resolution No. 22 approved National Action Plan for Green Public Procurement in the Slovak Republic for years 2011 - 2015, which is based on the recommendations of the European Commission (EC) and on the results of the evaluation of the level of implementation of green public procurement in Slovakia in the period 2007 - 2010. The strategic objective of the document was to achieve 65 % of green public procurement of all tendering procedures at central government level and 50 % of green public procurement at regional level and local government by the end of 2015.

On the basis of this document, the level of application of green public procurement is assessed on the basis of evaluating two indicators, namely indicator 1, which represents the percentage of green public procurement of total public procurement in terms of number of contracts and purchase and indicator 2, which represents the percentage of green public procurement of total public procurement in terms of monetary value of contracts and purchase (National action plan for green public procurement in SR for 2011-2015).

On the basis of the legislative, technological changes and development of the implementation of green public procurement in the EU and in the SR, the Government of the SR adopted the Resolution no. 590 of 14 December 2016, by which the National Action Plan for Green Public Procurement in the Slovak Republic for 2016 - 2020 was approved, which was already the third action plan adopted in this area in Slovakia. It includes a set of objectives and measures that also followed up on the inclusion of green public procurement in the Program Declaration of the Government of the SR for 2016-2020, in which the Government of the SR has committed to create favorable conditions for its application in practice. At the same time, this Action Plan introduced a definition of "green" contract in the SR, by which at least the one environmental requirement from core EU green public procurement criteria must be met.

The strategic objective stated in this Action Plan was to achieve a 50% share of the green contracts implemented by the public authorities at central government level out of the total number of their contracts concluded for selected priority product groups. At the same time, the mandatory application of specific environmental characteristics for selected product groups was introduced for the first time and will be definitively specified based on the results of the Slovak market analysis.

Green public procurement is also enshrined in national legislation. In the context of green public procurement, contracting authorities, within the meaning of Act no. 343/2015 Coll. on public procurement and on amending and supplementing certain acts, as amended by Act no. 438/2015 Coll., are obliged to specify in the description of the subject matter of the contract, the requirements for the product of the highest performance and the highest energy efficiency class according to a special regulation when placing above-the-limit contracts for energy-related product; and for the supply of motor vehicles of categories M1, M2, M3, N1, N2 and N3, take into account in the description of the subject matter or the award criteria, the energy and environmental impacts of the operation of these vehicles during their lifetime under Act No. 158/2011 Coll. on the promotion of energy and environmentally efficient motor vehicles and on amending and supplementing certain acts (Act no. 343/2015 Coll. on public procurement and on amending and supplementing certain acts).

An important element in the area of implementation of green public procurement in Slovakia is its monitoring and regular evaluation. Government of the SR through the Resolution of the Government of the SR no. 590/2016 assigned the task to the Minister of Environment of the SR to submit regular informative materials on the implementation of green public procurement for the relevant calendar year in cooperation with other ministers and heads of central state administration bodies to the Government of the SR.

Following the resolution of the Government of the SR, the Ministry of the Environment of the SR drew up the Information on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for the year 2017, which provided the Government of the SR with an overview of the use of this instrument at the level of central state administration bodies and local governments in 2017.

According to the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020, the level of application of green public procurement is assessed on the basis of two quantitative indicators, namely:

Indicator 1: percentage of green public procurement of total public procurement in terms of number of contracts and purchase for the calendar year concerned;

Indicator 2: percentage of green public procurement of total public procurement in terms of monetary value (in EUR excluding VAT) of contracts and purchase for the calendar year concerned.

### Results and Discussion

Based on the Government Resolution no. 590/2016 SR the Ministry of Environment of the SR prepared the document “Information on the implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016 - 2020 for 2017”, which provided the Government with an overview of the use of this tool at the level of central state administration bodies in 2017.

Based on data from the Information on the implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for 2017, as demonstrated in Table 2, the overall amount of green public procurements in SR was 7 712 in the total amount of 45 204 499,24 EUR.

**Table 2: Number and value of green contracts implemented in 2017 in Slovakia**

		Central government authorities	Self-governing regions and municipalities	Overall
<b>Total number of green contracts</b>	<b>Goods</b>	5 394	1 303	6 697
	<b>Services</b>	611	341	952
	<b>Works</b>	48	15	63
	<b>Overall</b>	<b>6 053</b>	<b>1 659</b>	<b>7 712</b>
<b>Total value of green contracts [EUR excl. VAT]</b>	<b>Goods</b>	36 363 615,36	1 610 895,56	37 974 510,92
	<b>Services</b>	2 016 514,30	294 113,49	2 310 627,79
	<b>Works</b>	4 284 760,68	634 599,85	4 919 360,53
	<b>Overall</b>	<b>42 664 890,34</b>	<b>2 539 608,90</b>	<b>45 204 499,24</b>

Source: own processing based on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for 2017

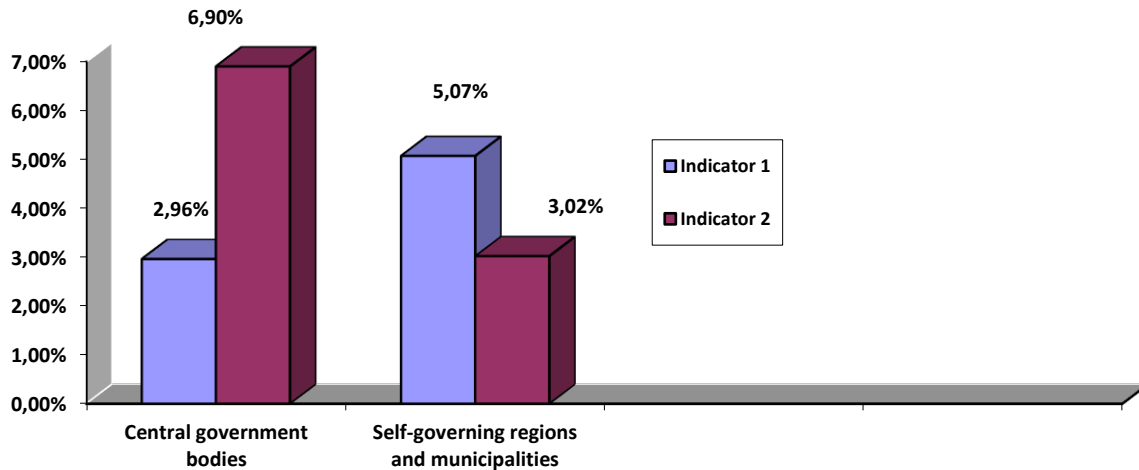
The average level of application of green public procurement in the SR for 2017, achieved by central state administration bodies and their subordinate organizations, is 2.96% in relation to indicator 1.

The average level of green public procurement for 2017, achieved by self-governing regions with subordinate organizations and municipalities, is 5.07% in relation to indicator 1.

The average level of application of green public procurement in the SR for 2017, achieved by central state administration bodies and their subordinate organizations, is 6.90% in relation to indicator 2.

The average level of application of green public procurement in the SR for 2017, achieved by self-governing regions and their subordinate organizations and municipalities, is 3.02% in relation to indicator 2.

**Figure 1: The average level of application of green public procurement for 2017 in SR**



Source: own processing based on Information on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 (2017)

As demonstrated in Table 3, the average application of the green public procurement instrument within central state administration bodies with subordinate organizations and self-governing regions with subordinate organizations and municipalities in 2017, green public procurement has only contributed 3.25% (Indicator 1) and only 6.43% (indicator 2) to all public procurement contracts.

**Table 3: Achieved results of indicators 1 and 2 for central state administration bodies, self-governing regions and municipalities and total values broken down by type of contract**

	Central government authorities	Self-governing regions and municipalities	Overall
	Indicator 1 in %	Indicator 1 in %	Indicator 1 in %
<b>Goods</b>	12,62	6,85	10,84
<b>Services</b>	0,38	2,81	0,55
<b>Works</b>	2,98	0,94	1,96
<b>Overall</b>	<b>2,96</b>	<b>5,07</b>	<b>3,25</b>
	Indicator 2 in %	Indicator 2 in %	Indicator 2 in %
<b>Goods</b>	16,04	8,68	15,48
<b>Services</b>	0,67	1,46	0,72
<b>Works</b>	4,80	1,40	3,66
<b>Overall</b>	<b>6,90</b>	<b>3,02</b>	<b>6,43</b>

Source: own processing based on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for 2017

Based on the Government Resolution no. 590/2016 SR the Ministry of Environment of the SR prepared the document “Information on the implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016 - 2020 for 2018”, which provided the Government with an overview of the use of this tool at the level of central state administration bodies in 2018.

Based on data from the Information on the implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for 2017, as demonstrated in Table 2, the overall amount of green public procurements in SR was 9 332 in the total amount of 75 909 025,32 EUR.

**Table 4: Number and value of green contracts implemented in 2018 in Slovakia**

		Central government authorities	Self-governing regions and municipalities	Overall
<b>Total number of green contracts</b>	<b>Goods</b>	7517	1334	8851
	<b>Services</b>	331	96	427
	<b>Works</b>	36	18	54
	<b>Overall</b>	<b>7884</b>	<b>1448</b>	<b>9332</b>
<b>Total value of green contracts [EUR excl. VAT]</b>	<b>Goods</b>	35 432 349,66	23 903 465,47	59 335 815,13
	<b>Services</b>	5 264 667,12	282 683,08	5 547 350,20
	<b>Works</b>	2 258 435,50	8 767 424,49	11 025 859,99
	<b>Overall</b>	<b>42 955 452,28</b>	<b>32 953 573,04</b>	<b>75 909 025,32</b>

Source: own processing based on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 for 2018

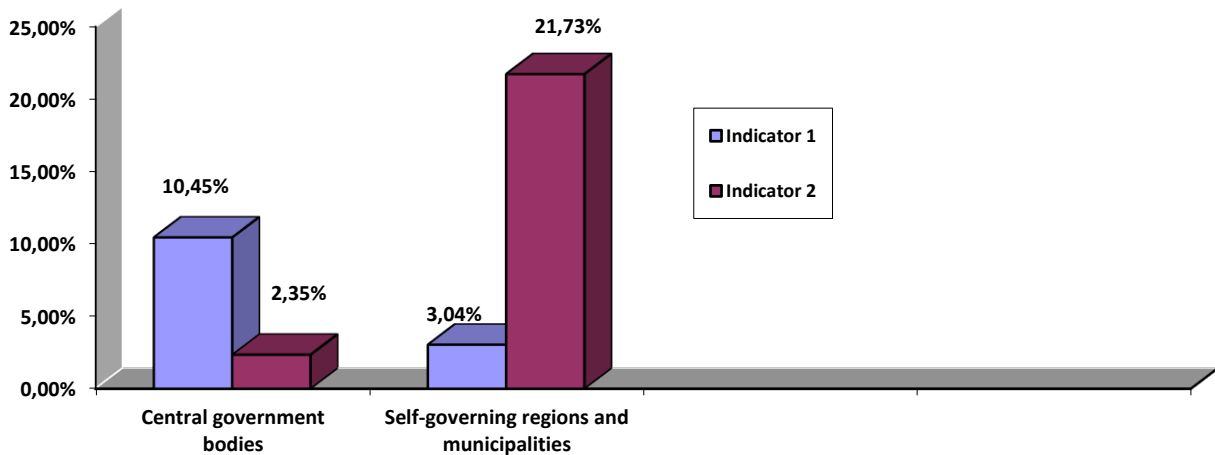
The average level of application of green public procurement in the SR for 2018, achieved by central state administration bodies and their subordinate organizations, is 10.45% in relation to indicator 1.

The average level of green public procurement for 2018, achieved by self-governing regions with subordinate organizations and municipalities, is 2.35% in relation to indicator 1.

The average level of application of green public procurement in the SR for 2018, achieved by central state administration bodies and their subordinate organizations, is 21.73% in relation to indicator 2.

The average level of application of green public procurement in the SR for 2017, achieved by self-governing regions and their subordinate organizations and municipalities, is 3.02% in relation to indicator 2.

**Figure 2: The average level of application of green public procurement for 2018 in SR**



Source: own processing based on Information on Implementation of the National Action Plan for Green Public Procurement in the Slovak Republic for 2016-2020 (2018)

Based on the analysis of the use of green public procurement in the Slovak Republic in 2017 and 2018 at the level of central state administration bodies, self-governments and their subordinate organizations, we came to several remarkable conclusions.

Regarding the level of using of this instrument by the central government bodies and their subordinate organizations, between 2017 and 2018 we have not seen a significant shift towards better fulfillment of the target set in the National Action Plan for Green Public Procurement in Slovakia for 2016-2020 (to reach 50% of realized green contracts by public authorities out of the total volume of their contracts for selected product groups).

The total number of green contracts increased by only 1831 on a year-on-year basis (from 6053 in 2017 to 7884 in 2018), but the total value of green contracts remained virtually the same year-on-year (EUR 42 664 890.34 excluding VAT in 2017 and EUR 42 955 452.28 excluding VAT in 2018).

In percentage terms, the level of green public procurement in relation to Indicator 1 increased year-on-year from 2.96% in 2017 to 10.45% in 2018, but the level of green public procurement in relation to Indicator 2 decreased from 6.9% in 2017 to 2.35% in 2018.

Regarding the level of use of this tool within municipalities and their subordinate organizations, we have seen a significant shift there.

The total number of green contracts declined by 211 (from 1659 in 2017 to 1448 in 2018), but the total value of green contracts increased by EUR 30 413 963.14 without VAT (EUR 2 539 608.90 excl. 2017 and EUR 32 953 573.04 excluding VAT in 2018).

In percentage terms, we have seen a decrease in the level of green procurement linked to Indicator 1 from 5.07% in 2017 to 3.04% in 2018, but as regards the level of green procurement linked to Indicator 2, recorded a significant shift from 3.02% in 2017 to 21.73% in 2018, representing a year-on-year increase of almost 620%.

The strategic objective of achieving a 50% share of implemented green contracts by central state administration bodies out of the total number of contracts concluded by them for selected product groups set out in the National Green Plan for Public Procurement in the Slovak Republic for 2016-2020 was not achieved in 2017, nor in 2018. Based on the current development of the level of the application of the green public procurement instrument in SR, it seems that achieving the set objectives in the above mentioned strategic documents is not a very realistic scenario in Slovakia.

However, on the basis of this statement, several fundamental questions are raised. The first is, of course, identifying the causes of the low level of involvement of central government authorities and their subordinate organizations in the use of this instrument in public procurement procedures. One of the possible reasons in this case may be a financial restriction on purchases in public administration, which we consider to be an absolutely objective cause.

In our opinion, however, another key factor of the described situation is the low binding application of green public procurement tools for central state administration bodies and their subordinate organizations, and the related non-existent sanction mechanism in case of non-compliance with set values at the SR strategic documents approved by the government. Another question is whether there is enough pressure from the professional and general public and the media on contracting authorities to take sufficient account of the environmental aspect of procurement.

As further effective measures that should be introduced in Slovakia in order to increase the use of green procurement in practice we consider regular training of relevant employees of contracting authorities, simplification and streamlining of the procurement system itself, which will very probably require legislative changes and creating the templates.

Another area where we see a significant room for improvement is the area of monitoring of green public procurement application in EU Member States. Most of the information regarding the application of the green public procurement instrument in the EU Member States comes from surveys or studies, which are co-financed by the EU. The weak point of this system of monitoring is the mediocre participation of the public authorities of the Member States, and therefore the information provided in the surveys or studies results are often distorted. To be able to progress toward set objectives, an effective and representative monitoring system should be introduced. This system should be able to record tenders and awarded contracts with included green public procurement criteria. Although some EU Member States have already started to prepare national monitoring schemes for green public procurement implementation, this issue should be addressed more from the EU level and the monitoring system needs to be unified for all of the EU Member States to be able to exercise relevant evaluations of meeting the set objectives.

## **Conclusion**

The benefits of green public procurement are evident not only in meeting specific environmental objectives and tasks (e.g. energy efficiency, reducing greenhouse gas emissions), but also in improving the social and health conditions of life (e.g. improving quality of life, health protection), cost savings, in empowering citizens, businesses and society towards public administration, in promoting innovation and promoting the development and expansion of environmental products and services.

The current trend of green public procurement support in EU at the level of legislation and strategic documents is very intensive. Despite the fact that at the level of the enshrinement of the green public procurement in legislation as well as strategic documents is also very intensive in the SR, the actual application of this instrument reported by central state administration bodies and municipalities is at a very low level so far. The strategic objective of achieving a 50% share of implemented green contracts by central state administration bodies out of the total number of contracts concluded by them for selected product groups set out in the National Green Plan for Public Procurement in the Slovak Republic for 2016-2020 was not achieved in 2017, nor in 2018. In spite of the ambitious plans set out in the strategic documents and putting great emphasis on this issue from the level of the Government of the SR, the results of the SR in 2017 are exceedingly unsatisfactory. For the years to come, these numbers should therefore be a challenge for all relevant contracting authorities to make significant improvements in this area.

The implementation of green procurement is beneficial for the environment, but on the other hand, there have been some key barriers highlighted by the Member States when trying to implement this type of procurement. The biggest issue is the extra cost of these products and services, which are not always easy to absorb. One of the possible reasons may be the financial limits of purchases in public administration, where the green procurement is not always the most efficient option regarding the price. Low level of motivation from the Government or other higher authorities towards the representatives of institutions that are responsible for the procurements is another key issue, as well as lack of resources and training. Another issue is the inefficient monitoring system, based on surveys and studies; therefore it's very difficult to exercise relevant evaluations of achievements in this area to be able to progress toward meeting the set objectives. It is therefore necessary to increase the green procurement education of new and existing procurement officers as well as to increase the pressure on the institutions and bodies responsible for public procurement in the future in order to bring Slovakia close to EU's best-performing Member States.

### Bibliography

1. Act no. 343/2015 on public procurement and on amending and supplementing certain acts
2. Alhola, K. (2012). Environmental criteria in public procurement. Helsinki: Edita Prima Ltd. ISBN 978-952-11-4069-3.
3. Buying Green (2004) 'A handbook on environmental public procurement', European Commission Luxembourg, [online]. [cit.2019-05-28]. Available from [http://ec.europa.eu/environment/gpp/pdf/buying\\_green\\_handbook\\_](http://ec.europa.eu/environment/gpp/pdf/buying_green_handbook_)
4. Carlsson L., Waara F. (2006) Environmental concerns in Swedish local government procurement. In: Thai K.V., Piga G., editors. *Advancing Public Procurement: Practices, Innovation and Knowledge-Sharing*. PrAcademic Press; Boca Raton, FL, USA: 2006. pp. 239–256
5. Directive 2014/24/EC of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC, [2014] OJL94/65
6. Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC, [2014] OJL94/243
7. en.pdf (accessed on 12 October 2011).
8. European Commission (2008). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; Public Procurement for a Better Environment; COM (2008) Volume 400/2 European Commission; Brussels, Belgium: 2008.
9. European Commission (2010). "EUROPE 2020 – A strategy for smart, sustainable and inclusive growth", COM (2010) 2020 final. [online]. [cit.2019-05-28]. Available from [http://europa.eu/press\\_room/pdf/complet\\_en\\_barroso\\_\\_007\\_-\\_europe\\_2020\\_en\\_version.pdf](http://europa.eu/press_room/pdf/complet_en_barroso__007_-_europe_2020_en_version.pdf)
10. European Union (2016). *Buying Green! A Handbook on Green Procurement*, 3rd Edition, European Union, Brussels, [online]. [cit.2019-05-28]. Available from <http://ec.europa.eu/environment/gpp/pdf/Buying-Green-Handbook-3rd-Edition.pdf>.
11. European Union (2019). EU GPP Criteria. [online]. [cit.2019-05-28]. Available from [http://ec.europa.eu/environment/gpp/eu\\_gpp\\_criteria\\_en.htm](http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm)
12. Geng, Y., - Doberstein, B. (2008). Greening Government procurement in developing countries: Building capacity in China. *Journal of Environmental Management*, 88, 932–938.

13. Information on Implementation of the National Action Plan for Green Public Procurement in the SR for 2016-2020
14. Kunzlik, P., (2003). Case Law Analysis – Making the Market Work for the Environment: Acceptance of (Some) ‘Green’ Contract Award Criteria in Public Procurement. *Journal of Environmental Law*, 15(2):175-201.
15. Lundberg, S. - Marklund, P-O. (2018). Green public procurement and multiple environmental objectives. *Economia e Politica Industriale* (2018) 45: 37-53.
16. National Action Plan for Green Public Procurement in the SR for years 2007 – 2010
17. National Action Plan for Green Public Procurement in the SR for years 2011 – 2015
18. National Action Plan for Green Public Procurement in the SR for years 2016 – 2020
19. National Strategy for Sustainable Development of the SR [2002], UV-978/ 2001
20. OECD (2013). Mapping out good practices for promoting green public procurement, OECD meeting of Leading Practitioners on Public Procurement, 11–12 February 2013, Paris, OECD Conference Centre. [online]. [cit.2019-05-28]. Available from [http://www.oecd.org/gov/ethics/Mapping%20out%20good%20practices%20for%20promoting%20green%20public%20procurement%20GOV\\_PGC\\_ETH\\_2013\\_3.pdf](http://www.oecd.org/gov/ethics/Mapping%20out%20good%20practices%20for%20promoting%20green%20public%20procurement%20GOV_PGC_ETH_2013_3.pdf)
21. OECD (2015). Going green: Best practices for sustainable procurement. [online]. [cit.2019-05-28]. Available from [https://www.oecd.org/governance/ethics/Going\\_Green\\_Best\\_Practices\\_for\\_Sustainable\\_Procurement.pdf](https://www.oecd.org/governance/ethics/Going_Green_Best_Practices_for_Sustainable_Procurement.pdf)
22. Ølykke, G. S. – Graells, A. S. (2016): Reformation or Deformation of the EU Public Procurement Rules. Cheltenham: Edward Elgar Publishing Limited. ISBN 978-1-78536-180-7.
23. Parikka-Alhola, K. (2008). Promoting environmentally sound furniture by green public procurement. *Ecological Economics*, 68(1–2), 472–485.
24. Program Declaration of the Government of the SR for 2016-2020
25. Shakya, R. K. (2019). Green public procurement strategies for environmental sustainability. Hershey: IGI Global. ISBN 978-1-52257-084-4.
26. Stage, J., & Arvidsson, A. (2012). Technology-neutral green procurement in practice—An example from Swedish waste management. *Waste Management and Research*, 30(5), 519–523.
27. Strategy of applying voluntary instruments of environmental policy in SR [2007], UV-22810/2007
28. Swanson, M., Weissman, A., Davis, G., Socolof, M. L., & Davis, K. (2005). Developing priorities for greener state government purchasing: A California case study. *Journal of Cleaner Production*, 13(7), 669–677.
29. Tarantini, M., Loprieno, A. D., & Porta, P. L. (2011). A life cycle approach to green public procurement of building material and elements: A case study of windows. *Energy*, 36(5), 2473–3482.
30. Testa, F., Iraldo, F., Frey, M., & Daddi, T. (2012). What factors influence the uptake of GPP (Green Public Procurement) practices? New evidence from an Italian survey. *Ecological Economics*, 82(2), 88–96
31. Thai, K.V. (2017). *Global Public Procurement Theories and Practices*. Springer International Publishing AG 2017. ISBN 978-3-319-49279-7.
32. The Treaty establishing the European Community [2002], O.J. C325/33
33. United Nations (2008). *The United Nations Sustainable Procurement Guide—Resource Book of the UN Sustainable Procurement Training*. United Nations; Geneva, Switzerland: 2008. Sustainable Procurement: Buying for a Better World.
34. Van der Zwann, J. (1990). Green public procurement as environmental policy tool: A theoretical framework. Working Paper May 2018.



**Authors' contact details**

PhDr. Vladimír Kováčik, PhD., The Department of the Public Politics and Public Administration, Faculty of Social Sciences, University of Ss. Cyril and Methodius in Trnava, Bučianska 4/A, 917 01 Trnava, Slovakia, vladimir.kovacik@ucm.sk

## IMPACT OF DIGITAL COMPETENCE ON THE ECONOMY

Adrián Csordás

### Abstract

In this study, the challenges of digital development and its impact on the sectoral effects were examined in the EU Member States between 2015 and 2017, based on data of OECD, Eurostat and the World Bank. In line with international research in developed countries, the service sector was dominant. Contrary to other studies, the statistical survey for developing countries did not support the assumption that industry is the engine of the economy. The analysis of the underdeveloped countries clarified that agriculture and industry are the most important sectors compared to other countries. Measuring the demand of developed countries for ICT experts, I examined the relationship of individuals with different digital competencies to self-education. With the rise of digital competence, participation in online courses increases.

**JEL Classification: E00, I22, J2**

### Keywords

Services. Industry. Agriculture. Digital competence. Online courses

### Introduction

GDP (Gross Domestic Product) is a well-established indicator for measuring the state of a country's economy. Its value is the sum of the value of the goods and services produced for final use in a given area over a given period (Dhiraj et al., 2015). Although GDP has been the subject of countless criticisms and several similar macro-level indicators are being developed/applied, it is still the most accepted economic index (Kovacic, Giampietro, 2015). There is a correlation between the operation of economic sectors and the performance of the economy. Wang examined it in the case of agriculture (Wang et al., 2010), who found a positive relationship between it and economic growth. He found while the share of agriculture from GDP is declining significantly over time, but the growth of agriculture contributes to economic growth through trade. Ajmair (2014), who examined the relationship between economic growth and various sectors of industry, concluded that there were positive relationships between GDP growth and several sectors of industry. In his study, he analyzed fuel extraction, manufacturing, construction, electricity, gas and water supply, and mining. From these fields, only the mining did not show a positive relationship in the linear regression. In Ajmair's study, he explained 22% of GDP growth with industry growth. The study of Ejaz Ghani and Homi Kharas (2010) compared real GDP growth in 136 countries with the growth of the added value in services. According to the authors, there is a positive relationship between the two variables, in countries with high growth in the service sector, overall economic growth is also high. It is clear that each of these sectors has an impact on the economy (Oláh et al., 2019), the question is which affects more on it. Nowadays almost everything revolves around IT, which is one of the most important branches of the service sector. The shift towards the growing importance of services is the result of numerous interactions (Marcel et al., 2011). Productivity differences between industries, labor division between industries, and changes in final demand have all contributed to a greater emphasis on the service sector than agriculture and industry. Increasing productivity in services may further increase the number of employees in this sector (Schettkat, Yocarini, 2006) and thus its importance. The ICT (Information and Communication Technologies) branch continues to make a significant contribution to productivity growth, according to David Byrne and Carol Corrado (2015). The main challenge for companies in the days of digitalization is not to think about technological trends or innovations, but to rethink

their culture and competencies and adapt them to new digital ways of working (Accenture, 2016). According to Frey and Osborne (2013), 47% of current American employees are at risk of computerization. While this is partly in contradiction with the publication of Schettkat and Yocarini (2006), who predicted an increase in the number of employees in the service sector, but we should keep in mind that there are other sectors besides information technology. However, with the advent of technology (Lengyel et al., 2016), the question of what digital competences are still needed in the digital age to be employable is often asked (Dubey, Gunasekaran, 2015). The definition of competence refers to an individually available collection of prerequisites for successful action in various domains (Eraut, 1998), while the digital competence according to Anusca Ferrari is (2013), confident, critical and creative use of information and communication technology (ICT) to achieve work, study, leisure, employability, inclusion and/or participation in society. We live in a digital world but important to keep in mind there are other important features too which are connected to the employees. Knowledge is one of them. According to the European Qualifications Framework, knowledge means body of facts, principles, theories and practices which are owned by people. It can be theoretical and/or factual too (European Parliament Council, 2008). If the organizations manage well the sum of the employee's knowledge it establishes synergy, which influences the performance of the companies. The transfer of experiential and tacit knowledge -what is another important feature - is also crucial, that is why companies often run mentoring programs. (Tamer et al., 2003). Last but not least behavior also plays an important role. The companies should pay attention not just to find someone for the position, but it is also essential that the new employee fits the to the team, to the company (Dan et al., 2018). However, the companies focus on the employees' general ICT skills, because they have to use new technologies in their daily work (INFLUENCE & POLICY, 2018). In the 21.th century, these can be learned not only in traditional ways but also through the Internet. Hansen and Reich (2015) examined a type of self-education called MOOC (Massive Open Online Courses). They think such courses rather spoil than improve the results of socio-economic education. Emanuel (2013) is of the same opinion. In his view, participants in such free courses are more educated than average, so that is why these courses further widening social and competency differences.

The Reverse Competence Pyramid (Csordás, Füzési, 2019) is a peculiarity of developed countries, which raises several questions in the field of economics and human resources. These questions are:

- Do digitally developed countries still need ICT specialists?
- Do countries focus on different sectors depending on their level of digital development?
- How individuals relate with different digital competencies to online courses?

### **Data and methods**

To analyze the relationship between digital competence, demand for human resources and economic sectors a comprehensive database was needed. The data were collected from the databases of the European Statistical Office (Eurostat), the OECD and the World Bank. Due to the limited availability of ICT data in developing countries, I analyzed only the 28 Member States of the European Union between 2015 and 2017. The amount of data used and the length of the period under study are not as large as ideal, but the database may still be sufficient to illustrate the proportions and directions. During the research I used variables that can be grouped into the following two topics:

1. Macroeconomic indicators: economic sectors, labor demand
2. Features of individuals: digital competence, self-development

Eurostat created a grouping of individuals according to digital competencies. To this end, it has compiled digital skills indicators that measure four different domains (information, communication, problem-solving, software usage) related to the level of Internet or software use of persons aged 16-74. Knowledge of these is defined by the ability to perform several different tasks. In some cases, groups (one easier and one more difficult) have been set up within these areas for a more accurate examination. If one could only do one activity (from a given area), then he or she had "average" knowledge (from that particular area). If he was able to perform more than one task properly, he had "above average" knowledge.

**Table 1. Digital competence levels**

No Skills (Digital Illiterate)	He was not able to solve any problem, even he used the Internet at least once in the last 3 months.
Below average	He could not solve at least one, at most three, tasks from the four areas.
Average	He was able to complete all the tasks and completed at least one "average" level.
Above average	He completed all tasks at "above average" level (Eurostat, 2019).

Source: own elaboration

For the digital competence survey, the European Statistical Office provided a sample questionnaire to the national statistical offices and the relevant ministries, which could serve as a basis for the measurement. Based on this, we can assume that the participants completed a broadly uniform self-report survey. In self-reported surveys, response values are likely to differ from their true values. It may also be distorted by the fact that some countries used an individual sample as the primary sampling unit, while others considered households as the primary sampling unit. In most countries, the sample size ranged from 3,000 to 6,000 items (Eurostat, 2019).

Data were analyzed with SPSS software. With the two-sample t-test, I examined whether the mean values of the two random samples differ significantly from each other. The null hypothesis of the test is that the means of the two groups are the same. There are two prerequisites for applying the test, the normal distribution and the standard deviation. If the Levene test by SPSS is greater than 0.05, then the standard deviation is the same and the two-sample t-test can be used, otherwise, we can run the Weich d-test (Howell, 2012).

The direction and strength of the relationship between the variables were determined by the Pearson correlation coefficient. During the analysis, the set of values that can be taken is between 0 and 1 in absolute value. If the value of the coefficient is close to one, it means that there is a strong relationship between the two variables (co-movement). If its value is positive, it moves in the same direction (together), whereas if it is negative, it moves in the opposite direction (Field, 2013).

## Results

### *Classification of countries according to digital competence*

In this research, digital competence is the focus, so for the creation of clusters, I defined the following variables for SPSS: below, average, above-average digital competence. I wanted to know the differences between underdeveloped, developing and developed countries because it is the basis of this study. Using the k-means clustering method SPSS generated three clusters in 2015 and 2017. During the study, I grouped the countries by excluding those who

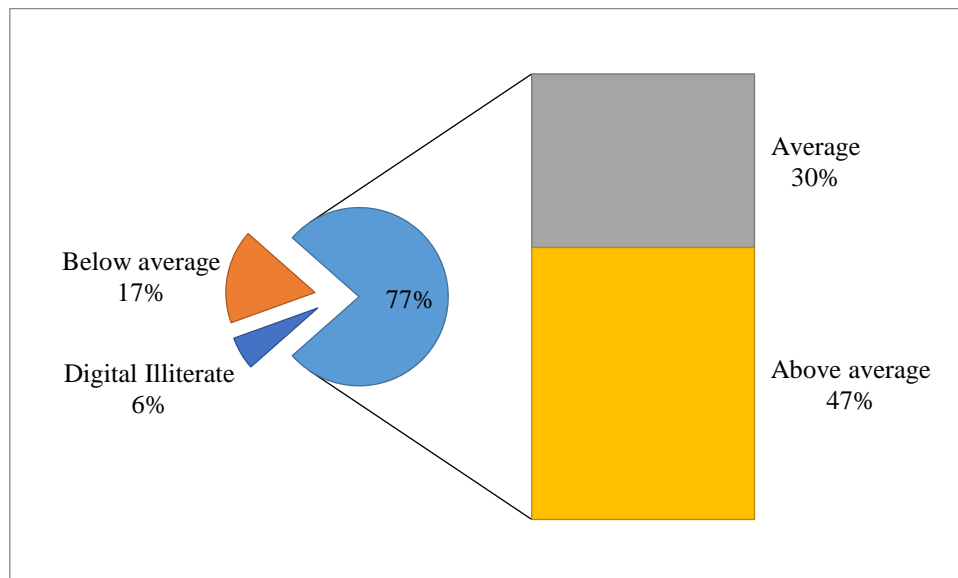
changed clusters during the study period (Sweden, Hungary, Greece, United Kingdom, Croatia, Italy).

**Table 2. Groups of countries according to their digital development**

Developed	Denmark, Finland, Netherlands and Luxembourg
Developing	Austria, Belgium, Czech Republic, Estonia, France, Lithuania, Germany, Portugal, Spain, Slovakia and Slovenia
Undeveloped	Bulgaria, Ireland, Poland, Latvia and Romania

Source: own elaboration

It is important to highlight how groups of individuals with different levels of digital competence grow in size in developed countries. The smallest group is of people with below-average digital competence. They are the least. There are almost twice as many people in the average digital competence group as in the lower cluster. The group of above-average users is the largest. Nearly one and a half times bigger than the average group. This was the so-called „reverse competent pyramid” (Csordás, Füzési, 2019).



**Figure 1. Size of groups with different digital competencies in developed countries**

Source: own elaboration

The most significant difference is not only in the size of the group of people with "above average" digital competence, but also in the number of digitally competent people. This means that almost everyone in digitally developed countries has some level of digital competence.

***Relationship between development and economic sectors***

Because of the reverse competent pyramid in developed countries, I supposed due to the large number of users with above-average knowledge, these countries longer look for new ICT specialists.

A two-sample t-test was used (table 3.) to examine, do developed or developing and underdeveloped countries looking for additional ICT specialists. (Recruited or tried to recruit ICT specialists. They had hard-to-fill ICT specialist jobs.)

**Table 3. Two-sample t-test to examine the demand for ICT professionals in developed countries**

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	99% Confidence Interval of the Difference	
								Lower	Upper
Companies looking for or trying to find an ICT specialist	3.207	0.077	3.747	76	0.000	2.902	0.774	0.856	4.947
Companies where was hard to fill ICT position	0.000	0.994	4.874	75	0.000	2.477	0.508	1.134	3.820

Source: own elaboration

In both cases, the empirical t value is higher than the critical t value (2.36), so we can say that the difference is not due to chance, so there is a greater need for new ICT specialists in developed countries than for developing and underdeveloped countries.

In Russia, more than 40% of IT graduates do not find a job due to the (low) quality of education (Abdulgalimov, 2014), while in the Czech Republic the "training" of fresh graduated IT „professions” is too costly for companies (Doucek et al., 2012). These studies may explain the data in Table 3 in the sense that although developed EU countries train ICT professionals, the quality of these pieces of training may not always meet market expectations, and thus provides a sufficient demand of foreign specialists with the right knowledge and experience.

This suggests that the added value in the service sector -where ICT is the driving force- is higher in developed countries than in other countries. I also supposed in developing countries, value-added, knowledge, is higher than in underdeveloped countries, so industry (which is more knowledge-intensive than agriculture but not as knowledge-intensive as the service sector) is expected to be the driving force of the economy. In the case of underdeveloped countries, I assumed that agriculture as the least knowledge-intensive sector will be the driving force of the economy. To test these hypotheses, two-sample t-tests were used. This is illustrated in Table 4.

**Table 4. Two-sample t-tests to examine the driving force of the economy according to the level of digital development (critical t value = 2.36)**

	Sectors	empirical t value
Developed	service	3.845
	agriculture	-2.718
	industry	-3.652
Developing	service	-0.528
	agriculture	-1.989
	industry	1.67
Undeveloped	service	-3.477
	agriculture	3.399
	industry	3.565

Source: own elaboration

For the first hypothesis which focused on developed countries, the calculated t value for the service sector was higher than the critical t value (2.36), which means that in developed countries, unlike in other countries, the added value of services is higher, than in the other sectors. The results of Szirmai also support my calculations. According to him in developed countries, services account for 70% of GDP (Szirmai, 2012).

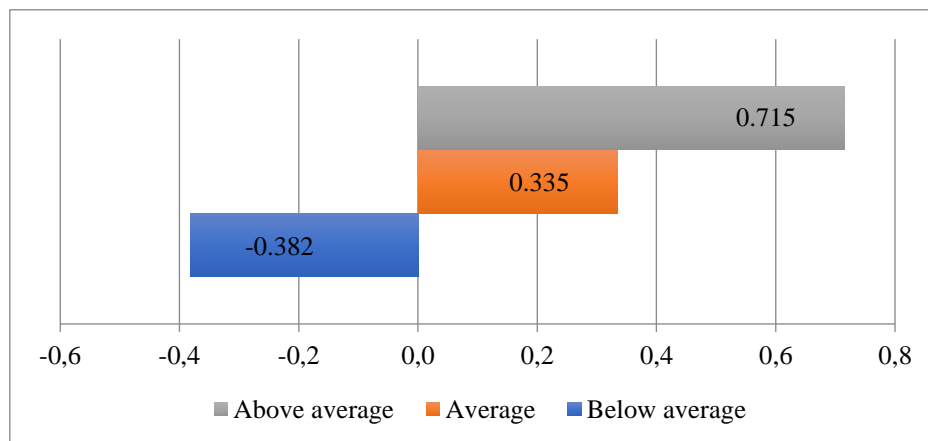
In the second hypothesis which concentrated on the developing cluster, the critical t value (2.36) is higher in all three cases than the empirical t values, so the difference in means is only chance, so we cannot distinguish a sector that is more dominant than the others.

However, according to other studies, it is undeniable that industry is an important driver of growth in most developing countries, however, we can not call it the engine of development, as data on capital intensity and labor productivity do not support it (Szirmai, 2012).

In the case of the last hypothesis for the underdeveloped group, the empirical t value for services is lower than the critical value (2.36), so the differences in means are only chance. On the other hand, the calculated t-values for agriculture and industry (3.399 and 3.565) are higher than the critical t-value (2.36), so it can be said that in the case of underdeveloped countries these 2 sectors the drive economy the most.

According to Timmer (2009), as per capita income increases in a country, the share of agriculture in GDP decreases. This may also prove that agriculture is "dominated" by underdeveloped countries. Although no country in Europe is a member of the LDC (Least Developed Countries), agriculture is the backbone of the economy in most African countries. According to the United Nations, this sector accounts for 30-60% of the GDP of these states (United Nations, 2007). Based on this, I assume that agriculture is not so predominant in the underdeveloped countries of the EU, but it can play a significant role.

Seeing the continued demand of developed countries for ICT specialists, I supposed less (digitally) educated people try to train themselves. So the participants of online courses were analyzed according to the level of their digital competence (Figure 2).



**Figure 2. Correlation coefficients for online courses and the level of digital competences**  
Source: own elaboration

The result of the correlation study found at a 99% probability that people with below average competence do not use this opportunity, whereas people with average and above-average competences join these courses.

Similar results were published by Ho et al., (2015), who examined 68 different free online courses offered by Harvard University and MIT over 2 years. According to the authors, 70% of the participants had at least a BSc degree, and as the results of a previous study showed,

although the level of digital competence and the educational background can not be clearly joined, those with tertiary education background have at least average digital competence.

In light of these results, less competent people do not help to replace the necessary professionals who are likely to be recruited from developing and underdeveloped countries. As a result, developing and underdeveloped economies may be in a kind of constraint, because if they want to shift their focus to another sector, maybe they will not be able to do so due to lack of human resources.

### Conclusions

During my research, I found despite the fact that in the digitally competent countries we can find the reverse competent pyramid they still have demand for new ICT specialists. Due to the high demand, I supposed that the service sector is the engine of the economy in these countries. This hypothesis was tested with a two-sample t-test. The statistical indicators and previous research have also confirmed my idea, so in the developed countries, unlike in other countries, the importance of the service sector is higher. In case of the developing group, the statistical study did not support my assumption that industry (which is more knowledge-intensive than agriculture but not as knowledge-intensive as the service sector) will be the driving force of the economy. In this group, we can not distinguish any sector that is more significant than the others, however other researches emphasize the importance of the industry. In the case of the underdeveloped countries, I supposed the focus will be on the least knowledge-intensive sector, on agriculture. The two-sample t-test partially confirmed my hypothesis. Compared to other countries, agriculture and industry are the engines of the underdeveloped countries.

Seeing the continued demand of developed countries for ICT specialists, I assumed that less competent people will start to train themselves to be ready for the new (digital) expectations. Therefore the relationship between individuals with different digital competencies and participation in an online course was examined. International research has also confirmed my findings, digitally unskilled people are the least likely to take advantage of this opportunity. Attendance on these courses increases as the level of digital competence increases. This can lead to digitally developed countries recruiting new ICT specialists from abroad. That is why developing and underdeveloped countries may find themselves in a kind of constraint, because if they would like to have a more diversified economy or want to make a sectoral shift, they would not be able to do that, or would face serious difficulties.

Such grouping of countries would be worth examining in other economic areas, especially where the salaries of high digital competence jobs do not differ significantly between countries in the region. In the context of free movement of workers within the European Union, a "top" digitally competent programmer because of the "brain drain" can change his country easily for higher salaries, thus putting his "training" country into a constrained field (focus on less knowledge-intensive sectors), whereas, under similar circumstances, there could be a kind of 'natural selection' for the dominant sector.

### Bibliography

1. Abdulgalimov G.L. (2014): Progress of information society in Russia and deficit of staff potential Life Science Journal 2014;11(8)
2. Accenture Technology Vision (2016): People First: The Primacy of People in a Digital Age, <https://www.accenture.com>, Accessed: 20.11.2019
3. Ajmair M. (2014): IMPACT OF INDUSTRIAL SECTOR ON GDP(PAKISTAN CASE), European Journal of Contemporary Economics and Management May 2014 ElaborationVol.1 No.1, Doi: 10.19044/elp.v1no1a8



4. Byrne D., Carol C. (2017): ICT Services and their Prices: What do they tell us about Productivity and Technology?, Finance and Economics Discussion Series 2017-015. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2017.015r1>.
5. Csordás A., Füzési I. (2019): Digitális kompetenciaszintek valamint a munkanélküliség és a vállalati továbbképzések közötti kapcsolatok az Európai Unióba, International Journal of Engineering and Management Sciences (IJEMS) Vol. 4. (2019). No. 3, DOI: 10.21791/IJEMS.2019.3.19.
6. Dan X., Xu S., Liu J., Hou R., Liu Y., Ma H. (2018): Innovative behaviour and career success: Mediating roles of self-efficacy and colleague solidarity of nurses. International Journal of Nursing Sciences, 5(3), 275–280. doi:10.1016/j.ijnss.2018.07.003 )
7. Dhiraj J., Nair K. S., Jain V. (2015): Factors Affecting GDP (Manufacturing, Services, Industry): An Indian Perspective, ISSN 2348–0661 Pune Annual Research Journal of Symbiosis Centre for Management Studies, Pune, Vol. 3, April 2015, pp. 38–56
8. Doucek P., Nedomova L., Maryska M. (2012): Differences between Offer and Demand on the ICT specialist's Czech Labor Market, Organizacija, Volume 45, Number 6, November-December 2012
9. Dubey R., Gunasekaran A. (2015): Education and Training for Successful Career in Big Data and Business Analytics, Industrial and Commercial Training, 47(4)
10. Emanuel E. J. (2013): MOOCs taken by educated few. Nature, 503(7476), 342–342. doi:10.1038/503342a
11. Eraut M. (1998): Concepts of competence. Journal of Interprofessional Care, 12(2), 127–139. doi:10.3109/13561829809014100
12. European Parliament Council (2008): Recommendation of the European Parliament and of the Council of 23 April 2008 on the establishment of the European Qualifications Framework for lifelong learning, <https://eur-lex.europa.eu>, Accessed: 09.04.2020.
13. Eurostat (2019): [https://ec.europa.eu/eurostat/cache/metadata/en/tepsr\\_sp410\\_esmsip2.htm](https://ec.europa.eu/eurostat/cache/metadata/en/tepsr_sp410_esmsip2.htm). Accessed: 14.07.2019.
14. Ferrari A. (2013): DIGCOMP: A Framework for Developing and Understanding Digital Competence in Europe
15. Field A. (2013): Discovering statistics using IBM SPSS Statistics paperback (4th ed.). Thousand Oaks, CA, USA: SAGE Publications.
16. Frey C.B., Osborne, M.A. (2013): The Future of Employment: How Susceptible are Jobs to Computerization?, University of Oxford.
17. Ghani E., Kharas H. (2010): The Service Revolution, <http://documents.worldbank.org>, accessed: 08.11.2019.
18. Hansen J. D., Reich J. (2015): Democratizing education? Examining access and usage patterns in massive open online courses. Science, 350(6265), 1245–1248. doi:10.1126/science.aab3782
19. Ho A. D., Chuang I., Reich J., Coleman C., Whitehill J., Northcutt C., Williams J. J., Hansen J., Lopez G., Petersen R. (2015): HarvardX and MITx: Two years of open online courses (HarvardX Working Paper No. 10). doi:10.2139/ssrn.2586847
20. Howell G. (2012): Statistical Methods for Psychology, Wadsworth; International ed of 8th revised ed elaboration, ISBN-10: 1111840857
21. INFLUENCE&POLICY, AI GROUP, (2018), <https://www.aigroup.com.au>, Accessed: 10.09.2019.
22. Kovacic Z., Giampietro M. (2015): Beyond “beyond GDP indicators:” The need for reflexivity in science for governance, Ecological Complexity 21 (2015) 53–61, <http://dx.doi.org/10.1016/j.ecocom.2014.11.007>

23. Lengyel P., Füzesi I., Péntek Á., Herdon M. (2016): Human resource development using e-learning for Hungarian agricultural experts AGRÁRINFORMATIKA / JOURNAL OF AGRICULTURAL INFORMATICS 7 : 1 pp. 94-102. , 9 p.
24. Marcel P. T., Robert I., Mary O., Bart V. A. (2011): Productivity and Economic Growth in Europe: A Comparative Industry Perspective, International Productivity Monitor, Centre for the Study of Living Standards, vol. 21, pages 3-23, Spring.
25. Oláh J., Kovács S., Virglerova Z., Lakner Z., Kovacova M., Popp J. (2019): Analysis and Comparison of Economic and Financial Risk Sources in SMEs of the Visegrad Group and Serbia, SUSTAINABILITY 11 : 7 p. 1853 , 19 p. (2019)
26. Schettkat R., Yocarini L. (2006): The shift to services employment: A review of the literature, Structural Change and Economic Dynamics17 (2006) 127–147
27. Szirmai A. (2012): Industrialisation as an engine of growth in developing countries, 1950–2005. Structural Change and Economic Dynamics, 23(4), 406–420. doi:10.1016/j.strueco.2011.01.005
28. Tamer C. S., Calantone R., Zhao Y. (2003): Tacit knowledge transfer and firm innovation capability, Journal of Business & Industrial Marketing, Vol. 18 No. 1, pp. 6-21. <https://doi.org/10.1108/08858620310458615>
29. Timmer C. P. (2009): A World Without Agriculture: The Structural Transformation in Historical Perspective. Washington, D.C.: American Enterprise Institute Press.
30. United Nations (2007): Globalization, Agriculture and the Least Developed Countries, Making Globalization Work for the LDCs Istanbul 9-11 July 2007, <http://www.unohrlls.org>, accessed: 11.09.2019
31. United Nations Ministerial Conference of the Least Developed Countries (2007): Making Globalization Work for the LDCs Istanbul, 9-11 July 2007
32. Wang X. Z., Wu S. L., Gao F. (2010): The relationship between economic growth and agricultural growth: The case of China. Paper presented at International Conference on E-Business and E-Government (ICEE), Guangzhou, China

#### Authors' contact details

Adrián Csordás – Ph.D. student, Institute of Applied Informatics and Logistics, Faculty of Economics and Business, University of Debrecen, Debrecen, Böszörményi út 138, 4032., [csordas.adrian@econ.unideb.hu](mailto:csordas.adrian@econ.unideb.hu)

# **THEORETICAL BACKGROUND OF THE IMPORTANCE OF SOCIAL MEDIA IN THE MARKETING STRATEGY OF SMALL AND MEDIUM-SIZED ENTERPRISES IN SLOVAKIA, CZECH REPUBLIC AND POLAND**

**Bence Csinger – Enikő Korcsmáros**

## **Abstract**

The purpose of this study is to provide an insight into the role of social media in the marketing strategy of small and medium-sized enterprises. Our analysis examines our topic from different perspectives. It is important to emphasize that our research involves only a theoretical overview but in the future the authors will place a great emphasis to make a primary data collection which will help to examine the role of social media from a practical point of view. Beyond the definition of corporate social media we are focusing on the significance of the topic and its potential in Slovakia, Czech Republic and Poland. With the help of Global Digital Report the authors is using some digital statistical metrics to examine the mentioned markets. Our research further concentrate the steps of completing a social media marketing content plan and a social media audit. In summary the study provides a comprehensive picture of the importance a relatively new area, the social media of the SME sector.

## **Keywords**

Theoretical approach. Social media. SME sector. Innovation. Marketing communication.

**JEL Classification:** M31, M39

## **Introduction**

Our research focuses on an area which is considered to be relatively new and aims to introduce the reader to the background the role of social media in the marketing strategy of small and medium-sized enterprises. In the future the authors plan to make a primary data collection about the role of social media in today's world. Because it is a theoretical overview as a first step, it is important to note that there is a great deal of uncertainty about the definition of each term, which means that we are seeing more and more expressions today. Noteworthy are Enterprise 2.0, Social Software in the Workplace, Enterprise Social Media (ESM), and Enterprise Social Networking (ESN). In addition to allowing the flow and processing of diverse information, Enterprise 2.0 responds to the ever-blurring nature of external and internal organizational boundaries. In contrast, the concept of Social Software in the Workplace is more based on a technological approach. The system is capable of providing each user with the ability to create different public or semi-public profiles in a closed system.

## **Theoretical background of the problem**

In today's world, the terms Enterprise Social Media and Enterprise Social Networking are dominant. The difference between these two definitions is minimal. While the first term focuses on the communication interface itself, the second term on the previously mentioned community interface means networking of individual members of the organization (Baksa-Drótos, 2018). According to some surveys, 94% of businesses today do not take advantage of social media. As a result, this part of the small and medium-sized enterprise sector cannot create a competitive advantage over those who take the opportunity and seize the opportunities. But what are these, and what exactly are the benefits? The first and most important factor for

businesses is feedback from customers. Different social platforms are best suited for this (eg Facebook, Twitter). Social media is also an excellent tool for generating future demand, as it enables the company to communicate in advance its target product or service to the market. In many cases, businesses also use the aforementioned platforms to offer various discounts, as in addition to monitoring the customer's daily life, this method increases the likelihood of making a purchase. It is important to keep in mind that community media is the most valuable part of social media. It sounds simple, but it is by no means continuous, as it requires a lot of time, energy and, last but not least, capital. Additionally, spreading good news is one of the important features. The basic mission of a business is to make a profit, which will not work without the good news spread among customers. On the other hand, due to an inappropriate move, good news can very quickly turn into bad news. At the same time, a company can build brand loyalty by providing a good quality product or service. Creating a community is not a priority factor and very often businesses forget about this function. Social media interfaces are a great way to create different communities (like creating a fan group for a brand). In addition, customers need to feel the importance of their opinion to the company. This step is essential to build the right confidence. Key features include expanding the customer base. In addition, with the help of social media, your business has up-to-date information about your customers and the latest trends. Value creation as a key function also receives little attention. Last but not least, it is important to mention networking. People want to communicate with people, not businesses. And social media provides the opportunity for the user to follow one person, not a business (Sallai, 2011). Because information is readily available to everyone in today's world, one-way communication is constantly being replaced by a more complex model in which not only businesses communicate with consumers, but individual consumers as well. In addition to traditional marketing communication tools, the so-called earned media has emerged, which means communication between consumers, where large amounts of information about products and services appear on each platform. In addition, its importance is further enhanced by the ability of businesses to inspire consumers and encourage them to work together to improve and develop their products and services (Csordás-Markos-Gáti, 2013). Social media has completely changed the way businesses communicate, enabling businesses to customize their messages and make them interactive with users. Research by Trusov, Bucklin, and Pauwels in 2009 shows that word of mouth advertising has a major influence on acquiring new customers on social media platforms. As a result, social media platforms are proving to be the most powerful tool to drive customer mindset. According to Corometics, social media can be defined as the fastest growing marketing channel in the world. According to research conducted by Castronovo and Huang in 2012, social media can be used to measure awareness, increase sales, and build loyalty. Oracle (2012) and Salermo (2013), respectively, have found that consumers are responsible for shaping a company's brand and service by communicating with other consumers, which greatly influences business revenue.

### **Capabilities of digital world**

As traditional marketing methods are less and less effective, companies need to integrate social media into their strategies in order to increase their profitability and develop a competitive advantage. In addition, social media offers many opportunities for SMEs willing to use these tools. These include creating a competitive edge and better communication (Meske and Stieglitz, 2013), more effective collaboration with suppliers (Michaelidou, Siamagka & Christodoulides, 2011), brand and reputation development (He, Wang and Zha, 2014), and market research (Kim, Lee and Lee, 2011).

While apparently more and more businesses are aware of the importance of social media, they are still sceptical about the benefits of using the aforementioned platforms because they do not have a large budget. Social networking has become an essential element of marketing strategy, only works and succeeds as long as the right professionals are employed, helping to position the brand.



**Figure 1: Digital World in numbers**

Source: Global Digital Report, 2018

Compared to the EU average (Fig. 1), Slovakia and Czech Republic are ranked in the middle of several cities around Hungary. More than 80% of the population are Internet users, of whom more than 50% are active on social media.

According to the Global Digital Report of January 2018 (Fig. 2), of the 2.7 million active social media users, 2.3 million users have access to social media via their mobile phone. In Slovakia 72% of Internet users have used social media services at least once, with almost 10% above the EU average. In terms of communication 55% of people in Slovakia use social media to communicate with each other. According to Figure 2, a little bit more than 40% of the total population is an active mobile social users and more than 100% has mobile subscription. Based on some survey this numbers are growing day by day. It is noteworthy that information retrieval is not considered to be a key factor in Slovakia due to research results (Bumm SK, 2017). In Slovakia the most popular social media website is Facebook. Surprisingly the next one is Pinterest. In 2018 YouTube is ranked only third but in the year of 2019 it produces a steady decline. As a result today we can see that it is replaced by Instagram and Twitter. (Statcounter, 2019)



**Figure 2: Digital indicators in Slovakia**  
Source: Kemp, 2018

According to Figure 3, 88% of the population has an Internet access and more than 50% of them are active social media users. The number of social media users is still growing rapidly in the Czech Republic. The most used social media platforms are Instagram and Facebook (with 5.7 million users). The second most visited platform is YouTube with 5.6 million active users. LinkedIn with almost 1.6 million users is the fourth.



**Figure 3: Digital indicators in the Czech Republic**  
Source: Global Digital Report, 2018

Twitter is only used by politicians, celebrities and journalists. It is stagnated with 600,000 users. In the Czech Republic, Snapchat is not so popular, in fact it is “slowly dying”. Very small parts of the community use this app daily.



**Figure 4: Digital indicators in Poland**

Source: Global Digital Report, 2018

Figure 4. shows to the reader some digital statistical indicators in Poland. It seems that almost 80% of the total population is an internet user. This number is lower than in Slovakia and the Czech Republic. The next indicators provides a comprehensive picture about how many people are active social media user compared to the general population. The most popular social media website is YouTube. It is followed by Facebook (more precisely Facebook Messenger), Instagram and Skype. From this point of view the last one is Pinterest. Furthermore the reader can see in the Figure 4. the unique mobile users where the numbers are huge and the active mobile social users. We can conclude that the numbers are constantly increasing. (Statista, 2019)

As a next step, it is important to mention an essential activity, which is to create a so-called marketing content plan. The first step is to identify the target consumer. Social media platforms can help you to understand customer needs and build trust if the business takes enough time to understand the mindset of their target customers. Next, you need to determine exactly why and for what the company wants to use corporate social media and identify the so-called KPI (key performance indicator). This activity is necessary because it is impossible to evaluate the success or failure of the plan without setting goals. The selection of the right social network is also worth mentioning, but before a business makes a decision, it has to do some essential research. It is important to focus on two important areas: network demography and cross-platform interaction. When the company has successfully decided which social network to focus on, the next step is to plan your content, which is important to be specific, relevant, and not least unique. The focus should be on creating content that involves the target audience. Now the company is aware of which platform is the best for them, the next step is to engage in two-way communication to find out exactly what kind of content the consumer needs. It is important for the company to follow their competitors, but do not copy, just be inspired! After completing the research, your business is ready to create content. The first step is to decide which target consumer you want to target. Then you will need to define the topic and then the title of the article, which should include the meaning of three keywords. By transactional concept we mean attracting people who are looking for the best or cheapest product or service. Information as a phrase includes the "we" and "how" elements, while the navigation keyword

concludes that consumers will find what they are looking for, which is usually brand name. Finally, the content of each section should be outlined and divided into 4 main sections: introduction, body, conclusion, and call preference. When you know what kind of content you want your company to create, you need to create a so-called content plan which includes, for example, the date of publication, the title, the type of content, the distribution channel, and the keywords. After that, it is worth looking back at the previously mentioned two way communication as this is the basis for building trust. If the company spend more time and energy to communicate through social media, the consumers will feel safe. The final step in a media plan is to measure success. The undertaking must be aware of the fact that each effort has produced the expected results. This area can be divided into three different parts: transformation, achievement, and commitment. The conversion process, also known as conversion, helps you determine if it is a social media sale. If not, the company should change its business as quickly as possible. Google Analytics, which gives you all the social data you need to measure conversions, can help. By access, we mean how much content you create resonates with your target audience. And with engagement, metrics can be used to measure engagement, including clicks on social media posts, comments and mentions, Facebook, Instagram, and LinkedIn shares. With this information, we have come to the conclusion that creating a social media plan can make a huge contribution to increasing engagement and building and maintaining trust (Warren, 2017). Another important factor is conducting a social media audit. But what does this concept mean? During this process, the company collects and analyzes detailed data from all media accounts. This includes examining your business, your results, your audience, and your investments, including your advertising costs. In fact, it seeks to determine whether social media efforts are relevant to achieving their current goals. In addition to engagement and clicks, you should also consider average response rates and response times.

The social media audit can be divided into 4 sections, which makes it easier to evaluate the results. As a first step, it is important to gather all the social media metrics that a company can use to measure results. This includes: number of followers, shares, comments, clicks. If the definitions are done, it is important to examine what types of comments are the best on each platform and which platform is the most valuable to the company. This is followed by an examination of the demographics and interests of the community. If the company is aware of who their target audience is and how they communicate with them on social media, the next step is to look at how they use social media platforms and what types of content they share and how often. The final activity of the audit is to control the budget and calculate the return. This part of the audit involves examining what percentage of the company budget is spent on social media (advertising expenses, consultancy fees, employees, competition software). Then you need to compare your earnings with the results you received. While control is extremely time consuming, it is worth investing in, as it helps the company know what works in social media, what it can improve and who its target audience is. In addition, the results obtained may help to build stronger social media campaigns in the future (Ana, 2017).

## **Conclusion**

Based on previous research, the study summarizes the role of corporate social media in business, with a strong focus on the theoretical role of small and medium-sized enterprises in their marketing strategy. We can conclude that the role of social media is growing but not dynamically. Our research focuses the markets in Slovakia, the Czech Republic and Poland. First of all the authors examined some digital indicators which expend the whole world. As a next step the same digital statistical indicators were examined in the Slovak, Czech and Polish markets. We can conclude that the highest percentage of Internet users is in the Czech Republic. Surprisingly half of the total population in Slovakia and the Czech Republic are active social



media user which is very high and it is rapidly growing. The study will also provide the reader with a comprehensive view of each step in the preparation of an appropriate marketing content plan and the conduct of a social media audit. In this research the authors conducted only a theoretical overview of the role of social media in the marketing strategy. From the point of view of the research it is important to mention that they will conduct further research in the future, including primary data collection. They would like to examine the role of social media in the marketing strategy of small and medium-sized enterprises in Central Europe and to extend the research to America.

## Bibliography

1. A közösségi media számokban, 2018, online: <https://www.rgstudio.hu/kozossegi-media-szamokban/>
2. BAKSA, M. – DRÓTOS, GY.: Vállalati közösségi média. A személyközi hálózatok motorja. (2018), online: [http://unipub.lib.uni-corvinus.hu/3382/1/VT\\_2018n4p2.pdf](http://unipub.lib.uni-corvinus.hu/3382/1/VT_2018n4p2.pdf)
3. BUMM SK: Beszippant minket az internet?, 2018, online: <https://www.bumm.sk/belfold/2018/11/23/beszippant-minket-az-internet>
4. CSORDÁS, T. - MARKOS-KUJBUS, É. – GÁTI, M.: A közösségi média, mint stratégiai marketingkommunikációs eszköz. 2013, Budapest. Budapesti Gazdasági Főiskola. 322-334.
5. GOTTER, A.: How to conduct a social media audit. 2017, online: <https://www.socialmediaexaminer.com/how-to-conduct-social-media-audit/?fbclid=IwAR20MEbAnwEaofbGwgQQLMmhKKD5hYdeHtsVbz6MW4bqTjUDDaZPgkFsCXo>
6. HE, W. – WANG, F.-K. – ZHA, S.: Enhancing social media competitiveness of small business: insight from small pizzerias. 2014, *New Review of Hypermedia and Multimedia*, 225-250.
7. Jakub Lorenc: Social Media stats and demographics in the Czech Republic, online: <https://www.linkedin.com/pulse/social-media-stats-demographics-czech-republic-jakub-lorenc>
8. KEMP, S.: New people Join Social Media Every Second (And Other Impressive Stats), 2018, online: <https://blog.hootsuite.com/11-people-join-social-every-second/>
9. KIM, H.D. – LEE, I. - LEE, C.K.: Building Web 2.0 enterprises: A study of small and medium enterprises in the United States. 2011, *International Small Business Journal*, 156-174.
10. KNIGHT, W.: How to create a social media marketing content plan in 7 steps. 2017, online: [https://www.socialmediaexaminer.com/how-to-create-social-media-marketing-content-plan-in-7-steps/?fbclid=IwAR3VUTdYxyNdzpsPq8WiIJOXIs4usf3SVZ\\_DK-OLICEH9ipAMWO3fTa6y0w](https://www.socialmediaexaminer.com/how-to-create-social-media-marketing-content-plan-in-7-steps/?fbclid=IwAR3VUTdYxyNdzpsPq8WiIJOXIs4usf3SVZ_DK-OLICEH9ipAMWO3fTa6y0w)
11. MESKE, C. - STIEGLITZ, S.: Adoption and use of social media in small and medium-sized enterprises, 2013, *Practice-Driven Research on Enterprise*, 61-75.
12. MICHAELIDOU, N. - SIAMAGKA, N.T. - CHRISTODOULIDES, G.: Usage, barriers and measurement of social media marketing: An exploratory investigation of small and medium B2B brands. 2011, *Industrial Marketing Management*, 1153-1159.
13. SALLAI, M.: Social Media az üzleti életben. 2019, online: <http://www.sallaimate.eu/social-media-az-uzleti-eletben/>
14. Statcounter, 2019, online: [https://gs.statcounter.com/social-media-stats/all/slovakia-\(slovak-republic\)](https://gs.statcounter.com/social-media-stats/all/slovakia-(slovak-republic))
15. Statista Research Department, 2019, online: <https://www.statista.com/statistics/284441/poland-social-network-penetration/>

**Authors' contact details**

PhDr. Enikő Korcsmáros, PhD., J. Selye University, Faculty of Economics, Head of the Department of Economics, korcsmarose@uj.s.sk

Bc. Bence Csinger; J. Selye University, Faculty of Economics, MSC student, [122474@student.uj.s.sk](mailto:122474@student.uj.s.sk)

## JOB SEEKING TRADITIONS IN THREE DISTRICTS OF SOUTHWEST-SLOVAKIA

Patrik Baša – Enikő Korcsmáros – Bence Csinger

### Abstract

The main objective of this thesis is to examine the job hunting habits on the labour market of Komárno District, Dunajská Streda District and Érsekújvár District in Southwest-Slovakia from the view of employees. We describe the meaning of labour market, labour demand and labour supply. Moreover, we characterize the aim of our thesis, which was to examine the job hunting habits. After that we characterize the methodology of our research. Our online survey was prepared with Google forms and sent to jobseekers via social media. We used the snowball method for this. Our questionnaire contained fifteen questions. In the most important part of the thesis we analyze the results of our research. The closing chapter deals with our conclusions.

### Keywords

job hunting, labour market, Southwest-Slovakia

**JEL Classification:** J49, J51, J64

### Introduction

Nowadays, the labor market in Slovakia is expanding. New jobs are constantly being created thanks to the technological revolution. The first step in filling these positions is to advertise a job.

Job search involves a series of activities connected with activities to find a job. Also these activities clarify people's goals. (Wamberg – Ali – Csillag, 2020) Today's labour market also uses innovative tools to find and attract talent, so it can push job seekers to adopt new approaches in their job search. (El Ouiridi, 2016)

The topic of our dissertation was chosen to examine the effectiveness of job ads because we, too, will soon be interested in the job market, and we wanted to assess how employees relate to job ads in the current situation. We consider that it is important to investigate this area because, despite the fact that many studies have already been conducted on the subject, the triangle we are investigating (Komárom district, Érsekújvár district, Dunaszerdahely district) has not yet been assessed.

The practical utility of our research is that we get to know that what type of job advertisement companies should use in order to be as effective as possible in the three different districts of Southwest-Slovakia.

### Theoretical foundation of the research

Dabasi Halász (2011, p. 16) defines the labor market as follows: "the labor market is the sum of the concrete and direct medium of human resource management, the sum of exchanges between two formally identical players (employee and employer), and the movement of workers between jobs.

Research by Thész shows that labor market has four main players: employers, employees, the state and interest representation bodies. Employers represent labor demand, and workers supply labor supply. The state is the regulator of the market. Stakeholders seek to resolve conflicts and reach an agreement between the two sides.

Main categories of labor market statistics:

- **Employed** - who worked or had a job for at least one hour during the week, earning but not working temporarily (sick leave, maternity leave).
- **Unemployed** - who did not work during the week and did not have a job for which they were temporarily absent during the four weeks prior to the interview, or could be employed within two weeks if a suitable job was available or you have already found a job, where you start working within 90 days.
- **Economically inactive** - who cannot be classified as either employed or unemployed. This includes students, unemployed pensioners, housekeepers, seasonal workers outside the season, or if they are not looking for a job, those who have childcare facilities. They form a specific group within the so-called passive unemployed, who would like to find a job but consider their chances to be unfavorable, are not actively seeking work. (Vámosi, 2013)
- **A jobseeker** - who has the necessary conditions to establish an employment relationship, does not study full-time at an educational institution, is not eligible for an old-age pension, is not employed except for a temporary employment relationship, does not engage in any other gainful employment; is registered as a jobseeker by a public employment agency. (Benkei-Kovács - Hegyi-Halmos, 2012)

Market demand for labor is the sum of all labor force demanded by all companies in the labor market. The labor supply is that part of the population that is capable, willing and able to work.

The labor supply affects all residents who have reached the working age, are in employment or are actively seeking work. (Dabasi Halász, 2011) Labor demand and labor supply are concentrated in the labor market. Companies are looking for workforce and workers are offering their jobs.

At the company, the demand for labor means the need for human resources. "The need for human resources can be defined as the number of employees needed to meet the future needs of the organization or the composition of the workforce with the necessary expertise for the organization." The company has many options to meet its human resource needs. It must be decided whether the company employs an external or internal solution to manage the process (Mckenna - Beech, 2000, p. 99-127).

### **Purpose of the research and methodology**

The primary purpose of the study is to examine job search habits from the perspective of employees in the labor market of the districts of Dunajská Streda, Érsekújvár and Komárom.

However, we also want to highlight where employees are most often looking for work and which form of job advertising they find most effective. When examining efficiency, we pay particular attention to what employees think makes a job ad effective. We want to get a picture of the most important influencing factors when applying for a job ad. We investigate how often a job seeker does not get feedback when he or she applies for a job.

To implement the primary data collection required for our research, we used a questionnaire query method. The questions in the questionnaire are basically divided into two groups. The first group is made up of questions about general demographics of interviewees, followed by the group of questions related to job ads.

We completed the questionnaire online using the Google Forms form builder. We chose this survey method because it is easier to use the social media to send the questionnaire to potential employees who are eligible for the survey. The questionnaire was published between February and March 2018, and the snowball method was used to distribute the questionnaire.

After closing, we also used of the Google Forms spreadsheet builder. Data were analyzed using Microsoft Excel.

### **Results of the research**

Regarding the gender distribution of the sample, 43.5% of the respondents are male and 56.5% are female. We are delighted that the two ratios are close enough to give us a more comprehensive picture of the problem under investigation.

Our second demographic question was age-related. Five age groups were pre-defined. 10.5% of respondents are under 20, 41.5% 21-30, 21.5% 31-40, 18.5% 41-50 and 8% 50 was above.

In our research we narrowed the areas we examined to three districts: Érsekújvár, Dunaszerdahely and Komárom districts. 36% of the residents of Érsekújvár, 34% of the inhabitants of Komárno and 30% of our fillers in the Dunaszerdahely district contributed to our research. We placed great emphasis on ensuring that the populations were equally represented in each of the three districts.

For the first job search question, we measured how well informed each respondent was about the job opportunities in the area. Respondents had to choose from five options: very well informed, well informed, not well informed, not at all informed and unaware. We did not expect to see much difference between the two endpoints (very well informed - 5%, not at all informed - 9%). Most nominations come for well-informed and ill-informed opportunities, both representing over 40%. As we could not reach a clear conclusion on this question, we examined each district individually, the distribution is shown in Table 1.

**Table 1: Workers' awareness of job opportunities in the neighborhood by district**

	District of Dunaszerdahely	District of Érsekújvár	District of Komárom
Not at all informed	10.00%	2.74%	13.43%
Not well informed	45.00%	41.10%	37.31%
Well informed	40.00%	45.21%	43.28%
Very well informed	5.00%	8.22%	1.49%
I do not know	0.00%	2.74%	4.48%

Source: Own construction based on primary data

From the breakdown by district, it can be stated that the inhabitants of the Érsekújvár district, though with only a small difference, consider themselves to be the most informed about the job opportunities in the area. Among the three districts surveyed, the lowest rate was not at all informed and the highest rate was very well informed.

In the next question, we examined whether respondents were looking for another job in the case of a pending employment contract. Two thirds (66%) answered yes and 34% said no.

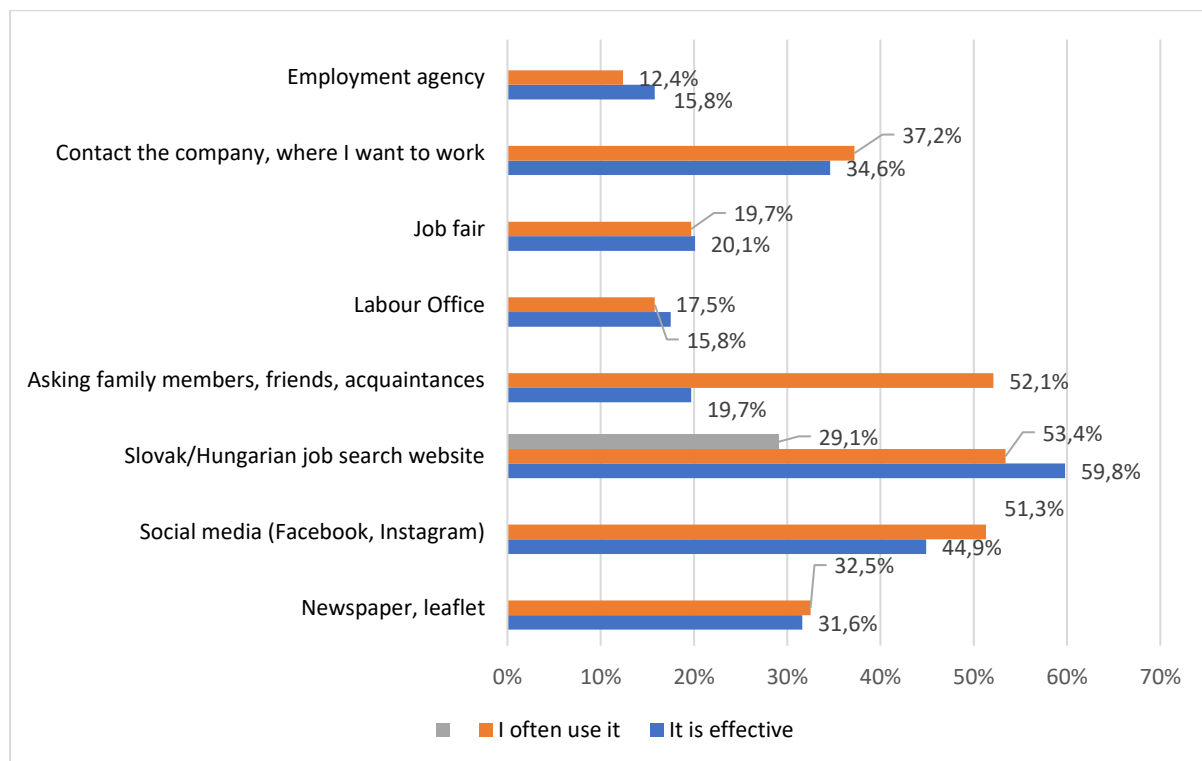
We continued the comparison on this issue by age. It is not typical for people under the age of 20 to look for another job besides work, but after that, the proportion of genders was higher in all age groups than in the sexes. The rate is extremely high in the 31-50 age groups.

**Table 2: Age-related job opportunities sought in parallel with pending employment contracts**

	Yes (%)	No (%)
Under 20 years	42.9%	57.1%
21-30 years	65.1%	34.9%
31-40 years	69.8%	30.2%
41-50 years	81.1%	18.9%
Above 50 years	62.5%	37.5%

Source: own construction based on primary data

The next part of the questionnaire contained three questions. We evaluate the first two questions together (Figure 1). One concerned where research participants were most likely to look for a job, and the other surveyed which form of job ad they considered most effective.



**Figure 1: Comparison of the most commonly used and most effective forms of job adverts used by respondents**

Source: own construction based on primary data

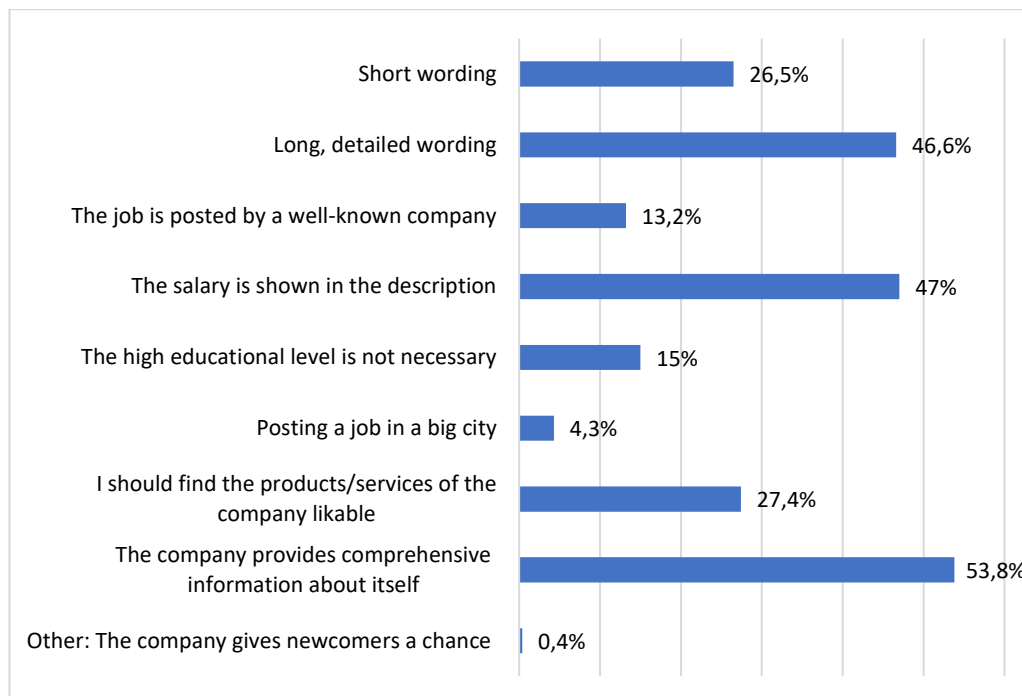
In the case of job posting portals, we compared the Slovakian and Hungarian portals when examining the frequency, as we were interested in the extent to which Slovakian Hungarians use Slovakian and Hungarian portals for job search in the three districts. We found out that 53.4% of the respondents indicated that job portals in Slovakia and 29.1% of the job portals in Hungary were alternatives. When examining efficiency, we combined these two options and named them job posting portals under a common name. The surveyed area can be described by the respondents as the most effective form of job advertisement, which is 59.8% very high among the other answers.

Respondents see the second most effective job search in social media, with a 44.9% rate. In the third step of the ladder, they indicated that they were directly interested in the company they wanted to work for, making this group 34.6% among the most effective job search methods. The lowest proportion was 15.8% for recruitment firms, which is also interesting because these firms were created specifically to offer jobs.

The other aspect was frequency, whereby respondents are most often looking for a job on the Slovak job ad portals, which is 53.4%, followed by 52.1% of relatives, friends and acquaintances, and the third alternative to social media 51.3% of respondents chose a job search. Here, too, employment agencies received the lowest rates, at 12.4%.

The most surprising finding is that more than half of the respondents use job search by asking relatives, friends and acquaintances, but only 19.7% consider it effective. Thus, it can be said that respondents are aware that this form of job search is not very effective, yet it is used.

In our third question we wanted to find out what people think makes a job advertisement effective (Figure 2).

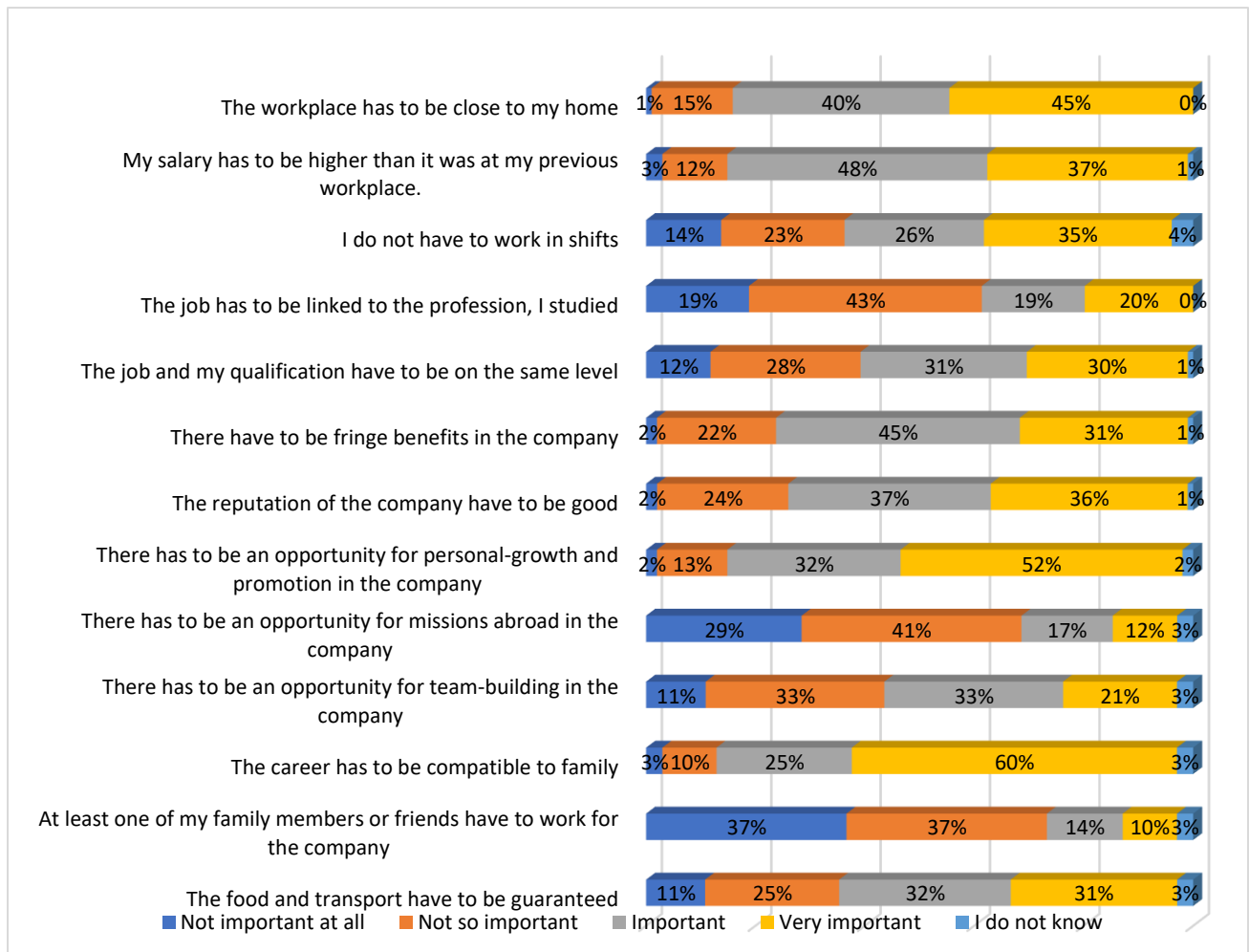


**Figure 2: The secret to effective job posting is, according to those surveyed**  
Source: own construction based on primary data

Of the nine options, respondents could choose multiple answers. Respondents most often see the secret of effective job advertising in the long, detailed wording (46.6%), in the salary shown (47%) and in the fact that the company provides comprehensive information about itself outside the advertised position (53.8%).

In the opinion of the respondents, it does not have a significant impact on the efficiency of posting a job in a big city, this option attracted only 4.3% of the respondents while browsing job ads. We would like to point out that one respondent used the notion of another option and clarified his opinion that the secret to effective job promotion is if the company gives newcomers a chance.

In our study, we also assessed what respondents considered important when applying for a job ad (Figure 3). Thirteen factors are listed. Interviewees were able to indicate, on a five-point scale, the importance they attach to each factor.



**Figure 3: Distribution of the importance of the factors considered when applying for a vacancy**

Source: own construction based on primary data

In our last question, we were curious about the frequency with which respondents responded when applying for a job posting. Almost half of the respondents (46%) have done it a few times, slightly more than one third (36%) many times, and (18%) have never experienced any feedback.

### Conclusion

During our research we came to the conclusion that in the districts of Komárom, Érsekújvár and Dunaszerdahely there is a very low proportion of those who are fully informed about the job opportunities. The people living here are either well-informed or not well-informed according to their own admission. We believe that awareness can be raised through social media, since nowadays everyone is using this platform. This is also evidenced by the fact that more than half of the respondents consider advertising in social media effective.

The most important factors for job ads are that the ad should be lengthy, that the salary should be included, and that the company should provide comprehensive information about itself.

In addition to job advertisements, we also examined the most important aspects related to the workplace, which means that it is important for employees to easily combine work and



family, to have opportunities for development and advancement. Also, keep the workplace close to home and pay higher than the previous workplace.

Having surveyed job search habits in the three districts of south-west Slovakia, we would like to repeat this in the south-eastern region in the future.

### Bibliography

1. (Date accessed: 2019.06.20.)
2. BENEKI-KOVÁCS, B. – HEGYI-HALMOS, D. (2012): *A munkanélküliség fogalma és típusai*. [online]. Available online: <http://docplayer.hu/44502191-A-munkanelkuliseg-fogalma-es-tipusai.html> (Date accessed: 2019.08.22)
3. DABASI-HALÁSZ, ZS. (2011): *Munkaerőpiac és foglalkoztatáspolitikai*. Miskolc: Miskolci Egyetemi Kiadó, 2011, 16-22 o.
4. EL OUIRDI, M. (2016): The use of social media in recruitment and job seeking. Doctoral Dissertation. Available online: <https://repository.uantwerpen.be/docman/irua/235ea9/11367.pdf>
5. McKENNA, E. – BEECH, N. (2000): *Modern gazdasági ismeretek*. Budapest: Panem Könyvkiadó Kft., 99-127 o.
6. THÉSZ, G. (2011): *Emberi erőforrás menedzsment.*, Available online: [https://www.google.sk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0ahUKEwj-scWonPnZAhXCCOwKHXwuBqEQFgg\\_MAM&url=http%3A%2F%2Fttk.nyme.hu%2Ffmkmmk%2FGazdakodasi\\_es\\_menedzsment%2FDocuments%2FOktat%25C3%25B3i%2520seg%25C3%25A9danyagok%2FTh%25C3%25A9sz%2520G%25C3%25A1bor%2FEEM\\_tananyag\\_vazlat\\_2011-12\\_II.%2520felev\\_gm.doc&usg=AOvVaw1D6yPwPGyZMEZsesuzdME5](https://www.google.sk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0ahUKEwj-scWonPnZAhXCCOwKHXwuBqEQFgg_MAM&url=http%3A%2F%2Fttk.nyme.hu%2Ffmkmmk%2FGazdakodasi_es_menedzsment%2FDocuments%2FOktat%25C3%25B3i%2520seg%25C3%25A9danyagok%2FTh%25C3%25A9sz%2520G%25C3%25A1bor%2FEEM_tananyag_vazlat_2011-12_II.%2520felev_gm.doc&usg=AOvVaw1D6yPwPGyZMEZsesuzdME5)
7. VÁMOSI, T. (2013) : *Munkaerőpiaci ismeretek*. Pécs, PTE FEEK. 12. o.
8. WAMBERG, C.R. – ALI, A.A. – CSILLAG, B. (2020): *Job Seeking: The Process and Experiences of Looking for a Job*. Annual Review of Organizational Psychology and Organizational Behavior, Vol. 7. (2020) pp. 315-337

### Authors' contact details

Bc. Partik Baša, J. Selye University, Faculty of Economics, MSC student, 122391@student.ujs.sk

PhDr. Enikő Korcsmáros, PhD., J. Selye University, Faculty of Economics, Head of the Department of Economics, korcsmarose@ujs.sk

Bc, Bence Csinger; J. Selye University, Faculty of Economics, MSC student, 122474@student.ujs.sk

## IMPACT OF TV MEDIA ON E-COMMERCE GROWTH AND PERFORMANCE IN DEVELOPING COUNTRIES

Nicodemus Kitukutha – Rendra Widyatama

### Abstract

Development of technology information and communication has led to emergence and growth of e-commerce. E-commerce is endowed with benefits to both retailers and consumers that has fuelled most of the business direction. Despite of e-commerce development in developed countries, some challenges still hinder the full realization of growth and performance in developing countries, this brings our research gap. Research method used qualitative analysis, using interpretative phenomenological analysis technique and critical realistic approach in literature review. The discussions and conclusions show that if online retailers can pay attention to the concerns of online consumers, then these barriers can be eliminated. Results predict 65 percent of potential online consumers would be converted to actual buyers. In conclusion, online sellers must ensure their websites are secure, coupled with privacy policy, that will increase trustworthiness among buyers.

### Keywords:

TV media, e-commerce, performance, growth, trust, security, privacy, developing countries

**JEL Classification:** O33, O47, P31

### Introduction

Today, electronic commerce (E-commerce) is growing very fast. Business through the internet is an essential component and will be the heart of global economic trade in the 21st century which has an enormous and undoubted impact on almost all organizations and markets (Dunay et al., 2011; Falk & Hagsten, 2015; Khan, 2016; Mlelwa, 2015; Santos et al., 2017).

E-commerce is growing in both developed and developing countries (Terzi, 2011). In developed countries, e-commerce has generally grown very significantly (Khan, 2016). This development is supported by a large number of internet users and the improvement of infrastructure that enables e-commerce to develop rapidly (Santos et al., 2017). However, in some developing countries, e-commerce does not grow as fast as developed countries (Alyoubi, 2015). For example, in the state of Tanzania, e-commerce growth is not quickly adopted by the public (Mlelwa, 2015). In Nigeria, e-commerce is still in its early stages because internet usage is still low (Mohammed & Abdulkadir, 2012). According to Ndogo (2012), e-commerce in many African countries is still small due to the limited ICT infrastructure, less of ICT knowledge, and the high threat of crime in cyberspace. In another country like Indonesia, although e-commerce growth has begun to increase, it is still relatively low compared to developed countries. According to a 2012 World Economic Forum and INSEAD report, Indonesia ranked 80th (out of 142 countries) based on the Networked Readiness Index (NRI). This position is lower compared to other Asia Pacific countries, where Singapore is in the 2nd position; Malaysia 29, 51st China, and 77th Thailand. The NRI ranking is assessed based on four factors, namely the environment (politics and regulation; business and innovation), readiness (infrastructure, affordability, and skills), use (individual, business, and government) and impact (social and economic) (Janita & Chong, 2013). Other researchers mention, in Indonesia, the problem of buyer satisfaction, risk, expertise and reputation of the seller, and the convenience of purchasing are still obstacles (Sfenrianto et al., 2018). In other developing countries in Asia, Latin America also faces the same problem.

On the other hand, TV has become a popular media in all countries, especially in developing countries. In developing countries, TV can have a very positive influence, namely accelerating development and reducing poverty (Eltzroth, 2006). The TV is very much needed because it has a function as a medium of entertainment, information, and education (Holtz et al., 2001). Television can have a wide range of positive influences, including promoting e-commerce. A television show can give viewers a visualization of e-commerce. Studies on the use of internet TV show that television can influence consumer behaviour in using e-commerce (Blasco et al., 2013). However, this research does not mean the use internet TV, which requires the public to have an internet connection as a prerequisite. The use of free to air television will be considered since provide more extensive opportunities for people because free to air TV does not require internet connection prerequisites. Based on the description above, it encourages researchers to raise the question, what can TV do to foster the use of e-commerce in the community of the developing countries? The gap is established that no research conducted on TV media can influence the growth and performance of e-commerce on developing countries. In this article, researchers present some argument to answer that question, based on a literature review.

The aim of this study is to hence and influence the growth and development of e-commerce in the developing countries. TV media can have much influence to create more awareness of e-commerce among its viewers. Especially in developing countries, where TV to air is free. Most of the viewers spend best part of the day watching TV for education, entertainment, and information. To be precise, it is through this part of information where online retailers can use to promote e-commerce to the public in general. Retailers can emphasizes and address how they have mitigated the challenges that has been hindering most consumers from buying online. For example, how they have dealt with the issues of privacy and security, enhancing trustworthiness in their websites and payment systems. Through TV media can foster and educate the public how to use e-commerce. Therefore, creating knowledge, skills, and good culture that consumers can start trusting e-commerce as the best means of shopping, that is convenient, safe, reliable, cheaper and with wide variety of goods and services to choose from.

## **Literature review**

### ***The definition of e commerce***

E-commerce also known as electronic commerce; internet or online shopping, is the activity of buying and selling of goods and services via the internet and its network system. In another words it involves business transactions of buying and selling of goods and services or exchange of information between business to business or business to consumers without both the buyer and seller meeting physically but rather over the internet (Mehra, 2015; Rahman, 2018). In the last 3 decades, the revolution of internet from 1960s, to date is fascinating. There is much development and penetration of internet. E-commerce has resulted to globalization of products and services (Nair, 2017). E-commerce is a very vital to tool for any country GDP, efficiency, and improvement of the economy. E-commerce has brought with it a lot of benefits to the consumers as well as companies over the traditional retail. Consumer benefits range from comparison of prices before purchase, shopping while at your comfort zone, wide range of products choice, cheaper in shopping since no travelling costs, and time wastage, information is easily available on a click of a button. For the companies can enjoy the following benefits: large market, new customers, decrease in inventories, monitoring customer preference changes, efficient and competence, scalability, reduce costs and boost brand awareness. According to Alavinasab & Taleghani (2016), mention the significance of e-commerce on business performance and growth.

Especially, with the developed countries enjoy high volume of e-commerce sales compared to developing countries. However, the developing countries are yet to realize the full potential growth and performance of e-commerce. Although, according to emarket.com shows that by 2022, developing countries will be leading in e-commerce, especially Africa. Despite, developed countries have realized full potential, still developing countries are faced with challenges that hinder growth and performance of e-commerce. This gap leads us to investigate the following Consumer barriers on ecommerce.

### ***Lack of privacy, security, and trust***

Several researches have been carried out on trust though there seems to be a lack of uniformity on growth of e-commerce in developed countries as compared to developing countries due to lack of trust. Consumers in developing countries feel insecure or difficult to trust online companies to share their personal information. Privacy and security are great concern for the consumers. If this is not guaranteed it affects the development of online shopping and makes consumers shy off and abandon e-commerce transaction, hence recoils to traditional shopping. This is echoed by Gupta & Dubey (2016) emphasized the importance of trust, consumers trustworthiness, security and privacy is a key paramount for the success of e-commerce (Rehman et al., 2018). Therefore, it upon the e-commerce companies to ensure that privacy, security, and trust is fostered. Privacy means that the information that consumers provide to the e-commerce companies must be protected, encrypted and never to be used without the customer consent. While, security is the safeguarding the information collected from consumers from unauthorized access or use by other persons for their own advantages of which was not initial intent by the company. For online companies to ensure trust, privacy and security, the following must be put into high regard, data integrity, authentication, non-repudiation, data confidentiality and access control and the word of mouth will be enough to fuel e-commerce growth (Rehman et al., 2018).

Similarly, consumer would feel more confident and buy online only if they have trust with the e-commerce companies they are dealing with, that their data, is protected and used for the intended purpose (Rybak, 2019). He noted that when customers have high level of trust, tend to have better experience and high satisfaction in e-commerce shopping. In return it creates loyalty and consumers tend to be associated with such kind of brands that value consumer trust. In such a case the online companies can easily monitor the changing behaviours of consumers and can supply consumers with customized information to their inboxes. Consumer trust has become a major focused for online consumers. Trustworthiness will be only bridge to the gap or distance between the consumer and the retailer (Teo & Liu, 2007). Trust should be built across all the network and partners involved in the e-commerce industry, from manufacturing of products, right quality, in logistics, time taken to deliver the goods and on secure payment mode. According to Oliveira et al., (2017) stated that e-commerce can create intention to purchase online by showing respect consumers by the online retailers. However, according to Thuo (2014) Kenya among other developing country are faced with challenges of security, privacy and trust, hence the low e-commerce performance. He urged the government to come up with the policies that gives e-commerce thriving ground. Similarly, Consumer trust is indicated to be one of the key influence of e-commerce as emphasized by these researchers (Hong et al., 2019; Kim & Peterson, 2017; Kitukutha & Oláh, 2018; Nguyen et al., 2018)

### ***Cultural aspects***

Culture is the beliefs, values, norms, and artefact of a certain society. Culture dimensions could be used to illustrate why different variances in e-commerce as cited by (Hallikainen & Laukkanen, 2018). Different countries have different cultures and therefore, there 5 types of cultures: Collectively- groups interest is considered more valued than

individual person in a community. Uncertainty avoidance- rules and guidelines are set pre to achieve same goals. Long-term orientation- where can have short, medium- and long-term cultures. Power distance- is expected of the management of organization to make better decisions concerning consumers and masculinity- it is the culture of female to be assertive in online purchase compared to men. For e-commerce companies have overcome the challenge of geographical location and therefore support ease culture for consumers to be receive their orders wherever despite of the distance or location, which is a positive effect on e-commerce (Khan, 2016).

In the most emerging markets, customers prefer to visit physical shops so that they can ask for discounts before purchase, which seems to be a challenge for online consumer to ask for the same, since no infrastructure in place, especially, in developing countries. Consumer behaviour and attitude can be largely determined by the social culture in the society as antecedent and dimensions of social culture are expressed differently and influences the purchase decisions (Yin et al., 2019). The culture and literacy in a country also can determine uptake of e-commerce. Not forgetting to mention region culture, technological and individual culture differences is a major factor to consider as you establish a business in a specific region (Chien et al., 2014). Consequently, e-commerce should study the culture of every niche market want to enter to evaluate the impacts on the business (Akhter, 2016; Lin, 2015). Zhang & Khare (2009) mention that locally oriented consumers will give a higher preference to local brands.

### ***Lack of knowledge and skills***

Consumers to have knowledge and skills, can be done by fostering awareness (Aghamirian et al, 2015; Kulyk et al., 2017). Awareness is the ability or state to perceive the easy use of e-commerce consciously or unconsciously. That is to say the conscious is the most important part because not only show that understanding of the matter but also, means you have the knowledge and skills required and how to do it (Yaseen et al., 2017). Awareness is understanding and knowledge that create the usefulness and ability to use e-commerce as a business model as consumers can purchase goods and services online (Hashemi & Hajiheydari, 2012). Secondly, it is through awareness that consumers adopt innovation of technology and its benefits to actualize the activity of e-commerce (Babinska et al., 2016). At the initial stage consumers develop needs, proceeded by visit an e-commerce website. Check and identify product or services one is in need. Ability to make informed decision to go on and make the actual purchase. Therefore, if consumers have a positive and good experience on online shopping at the first time. They may continue using e-commerce rather than visit physical traditional store to make a purchase.

Consequently, customers need information about products and services before actual purchase (Hashemi & Hajiheydari, 2011; Yaseen et al., 2017). Where and how to get this information will be termed as the skills. Several media and searching engines are available. Gaining this knowledge and understanding is very important for the adoption, acceptance, and growth of e-commerce in developing countries which seems to be lacking. Moreover, if consumers are able to obtain information and then make decision to purchase with the ease use of internet, the possibility of abandoning online shopping in the developing countries will be a thing of the past (Al-Dmour et al., 2017). Additionally, according to Fauska et al., (2013) state that customers go several process in e-commerce, before buying, search for information, and make buying decision, if the process was smooth and ease as in the following order; need of product/service, search of information, evaluation of alternatives, decision to purchase and behaviour after post purchase.

However, the process of purchasing online goes under several stages (Shanthi & Kannaiah, 2015). Firstly, stage the customer would like to find, gather information of the

availability of products and services online. Secondly, actual purchase, thirdly experience and satisfaction will determine if the consumer will continue buying online or will retaliate to traditional retail store (Bilgihan et al., 2016; Deyalage & Kulathunga, 2019; Radziszewska, 2013; Vakulenko et al., 2019). Therefore, if consumers enjoy better online shopping experience and high satisfaction, this will lead to spontaneously visit online shopping whenever they wish to buy, instead of physical store. First positive experience on online shopping create positive altitude and significance influence to remain as online consumer. At the same time will pass this news to his friends and family (Khan, 2016).

### ***The influence of TV media to e-commerce***

Television became the mainstream media for decades in the 20th century. Before the internet boomed, TV media became the belle of people to get entertainment and information. Television becomes an exciting medium because the audience does not need to have special skills to access it, as does access print media for newspapers. TV viewers who cannot read and write can access TV information. Also, the audience does not require high educational requirements for watching TV. If consumers understand the language used by TV and have a sense of sight, they can access TV broadcast content.

At present, television is still an essential medium for the public, although the internet has become increasingly popular in many developed and developing countries. In developed countries, 88% of the British public are still loyal to watching TV (Ofcom, 2015). In America, 70% of people still enjoy watching TV (Deloitte, 2017). Meanwhile, in developing countries, people also do not leave the television. Research Silva et al. (2014) mentions, Brazilian teenagers, both men and women respectively amounted to 70.9% and 66.2%, giving their time to watch TV. In India, 55% of the people put TV as entertainment and infotainment media (Narasimhamurthy, 2014). Likewise, in Bangladesh, TV media as a media that is much in demand by people (Islam et al., 2019).

Besides still attracting people's interest, television also has a positive and significant influence in various fields on audiences in many countries. TV media can become an effective promotional media in various fields. In Tanzania, TV media has a positive influence on audience knowledge about handwashing (Alexander et al., 2019). In South Korea, the Tuberculosis campaign through TV has a significant influence on viewers (Lee et al., 2018). The researchers also revealed that TV could foster the influence of specific values on its audience (Medrano et al., 2010). Information through TV influences views and engagement with the environment in the audience (Wonneberger & Kim, 2017).

### **Materials and methods**

The authors use qualitative methods to analyse the effect of television media on the growth and performance of e-commerce in developing countries. Data sources of research data in the form of literary journals that are relevant to the research topic. Sources of data in this study journal articles that are relevant to the research topic. Researchers analyse data using interpretative phenomenological analysis (Smith, 2016). In this interpretation, the authors uses a critical-realist approach (Danermark et al., 2002), where the authors analyse data based on relativity over existing realities (Losoncz, 2017).

### **Discussion**

Empirical research shows that penetration and access of internet is one of the major factors that lead consumers to buy online. 65% shows that consumers would like to shop online because of its convenience. 72% ability to search for information of products and services with easiness. Consumers can call to the customer service support even after working hours since its available 24 hours, 7 days a week. Therefore, can get feedback on information on what they

require online shop as compared to offline shop that operate on specific hours of the day. Most of consumers, prefer online shopping because they can save a lot of time. For example, looking for parking space at the mall, long queues on cashier desk and salespeople with who impose you to buy things you had not planned for. In a snapshot, online consumers are endowed with huge benefits at the click of a button. Just to mention a few, we group the in several groups: convenience, easy availability of information on retailers' web stores, wide choice and availability of products and service, and cost and time efficiency.

Even though, after analysing huge theoretical and literature review, it depicts that developing countries are still experiencing hinderances on growth and performance of e-commerce. Hitherto, challenges are, trust, privacy and security, culture aspects, lack of knowledge and skills. TV media is a great tool that can be used to influence the growth and performance in the developing countries.

The development of world wide web has fuelled the growth and performance of online shopping. It plays a crucial role in the modern-day society. Information technology and communication is the backbone of economic, social, environmental, as it hence achieving of sustainable e-commerce (Oláh et al., 2018). Therefore, online retailers need to be aware of the challenges that make consumers to abandon online shopping and offer solutions. This will create good experience, great satisfaction, and loyalty to remain online shoppers for the rest of their lives.

Trust, privacy, and security- security is a great concern to online consumer. Even though, there are several ways to make payments on online purchase. Credit card is the most convenient way. Consequently, consumers would feel insecure and abandon the online shopping if they do not trust retailers with their personal information on the website. However, if retailers are subscribed to guarantee security seals like Verisign on their page this challenge can be minimised. Customers tend to associate themselves with trusted brands. Trusted brands influence customers on online purchase. Trust can determine either loose or gain customers as well as failure or success of online retailers on e-commerce. Why is security and trust important to online consumers? Because by the virtual customers using credit card online, retailers can access private information of the consumers. Consumer worry a lot if they are not guaranteed their information would not be used otherwise, for different purpose. Privacy indicates infringing the rights of another person using their information without their consent. Research shows that 71% of online consumers are worried that retailers can misuse, customer personal information data without their consent.

Culture aspect- traditionally, consumers are used to shop in traditional way. Brick and mortar, visiting physical shops, to see, feel and touch the product before actual purchase. Online shopping, the culture is different, there is intangibility of the products, and this may lead some products not purchased online. Also, according to some cultures and religion, consumer may not be interested of buying a product or service. Hence retailers should be aware of this fact and avoid offending consumers by directing customised ads to the wrong consumer, otherwise, might have a negative impact on the brand. Statistics shows that is the culture of male to do more online shopping than female by 67 percent. Fashion is the leading, followed by travel, electronics, among others. It is important for the online retailers to have in mind the culture of a certain countries, behaviour, and beliefs. In this aspect can promote the development and performance of e-commerce in a diverse way.

Television has a significant role in society in various countries, especially in developing countries. In many developing countries, television has received the attention of the government, so that the mass media is often explicitly regulated. Almost all developing countries throughout the world have and manage TV stations in the form of public TV, for example, Kenya, Nigeria, Iraq, Jordan, Mongolia, Afghanistan, Pakistan, Indonesia, Malaysia,

the Philippines, Vietnam, Thailand, and others. Many countries also have rules that can force private TV stations to broadcast government programs situations.

Generally, governments in many developing countries recognize that TV has a far-reaching impact on society. They can use TV media to change attitudes, mindsets, and individual habits of people with a new business system. Studies in Pakistan prove that TV media can influence the behaviour of both literate and illiterate audiences (Yousaf, 2013). TV media can be used to promote e-commerce businesses as a more profitable and efficient business way. The promotion of e-commerce through TV media will become more widespread, because at this time TV media is converging with online media (Mikos, 2016), so TV broadcasts can be saved and repeatedly watched whenever the audience wants. Audio-visual TV media is suitable for explaining in detail all the things about e-commerce. Messages through TV can be recorded and broadcast repeatedly, adjusting to the habits of people watching TV. The goal of e-commerce promotion through media is not only for e-commerce consumers but also for sellers who use online media to run their business so that a robust environment in e-commerce is built.

Messages that contain e-commerce can take many forms, ranging from news, features, news magazines, documentaries, advertisements, talk shows, reality shows, even quizzes and soap operas. The program can be direct and interactive. All TV programs will have a stronger impact if designed in an integrated manner with various other activities and programs. Research shows that integrated campaigns can have a substantial impact on consumers (Chattopadhyay et al., 2010).

## Conclusions

It is of no doubt for e-commerce to thrive in developing countries the following challenges needs to be addressed urgently. Online shopping has come of age, it is no longer an option but a vital business model that contribute to economic aspect for both retailers and consumers. In general, to the country's GDP. Online retailers need to pay close attention to factor that can turn a way online customer. Similarly, provide a solution aiming to get larger market and turn potential customers to actual online buyers. Understanding of the obstacles by online retailers or sellers will close the gap. Create websites that guarantee online consumers safety of the personal information. Enshrine policies on retailers' website page that gives assurance of the protection every private information collected can only be used with customer's consent.

Trust, privacy, and security- online retailers to institute trust among its customers, by subscribing to features that display trust. For example, VeriSign, etrust signs, SSL certificate can be ascribed to from genuine vendors. When consumer visit online retailer's page with these signs gain more trust to these brands. Encrypted websites that would not leave the credit card users vulnerable to hackers, would go in hand. Trust critical factor considered by consumers, at pre-purchase, during purchase and post-purchase. For instance, when consumers buy online products and find them with default. Contact information should be available for the seller's web and customer can have an easy way to return the product for exchange or get a refund without hitches. This makes consumers build more trust with the brands. Also, transactions should be secured by ensuring protection of the data of the consumers when they use credit cards. Retailers should keep customers' information encrypted and all employees made to sign binding contract that forbid them from using consumer private data for their personal gain. This clause can be included on the sellers' website on privacy protection. All above measures is to create trust in the mind of the consumers and online sellers are holding themselves accountable hence makes e-commerce more viable and sustainable.

Culture aspect- there are different factors that determine a culture of a society. Could be religion, race, country, language, and business dynamics. It is upon the online sellers to



study their market niche and create their website into the values, beliefs, interests' norms that go with that niche. Otherwise, it can be difficult for a certain market niche if the online vendor use language that is not known. Similarly, using colours, themes that mean bad omen to certain races can be offending. In addition, not only that online sellers to consider secure websites but also culture of the local markets in terms what to avail on their websites. Should go in hand with the interests of the locals, norms, behaviours, needs, desires, customs, and traditions. Different communities respond different to different cultures, so online sellers need to pay attention to be successful. For example, its offensive to use a cow image or in a language setting in India or Pakistan's as cow is related to their God. When Pepsi company was doing the advertising campaign. It used the phrase "come alive" in china that means ancestors to come from their graves. So, in china it is a bad omen and Chinese online consumers would disassociate themselves with a such a product. Just to mention a few, there are a lot of many issues related to culture that can make online consumers avoid buying from a certain vendor. By taking this into consideration can reduce the barriers associated with culture and will fuel the growth and development of e-commerce around the globe.

In summary, e-commerce has changed the way businesses are conducted around the world. E-commerce has brought a lot of efficiency, time saving and cost reduction for the online shopping malls. Likewise, online consumers are can shop online 24 hours a day, avoid traffic jams, enjoy convenience, great customer satisfaction coupled with amazing shopping experience. However, web shops must pay keen attention to the things that will make online consumers avoid online shopping. For example, ensure user friendly website, ease to use, adequate availability of information upon search. Secure websites that guarantee safety and privacy of consumer private data. Create trustworthiness among consumers by subscribing to features that provide confidence with the consumers. On their website give the policies that protect consumers. Online sellers to ensure that they are aware of the consumers and respect their cultures, beliefs, norms, and customs. According to Akhter (2016), 65 percent influence the e-commerce with the positive culture established. Online shopping malls to have an effective customer service that can assist and guide consumers when they need help or guidance.

Retailers could also use TV media as advertising agent. This gives a lot of hope to consumers, when the see such brands on the commercial TV's and become more familiar with them and hence end up trusting them. TV media is a tool that is widely used in every country for entertainment and passing on of information and can promote the widely use of e-commerce in the developing countries. Television has an extensive influence on society. This media can give effect to cognitive, affective, and behaviours on the individual. Changes that occur collectively will ultimately change a culture. Television can help grow trust, knowledge, and improve the technical skills of the community in e-commerce. The author believes that the ability of TV media like this, e-commerce can proliferate. The performance of e-commerce will also be better. Promotion of massive e-commerce through TV media is believed to accelerate the growth of e-commerce.

Results of this study shows that the mention barriers if well considered by the online sellers then would give the right environment for e-commerce to thrive in the developing countries. Online sellers would benefit by increasing their sales, entering new markets, and keeping the existing consumers. The online consumer is guaranteed of the safety of their private information by use of credit cards while the they can shop online while enjoying the overwhelming benefits, that comes with e-commerce. Further research can be done different aspects of culture that influence e-commerce growth and development.

## Bibliography

1. Aghamirian, B., Dorri, B., & Aghamirian, B. (2015). Customer knowledge management

- application in gaining organization's competitive advantage in electronic commerce. *Journal of Theoretical and Applied Electronic Commerce Research*, 10(1), 63–78. <https://doi.org/10.4067/S0718-18762015000100006>
2. Akhter, F. (2016). Cultural Dimensions of Behaviors Towards E-Commerce in a Developing Country Context. *International Journal of Advanced Computer Science and Applications*, 7(4), 100–103. <https://doi.org/10.14569/ijacsa.2016.070413>
  3. Al-Dmour, R., Hammdan, F., Al-Dmour, H., Alrowwad, A., & Khwaldeh, S. M. (2017). The Effect of Lifestyle on Online Purchasing Decision for Electronic Services: The Jordanian Flying E-Tickets Case. *Asian Social Science*, 13(11), 157. <https://doi.org/10.5539/ass.v13n11p157>
  4. Alavinasab, S. S., & Taleghani, M. (2016). Impact of the Establishment of E-Commerce on Export Performance of Companies in Guilan Province. *Mediterranean Journal of Social Sciences*, 7(2), 526–532. <https://doi.org/10.5901/mjss.2016.v7n2s1p526>
  5. Alexander, C. C., Shrestha, S., Tounkara, M. D., Cooper, S., Hunt, L., Hoj, T. H., ... Hall, C. (2019). Media access is associated with knowledge of Optimalwater, sanitation and hygiene practices in Tanzania. *International Journal of Environmental Research and Public Health*, 16(11), 1–10. <https://doi.org/10.3390/ijerph16111963>
  6. Alyoubi, A. A. (2015). E-commerce in Developing Countries and How to Develop Them During the Introduction of Modern Systems. *Procedia - Procedia Computer Science*, 65(2015), 479–483. <https://doi.org/10.1016/j.procs.2015.09.127>
  7. Babińska, D., & Witzak, O. (2016). Developing students' knowledge, skills and social competences in international marketing research— cooperation of academia and business. *Journal of Economics and Management*, 26(4), 34–51. <https://doi.org/10.22367/jem.2016.26.02>
  8. Bilgihan, A., Kandampully, J., & Zhang, T. (Christina). (2016). Towards a unified customer experience in online shopping environments: Antecedents and outcomes. *International Journal of Quality and Service Sciences*, 8(1), 102–119. <https://doi.org/10.1108/IJQSS-07-2015-0054>
  9. Blasco-Arcas, L., Hernandez-Ortega, B., & Jimenez-Martinez, J. (2013). Adopting television as a new channel for e-commerce. The influence of interactive technologies on consumer behavior. *Electronic Commerce Research*, 13(4), 457–475. <https://doi.org/10.1007/s10660-013-9132-1>
  10. Chattopadhyay, T., Dutta, R. N., & Sivani, S. (2010). Media mix elements affecting brand equity : A study of the Indian passenger car market. *IIMB Management Review*, 22(4), 173–185. <https://doi.org/10.1016/j.iimb.2010.09.001>
  11. Chien, S. Y., Lewis, M., Semnani-Azad, Z., & Sycara, K. (2014). An empirical model of cultural factors on trust in automation. *Proceedings of the Human Factors and Ergonomics Society*, 2014-Janua, 859–863. <https://doi.org/10.1177/1541931214581181>
  12. Danermark, B., Ekstrom, M., Jakobsen, L., Karlsson, J. C., & ChKarlsson, J. (2002). Explaining society: Critical realism in the social sciences. In *Science*.
  13. Deloitte. (2017). Digital Democracy Survey. In *Deloitte Insights*. <https://doi.org/10.1002/ejoc.201200111>

14. Deyalage, P. A., & Kulathunga, D. (2019). Factors Affecting Online Customer Satisfaction: The Sri Lankan Perspective. *International Journal of Business and Management, 14*(2), 99. <https://doi.org/10.5539/ijbm.v14n2p99>
15. Dunay, A., Fodor, Z., & Illés, B. C. (2011). Kisés közép vállalkozások e-banking szokásai [E-banking Habits of Small and Medium Enterprises], *Gazdaság és Társadalom. Gazdaság & Társadalom*, 103–116. <https://doi.org/10.21637/GT.2011.00.06>
16. Eltzroth, C. (2006). Broadcasting in Developing Countries: Elements of a Conceptual Framework for Reform. *Information Technologies and International Development, 3*(1), 19–37. <https://doi.org/10.1162/itid.2006.3.1.19>
17. Falk, M., & Hagsten, E. (2015). E-commerce trends and impacts across Europe. *International Journal of Production Economics, 170*(2015), 357–369. <https://doi.org/10.1016/j.ijpe.2015.10.003>
18. Fauska, P., Kryvinska, N., Kryvinska, N., & Strauss, C. (2013). The role of e-commerce in B2B markets of goods and services. *International Journal of Services, Economics and Management, 5*(1–2), 41–71. <https://doi.org/10.1504/IJSEM.2013.051872>
19. Gupta, M. P., & Dubey, A. (2016). E-Commerce- Study of Privacy , Trust and Security from Consumer ' s P erspective. *Computer Science and Mobile Computing, 5*(6), 224–232.
20. Hallikainen, H., & Laukkanen, T. (2018). National culture and consumer trust in e-commerce. *International Journal of Information Management, 38*(1), 97–106. <https://doi.org/10.1016/j.ijinfomgt.2017.07.002>
21. Hashemi, N., & Hajiheydari, N. (2011). Customer Knowledge Management Framework in E-commerce. *Ipedr, 25*, 129–133.
22. Hashemi, N., & Hajiheydari, N. (2012). How brand awareness affects online purchase intention: Considering the role of perceived risk. *International Journal of Electronic Customer Relationship Management, 6*(3–4), 274–291. <https://doi.org/10.1504/IJECRM.2012.051878>
23. Holtz-Bacha, C., & Norris, P. (2001). “To entertain, inform, and educate”: Still the role of public television. *Political Communication, 18*(2), 123–140. <https://doi.org/10.1080/105846001750322943>
24. Hong, L. M., Nawi, N. C., Zulkiffli, W. F. W., Mukhtar, D., & Ramlee, S. I. F. (2019). Perceived risk on online store image towards purchase intention. *Research in World Economy, 10*(2 Special Issue), 48–52. <https://doi.org/10.5430/rwe.v10n2p48>
25. Islam, M. M., Ali, M., Chowdhury, A., & Islam, S. (2019). *Television Viewing Patterns of Bangladeshi Audience : A Study of Indian and Bangladeshi Soap Operas*. (December 2017), 17–37.
26. Janita, I., & Chong, W. K. (2013). Barriers of B2B e-business adoption in Indonesian SMEs: A literature analysis. *Procedia Computer Science, 17*, 571–578. <https://doi.org/10.1016/j.procs.2013.05.073>
27. Khan, A. G. (2016). Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy. *Global Journal of Management and Business Reseach, 16*(1).
28. Kim, Y., & Peterson, R. A. (2017). A Meta-analysis of Online Trust Relationships in

- E-commerce. *Journal of Interactive Marketing*, 38, 44–54. <https://doi.org/10.1016/j.intmar.2017.01.001>
29. Kitukutha, N., & Oláh, J. (2018). Trust And E-Commerce, Case Study On Jumia Company. *University of Oradea, Faculty of Economics*, 1(1), 313–323.
30. Kulyk, V., & Škodová Parmová, D. (2017). E-business development: The comparative study of the Czech Republic and the Ukraine. *Deturope*, 9(1), 80–110.
31. Lee, B., Oh, H. J., & Chon, B. S. (2018). Estimating the impact of a television campaign on tuberculosis knowledge and intention to test for TB in South Korea. *International Journal of Tuberculosis and Lung Disease*, 22(1), 60–64. <https://doi.org/10.5588/ijtld.17.0203>
32. Lin, A. C. H. (2015). Facilitating Cultural and Creative Industries to Engage the Internet Era: A New E-Commerce Strategic Framework. *American Journal of Economics*, 5(5), 534–539. <https://doi.org/10.5923/j.economics.20150505.14>
33. Losoncz, I. (2017). Methodological approaches and considerations in regulatory research. In P. Drahos (Ed.), *Regulatory Theory: Foundations and applications* (pp. 77–95). <https://doi.org/10.22459/RT.02.2017.05>
34. Medrano, C., Aierbe, A., & Orejudo, S. (2010). Television Viewing Profile and Values: Implications for Moral Education. *Orejudo Revista de Psicodidáctica*, 15(151), 57–76.
35. Mehra, J. (2015). *International Journal of Informative & Futuristic Research ISSN : 2347-1697 The Consumer Risk Perception Towards Online Shopping At Different Age Groups*. 3(4), 1411–1417.
36. Mikos, L. (2016). Digital media platforms and the use of TV content: Binge watching and video-on-demand in germany. *Media and Communication*, 4(3A), 154–161. <https://doi.org/10.17645/mac.v4i3.542>
37. Mlelwa, K. L. (2015). E-Commerce Trend in Developing Countries : A Case Study of Tanzania. *International Journal of Computer Applications*, 125(1), 27–33.
38. Mohammed, L., & Abdulkadir, K. (2012). An Overview of E-Commerce Implementation in Developed and Developing Country ; A Case Study of United State and Nigeria. *International Journal of Modern Engineering Research (IJMER)*, 2(5), 3068–3080.
39. Nair, K. S. (2017). Impact of E-Commerce on Global Business and Opportunities - A Conceptual Study. *International Journal of Advanced Engineering and Management Research*, 2(2), 324–336. <https://doi.org/ISSN: 2456-3676>
40. Narasimhamurthy. (2014). Television as a Dominant Source of Infotainment among Youths in Bangalore City. *IOSR Journal of Research & Method in Education (IOSRJRME)*, 4(5), 21–28. <https://doi.org/10.9790/7388-04532128>
41. Ndonga, D. (2012). E-Commerce in Africa: Challenges and Solutions. *African Journal of Legal Studies*, 5(3), 243–268. <https://doi.org/10.1163/17087384-12342009>
42. Nguyen, D. H., de Leeuw, S., & Dullaert, W. E. H. (2018). Consumer Behaviour and Order Fulfilment in Online Retailing: A Systematic Review. *International Journal of Management Reviews*, 20(2), 255–276. <https://doi.org/10.1111/ijmr.12129>
43. Ofcom. (2015). Communications Market Report. In *Ofcom* (Vol. 1). <https://doi.org/10.1017/CBO9781107415324.004>

44. Oláh, J., Kitukutha, N., Haddad, H., Pakurár, M., Máté, D., & Popp, J. (2018). Achieving sustainable e-commerce in environmental, social and economic dimensions by taking possible trade-offs. *Sustainability (Switzerland)*, 11(1). <https://doi.org/10.3390/su11010089>
45. Oliveira, T., Alinho, M., Rita, P., & Dhillon, G. (2017). Modelling and testing consumer trust dimensions in e-commerce Part of the Management Information Systems Commons Modelling and testing consumer trust dimensions in e-commerce. *Computers in Human Behavior*, 71, 153–164. <https://doi.org/10.1016/j.chb.2017.01.050>
46. Radziszewska, A. (2013). Assessment of Customer's Satisfaction in E-Commerce Services. *Zeszyty Naukowe Szkoły Głównej Gospodarstwa Wiejskiego w Warszawie. Polityki Europejskie, Finanse i Marketing*, 9(58), 2–22.
47. Rahman, K. M. (2018). EAI Endorsed Transactions A Narrative Literature Review and E-Commerce Website Research. *EAI Endorsed Transactions on Scalable Information Systems*, 5(17), 1–10. <https://doi.org/10.4108/eai.29-5-2018.154806>
48. Rehman, Z., Syed, A., Khan, M. A., & Ali, R. (2018). Factors Effecting Consumer Trust in Online Purchases. *International Journal of Global Sustainability*, 2(1), 56. <https://doi.org/10.5296/ijgs.v2i1.14039>
49. Rybak, A. (2019). Consumer Trust in E-Commerce: The Case of Poland. *Folia Oeconomica Stetinensia*, 18(2), 59–71. <https://doi.org/10.2478/fofi-2018-0019>
50. Santos, V. F. dos, Sabino, L. R., Morais, G. M., & Gonçalves, C. A. (2017). E-Commerce: A Short History Follow-up on Possible Trends. *International Journal of Business Administration*, 8(7), 130–138. <https://doi.org/10.5430/ijba.v8n7p130>
51. Sfenrianto, S., Wijaya, T., & Wang, G. (2018). Assessing the buyer trust and satisfaction factors in the E-marketplace. *Journal of Theoretical and Applied Electronic Commerce Research*, 13(2), 43–57. <https://doi.org/10.4067/S0718-18762018000200105>
52. Shanthi, R., & Kannaiah, D. (2015). Consumers's perception on online shopping. *Journal of Marketing and Consumer Research*, 13(2), 14–21. <https://doi.org/10.1105/tpc.109.068890>
53. Silva, D. A. S., Tremblay, M. S., Gonçalves, E. C. D. A., & Silva, R. J. D. S. (2014). Television time among Brazilian adolescents: Correlated factors are different between boys and girls. *The Scientific World Journal*, 2014. <https://doi.org/10.1155/2014/794539>
54. Smith, J. A. (2016). Evaluating the contribution of interpretative phenomenological analysis analysis. *Health Psychology Review*, 7199(December), 9–27. <https://doi.org/10.1080/17437199.2010.510659>
55. Teo, T. S. H., & Liu, J. (2007). Consumer trust in e-commerce in the United States, Singapore and China. *Omega*, 35(1), 22–38. <https://doi.org/10.1016/j.omega.2005.02.001>
56. Terzi, N. (2011). The impact of e-commerce on international trade and employment. *Procedia - Social and Behavioral Sciences*, 24, 745–753. <https://doi.org/10.1016/j.sbspro.2011.09.010>

57. Thuo, M. M. (2014). Security, Privacy, Trust Issues Surrounding E-Commerce in Kenya. *SecurityPrivacyTrustIssuesSurroundingE-CommerceinKenya*.
58. Vakulenko, Y., Shams, P., Hellström, D., & Hjort, K. (2019). Online retail experience and customer satisfaction: the mediating role of last mile delivery. *International Review of Retail, Distribution and Consumer Research*, 29(3), 306–320. <https://doi.org/10.1080/09593969.2019.1598466>
59. Wonneberger, A., & Kim, S. J. (2017). Tv news exposure of young people in changing viewing environments: A longitudinal, cross-national comparison using people-meter data. *International Journal of Communication*, 11(1), 72–93.
60. Yaseen, H., Alhusban, M., Alhosban, A., & Dingley, K. (2017). *Making Sense of E-Commerce Customers Awareness in a Developing Country Context : A Framework for Evaluation*. 20(2), 102–115.
61. Yin, X., Wang, H., Xia, Q., & Gu, Q. (2019). How social interaction affects purchase intention in social commerce: A cultural perspective. *Sustainability (Switzerland)*, 11(8). <https://doi.org/10.3390/su11082423>
62. Yousaf, Z. (2013). Effects of Television Commercials on the Literate and Illiterate People of Pakistan (A Case Study of Gujarat City). *Journal of Bacteriology & Parasitology*, 51(01), 2–5. <https://doi.org/10.4172/scientificreports.601>
63. Zhang, Y., & Khare, A. (2009). The impact of accessible identities on the evaluation of global versus local products. *Journal of Consumer Research*, 36(3), 524–537. <https://doi.org/10.1086/598794>

#### Authors' contact details

PhD. Candidate Nicodemus Kitukutha, Károly Ihrig Doctoral School of Management and Business, University of Debrecen, Hungary. 4032, e-mail: [nicodemus.kitukutha@econ.unideb.hu](mailto:nicodemus.kitukutha@econ.unideb.hu) (N.K.) Correspondent Author.

PhD. Candidate Rendra Widyatama, Károly Ihrig Doctoral School of Management and Business, University of Debrecen, Hungary. 4032 and Communication Department, Faculty of Literacy, Culture, and Communication, University of Ahmad Dahlan, Indonesia. e-mail: [rendrawidyatama@gmail.com](mailto:rendrawidyatama@gmail.com) (R.W.)

## MANAGEMENT OF THE SPORT CAREER MODEL IN HUNGARY - DUAL CAREER RESEARCH

Beatrix Faragó

### Abstract

Athlete's career begins in the intense phase of achieving success and then continues in the competition for civilian employment. Competitiveness is important for an athlete at every stage of his or her life: appearing and it will get stronger competency at an early age, that accompanies his or her life. The athlete, a symbol of success in athlete's identity, wants to represent a similar value in the labor market. The aim of the research in presented study is to explore the elements of the athlete's career path where the athlete's career is equally successful in sports and civilian life. Management needs to develop an appropriate strategy based on exploring the elements that support the athlete's career. The study is an exploratory study based on in-depth interviews with sports management experts, examining dual career opportunities for athletes in Hungary, especially in West Hungary. Based on the results, it has become apparent that sample of international dual career trends have set in motion initiatives, but less common systems. The competitive factors of athlete's success on the labor market become a crucial part of human capital can play a decisive role in the development of dual career management systems for athletes.

### Key words

sports management, athlete's dual career, career model, strategy, talent management, labor market

**JEL Classification:** J24, J53, Z22

### Introduction

In the background of dual career programs for athletes it is worth following international ways. Athlete's career model strategies are becoming more widespread in the European Union and in the US with significant good practice and a well-established organizational background. The general career management models can help in the development of athlete careers, but an important aspect is sports-specific design, which is the basis of efficiency. Elements of athlete's career development are complex and vary by age. The sociological, psychological and pedagogical effects of athlete success are decisive for the emergence of an athlete on the civilian career. The measure of success for athletes is sporting achievement, recognition, salary, promotion, and income in the labor market. Success and failure guide the decisions of lives, which determine the career paths (Baruch, Bozionelos, 2010, Nicholson, De Waal-Andrews, 2005). Success factors – what are crucial to individual success- this is no different in sports and in the civilian field. There are subjective factors too in the interpretation of success, and who knows, what does success mean? In the corporate field it is mainly economic, but human management is increasingly emphasizing soft factors. In sport, we can talk about social successes, recognition and acknowledgement. But is it enough for an athlete to gain exposure in other areas of life?

Career management evolves in maximizing of individual needs and abilities. The factors of career management are on the one hand individual but must also formulate general guidelines along the lines of measurability and objectivity. (Szabó-Bálint, 2018)

The corporate sector as an employer environment is an important area of career and human resource management for athletes and employees alike. Globalization imposes a number of challenges on economic operators that require to adapt of workers, including

athletes. Organizational management leadership determines business success. (Mura et al. 2017) Smaller businesses need a more flexible approach to the competitive environment (Machová et al 2015), which can be aligned with the position of sports clubs in athletic career management. The impact of organizational culture on corporate economic efficiency, according to numerous studies has become an increasingly important part of companies' lives which is combined with economic efficiency. (Konczos Szombathelyi 2014; Gertler 2004; Tura, Harmaakorpi 2005)

As a result of globalization, the world is undergoing continuous social and economic change, in which competitiveness is an indicator. Factors of competitiveness are changes in the emphasis of capital elements, which appear as elements of social capital, human capital and territorial capital. (Rechnitzer, Lengyel 2004) The workforce represents a substantial part of each of these elements of capital, which is a factor of competitiveness in organizational culture. Athlete and sport appear in social capital as a part of athlete identity (Eichberg 2003, Faragó, Konczosné Szombathelyi 2018), due to the many effects of sport functions (Guttman, 1978, Horak, Spitaler, 2003), by health as a key segment of the economy (McNocolas 2002). In organizational career management is a significant factor the relationship with athlete career management and the conscious use of athlete competences in the labor market. (Faragó et al. 2018) An athlete's career is varied, with a series of challenges that come to a halt at the end of an athlete's career. Dual career management is intended to facilitate the transition during the athlete's career and the transition to a civilian career. For this awareness and strategy is a key factor. In career management for the athletes need appropriate professional background support what characterised specific competencies and socialization that require individual preparation in the labor market. (Faragó, 2015) At the end of an athlete's career, the mental, psychic, and professional transition places a significant burden on the athlete, and the previous success-oriented environment is transferred to an unknown, experience-deficient area. The situation is exacerbated by the disadvantageous role of women in the labor market and as an athlete, especially if they are involved in family planning. (Béki 2018, Bencsik et al. 2015) The effective utilization of the competences of the athlete as a human, territorial, and social capital element can be achieved through appropriate, conscious career management tools. Athlete career stages require special individual application that differs from the business structure, but it is necessary to find common points as part of the sports economy. By embedding the elements of career management into an athlete's career, effective programs can be created to promote the athlete's career model and to apply athletic competences to the labor market. Therefore, exploring these elements is an essential aspect of developing an appropriate, successful strategy.

Introduced research in this study based on in-depth expert interviews and secondary research, it presents the elements and operation of dual career management in Hungarian athletes. The number of expert interviews is 25, made with the participation of sports leaders, athletes and sports professionals. An essential part of the study is an international outlook on Athlete Career Model Management, an introduction to career management organization, and an exploration of the elements of career success. That means the basis of development of athlete's career. The result shows the level of dual career management of athletes in Hungary. On the basis of the information revealed, effective intervention is possible as successful and incomplete elements are revealed, and further steps are identified as to what management tools can be used to make them effective. In the following chapters, the first will be represented the theoretical system of dual careers, and successful management approaches will be known in comparison with the results of primary research.



### **Career management in organisations and sports**

Success orientation appears in the field of career in terms of psychology, sociology and economics. Effective output can be called career success (Judge et al. 1995, Arthur et al. 2005, Judge, Kammeyer-Mueller, 2007) Individual career paths are different, so their interpretation becomes variable. It is important to distinguish between objective and subjective success. Hierarchical promotion, financial performance (Gunz, Mayrhofer 2011) is part of the objective success of an organization, which judges on the basis of specific indicators. (Baruch, Bozionelos 2010, Heslin 2005) An athlete experience mainly subjective success, how can we evaluate a youth world cup title, a world championship title or an Olympic championship title in the interpretation of success, whether in sport or economically? Of course, these successes also have their value, which sometimes translates into financial performance, but is less sustainable in the long run. The social utilization of a successful sport result is reflected in the sport, in the function of the sport's identity, in the individual's evaluation of the individual, but the career success is short-term. Other successes include the acquisition of health, relationship capital, prestige, and social reputation, which are subjectively judged. Individual success can be manifested in the realization of the family, in a successful partnership, in effective cooperation. In the combination of happiness and success factors, individual judgment is outstanding. (Van Maanen, Shein 1977)

In the values of civilian and athletic career opposing directions are reinforced in objective and subjective factors. Subjective elements play an increasingly important role in career satisfaction, while in an athlete's career economic efficiency - through the sports economy - and long-term survival are increasingly important. Of course, objective and subjective success have an effect on one another (Poole et al 1993), one can strengthen the other in the civilian and athletic careers. Reporting on career success in the labor market, according to Dries et al (2008) are performance, progress, self-development, creativity, security, satisfaction, recognition, collaboration, and contribution are slightly different from career orientation, although there are similarities, performance enhancement, recognition, continuous physical development, result-centricity, maintaining a competitive spirit. This is slightly different from the athlete's career success orientation, where, although there are similar elements, the success of sports competitions, performance enhancement, recognition, continuous physical development, result-centricity, and maintaining a competitive spirit are more significant. In sport, the primary goal of physical performance is the development of mental, mental, existential, and mental knowledge. Career management in sport serves athletic performance and does not follow the path after sport or prepare for life in sport. Physical attributes play a greater role in athlete self-development.

Sports career is a special area, its duration cannot be limited (Stambulova et al 2009), individual opportunities and life paths appear. An essential area of athletic career management is competence development, broadening studies from physical development to mental, intellectual, and theoretical knowledge. Success manifests itself in a complex way for athletes, as maintaining a life after an athlete's career is a major challenge. To overcome this, conscious athletic management means the sustainability of success. One of the keys to success is satisfaction. An athlete cannot be satisfied because it is a barrier to his / her development and athletic career. On the other hand, satisfaction, which has a motivating effect, is an essential element of career success. The structure of the organizational career-based system is organized according to the level of education and the time spent in a given position. In sport, performance does not require a school qualification, although sport-specific knowledge contributes to the success of individual training and athlete preparation. In the two types career management, defining common sections and matching them is an essential aspect of finding different directions. In this, strategic management is an excellent point of reference, which helps to divert several areas and segments into a united path while coexisting. Another important aspect of

career management is time delimitation. As the career progresses in the civilian career, the study period is delayed, while in athletes, the construction of a sports career begins at a young age and it is too late to build a new career path after the completion of the appear at the same time. Thus, the athlete has to meet in several areas, delivering performance to succeed. In a civilian career, those athletes who are better educated because they face less difficulty have a better chance of a career. (Murphy et al. 1996) A sports career may determine a civilian career in that a talented athlete later on seeks a livelihood in the sport, but a significant proportion of the athlete is unable to complete it. (Gósi, Salló 2017) Whether organizational management can cope effectively with this task largely depends on the managerial attitude. Leadership style and its application are effective in both sports and corporate management.

In this respect, it is necessary to be understanding in both athletic and organizational management, to give recognition, to delegate tasks, to think long term, to be a colleague in the position, to focus on the people, and to show respect. (Csókás, Machová, 2017)

### **International management of athlete's dual career**

In the international context, it is important that the geopolitical processes have an impact on the government environment, on the labor market situation in the economic area, which determines the main political directions (Machová, Tóbiás Kosár, 2014) and on other areas of social and economic processes, such as sport.

According to the Council of Europe Sport Charta (1992), sport activity is characterized by all activities aimed at expressing and developing fitness, whether on a casual or organized basis. Sport also appears in the social context because it is part of the culture that influences our daily lives. (Nádori 1986) There are several divisions in sport, one of the major groups being active participation, or mental, emotional involvement, such as identity function of sport. (McPherson 1989)

Dual career management brings the athlete's characteristics closer with civilian career taking into account their individual aspects. Traditional career building and top athletic careers are on a different path, requiring specific solutions for effective implementation. The definition of dual careers was defined by the European Commission's European as Student (EAS) organization, which was established in 2004. In this dual career program the goal is to combine competitive sport and education so that after a sports career the athlete can find work in the labor market that matches his or her competencies and abilities. The International Olympic Committee is also involved in the dual career development system, which together with Adecco (International Organization for the Management of Human Resources), established the IOC's Athletes Career Program (ACP) in 2005. The two organizations have defined their target areas for 2020: development of education, competence, and employment. Alongside EU directives, national organizations have been established to promote dual careers, which have emerged as good practice. (Farágó 2015)

One of the highlights of the dual career system is found in England, the Talented Athlete Scholarship Scheme (TASS), founded by Sport England, which establishes partnerships with educational institutions and the National Sports Authority. The organization helps athletes over the age of 16 in the field of education so that they do not have problem to find a job later. More than 6000 athletes participate in their support system in 73 sports in England. Their athletes are prominent figures in English sport who want to retain talent in the job market. Their support system includes individual awards and participation in sports-specific projects. A key area in their management approach is building university network to maximize opportunities and develop dual career system. In their support program, they provide competency and capability development training, counseling that improves endurance, quality of life, physiotherapy, psychological training, sports nutrition, medical background and personal development of the athlete. These services are provided by trained professionals at or near the athlete's training

site. The TASS dual career program is an accredited system that educational institutions can join and become an accredited dual career support institution.

These institutions cooperations built by TASS to broaden the participation of educational institutions in this accredited dual career system. Since 2014, 6000 sponsored athletes have participated in the program, since 2004, the program has received 73 sports, £ 40 million investment. In 2018, 27 TASS athletes participated in the Winter Olympics with 7 medals, including 2 gold. In 2016, 165 TASS athletes took part in the Summer Olympics, winning 78 medals, including 35 gold, 18 silver and 25 bronze medals. In 2012, they won 57 medals at the Summer Olympics. 60% of TASS athletes underwent university and postgraduate training in the 2017/2018 academic year, 74% had a non-sports diploma, and 50% of TASS athletes had a gender distribution, 50% were male. The organizational background of TASS is the Sport England organization, which consists of the Sports Assistance Leadership Organization, which includes the TASS Management Group and the Sports Assistance CEO. Under the direction of the National Director, the Communication, Relationship, Dual Career Development Departments, which organize the administrative, institutional and training areas of athletes into sub-units will appear under TASS. Part of the organizational unit is to build relationships with TASS, which include government, sports, and expert areas. (TASS - [tass.gov.uk](http://tass.gov.uk))

### **Athlete's dual career in Hungary**

In Hungary, following the guidelines of the European Union, the sports act also deals with the application of the dual career model for athletes, which mainly includes study support. The management activity what accompanying the athletes appears parents, sports club level, in the education system, by sponsors, through self-management. An essential element is self-management, building awareness. It is important for athletes to recognize the importance of planning and building a career outside sports in a timely manner. In the field of dual careers, they have a particular responsibility for parents, coaches, teachers, club leaders, sports federations in shaping and assisting the athlete's civilian career. (Faragó, Konczos Szombathelyi 2018) Typically, the dual system of career management appears in the organizational system in Hungary, where its effectiveness depends on the development of its methods.

As a child, sports school programs are being introduced to support youth sports careers, where the youngs got differentiated education where school curriculum fits in with sports. (Szakály et al., 2016) In this system, the amount of time spent on sports is twice as high as that of ordinary students at upper secondary level. In addition to sports schools, top-level athletes are legally empowered to complete their studies as private students (Act CXC of 2011 on Public Education) and there is a government decree on what opportunities and responsibilities athletes have to complete their studies (20/2012 EMMI Regulation i2). The other institutional level is the sports academies. The sports academy system has mainly appeared in football in Hungary during the last ten years. Their organization and operation are less regulated and their efficiency is less strong. Sports academies should be provided with learning, housing, care, professional and institutional conditions. Studies should provide mentoring support. (Gósi 2018)

The Sport XXI. Replacement Education Program for elementary school help for students to become a top athlete. The Heracles Champion and Star program also targets talented athletes in the primary school age group. Starting in 2013, some of the major sports federations focused on promoting youth education programs have received additional funding thanks to our flagship sports development programs. (Gósi, Bukta 2019)

Higher education institutions are increasingly supporting athletes in the pursuit of educational and athletic simultaneous advancement. The Hungarian Olympic Committee operates a

Lifelong Learning Program, which is also included in the study grant. The Program was launched in 2013, with an agreement with 33 higher education institutions.

The Hungarian Government operates an additional support system for talented athletes, such as the Hungarian Sport Stars Scholarship, which provides financial support to athletes studying in higher education. Alfréd Hajós's Plan, through the Hungarian University-College Sports Association (MEFS), provides support in the field of competitive sport for admission to institutions and also supports learning within institutions. (Faragó 2015) The main goal of the program is to keep talented athletes in Hungary. The Alfréd Hajós Scholarship provides support in connection with the Hungarian Olympic Committee's Lifelong Learning Program.

In analyzing the sports federation dual career programs, the analysis of the strategies of the 16 highlighted sports and the five spectacular sports revealed significant differences in the system and appearance of the sports development strategies dual career programs. Earlier research (Faragó, Konczos Szombathelyi 2018), which assessed the presence of a dual career program in the sports federation's sports development strategy, revealed that 43% of the sports federation's sports development strategy had dual career development. It is better to interpret these strategies not only as explicitly based on dual career development, but also to look at the appearance of elements of a top athlete's career, which are aspects of professional training, career advancement, and talent development. In this approach, 62% of the sports federation's sports development strategy shows elements of the athlete's career model, although no strategy is presented.

Athlete support is included in the tertiary education support system from primary school age. Financial support and study grants are a major part of the programs, which mainly encourage people to stay in sports.

And an athlete's career ends once, perhaps because of an accident, a family circumstance, or just a loss of motivation. In the new life situation, the talented, successful top athlete's human capital will be lost if they do not receive or have received the appropriate capability development and competence development to succeed in the civilian career. Apart from study grants, the programs do not contain career management elements that would help to develop and strengthen labor market competences. Career management in sport requires a complex, professional approach to the challenges of the labor market. At the international level, there are many good examples of domestic adaptation requiring government intervention.

## **Material and Methods**

In the survey, dual career opportunities and experiences of domestic sports professionals and top athletes were examined in order to make the operation of dual career sports programs in Hungary visible on a practical level. The method of the research is based on in-depth interview data based on athlete's survey. The method of data collection used in the exploratory research was the in-depth interview, which, due to its qualitative methodological nature, implies a small sample survey with open-ended questions (Sántha, 2013, 123.). The sample is the sports leaders, leading athletes of Hungarian sports associations, sports organizations, sports institutions (research element is 25) tried to explore dual career opportunities in different sports. (Table 1) The in-depth interview responses were evaluated by content analysis.

**Table 1. Interview's respondents – sports and athletes**

Sports leader/ sports	Athletes/ sports
trainer Győri Dózsa	marathon kayak 20 times world champion Graboplast Győr
sport leader in county Győr	Gyirmót FC football
sport leader, teacher, trainer Győr	body building, world champion, woman
sport leader, trainer Győr	body building, world champion, man
football trainer	boxing, 6. place of world championship
triathlon trainer	boxing, world champion
football trainer	kick-box world champion
handball sport leader	triathlon
sport leader	football
basketball trainer	basketball, woman
	basketball, man
	handball
	athletics/ javelin-throwing
	tenis
	athletics/ running

Source: own editing

## Results

The topics of the in-depth interview research included the sensitization of the topic and, following the data collection, covered the transition of athlete and civilian life. During the in-depth interview, one's own experiences and the influence of the organizational and political environment were also assessed. A further question in the interview was about influencing the position on the labor market, to what extent is it possible for sports to enter the job market? An important area of research is the examination of the region's talent retention capabilities, in which the emergence of dual career programs has also been highlighted. Meeting the top athlete's career model is a major issue for research from both the sportsman's and athlete's point of view. On the basis of the results of the individual evaluation of the questions, a unified result has emerged, which characterizes the operation of the Hungarian dual career system for athletes.

The first question, "How did the transition of athlete and civic life become based on my own experience?" was summarized in the answers as follows. Many sports leaders and athletes stayed in the sport, providing an easier transition to the world of civilian work. This, however, required conscious construction in the field of sport. Those who did not stay in sports during their civilian career, however, found it more difficult to transition from an athletic career to a civilian career. Significant awareness is needed to make this transition easier. The awareness of interviewees appeared in self-management and individual motivation. Subjects unanimously highlighted awareness and lack of mentoring support.

In the question "Is there a chance to get a job on the job market through sport?" It was clear to respondents that being in a sport is not a problem for athletes, but is highly dependent on qualifications in other areas and less of an advantage. What can be positive about civilian careers is the appearance of athlete competences, but only if the workplace leader is open to it, is a person who is knowledgeable in sports, because in the absence of it, he or she is less aware of the positive appearance of athletic competences.

An important question for research and building a dual career for athletes is: "Is the region's talent retention potential for athletes?" The questions include the strength of human capital, the level of regional, regional talent retention, the operation and usefulness of dual

career programs. Respondents did not differ on this issue either. Based on the response of sports professionals and top athletes, the region has low talent retention. On the theoretical level, the dual career model appears, on the practical level, respondents either did not meet it or expressed financial support and educational support. Financial athletic support and a discounted study program are part of dual career programs, but little for career development and support. Rather, it is about competing, athletic success, rather than preparing for a civilian career. The answers included dual career support for top athletes, which in turn covers only one person, not most athletes. The talent retention power of the region means the preservation of social and human capital, in which the acquisition of talent at the local level also contributes. This does not appear according to respondents.

The question of the appearance of dual career programs and how to meet them gives a concrete answer to the question: "Is there a lifetime career model in your place of residence?" None of the interviewees had met such a program, but they did. They've heard of it, know it in theory, but haven't met it in practice. Details of educational training, financial support, but no explicit dual career model appear for athletes.

### Summary

The top athlete career model is part of talent retention for athletes, society, and the economy. For athletes, the transition from athletic life to a civilian career marks the beginning of a new life in which support helps them find the right path and capitalize on their previous talent in the labor market. The experience of failure and success is also present in sports, but the success rate is higher. (Baruch, Bozionelos, 2010, Nicholson, De Waal-Andrews, 2005) In the interpretation of success, sports success and the job market success represent a separate area, although they meet at many points in common. Objective and subjective success can be found in career success and athletic success, as well as competitive spirit, career progression, and performance orientation are both present. (Dries et al. 2008) The basis of career management is education (Murphy et al. 1996), its essential elements are professional competence development, which is disclosed in the individual career development opportunities.

With regard to athlete dual careers, the European Union has a specific body, the EAS, which is working on the definition of European Union guidelines, within which an expert group will present good practice in dual career management. In addition to the European Union, the International Olympic Committee also considers the management of its athletes after an athlete's career for which it operates a lifetime program to be an important area. More and more nations, especially in the western EU Member States, have effective athlete careers programs (eg England-TASS) that feature not only financial support for sport, study support, but also specific competency-building training and institutional co-operation. help you get started in your career.

Secondary source analysis shows the dual career programs of athletes appearing in Hungary appear on a theoretical level. As part of the government strategy, athlete support programs, foundations, and scholarships support athlete careers, while institutional-level discounted curricula support athlete training. These are, for example, the Sport XXI Junior Training Program, the Heraklion Champion and Star Program, the Hungarian Olympic Committee's Lifelong Learning Program, the Alfréd Hajós Plan. The athlete's career model, the programs of the sports academy and sports school system. These subsidies support a career in sports, much less the post-sports career, which provides financial support for an athlete's career and facilitates graduate studies. Other management tools, such as competence development, institutional network, corporate segment, the establishment of special training has not been developed yet. The theoretically developed dual career management of athletes appears at the governmental level, at the sporting authorities, at sports governing bodies such

as trade unions. In smaller organizational units, such as sports clubs, they are realized only at the individual level, based on the motivation of the family, coach, teacher, sports leader. The institutional system of elite athlete dual career programs includes schools as a sports school system, the licensing of individual curricula in higher education institutions, and the institutional background of government trends. Part of the sports federation's sports development strategy is the concept of dual career programs for athletes, which is found in 62% of government-prioritized sports. A specific dual career program for government-highlighted sports accounts for 43% of sports federations. Practical implementation, however, is less visible.

On the basis of the in-depth interviews, the lives and professional experience of 25 sports professionals, sports leaders and leading athletes were examined from the perspective of their dual careers. During the in-depth interviews, the subjects' individual dual career paths and the practical experiences of sports leaders were examined. From these, areas highlighted for the research topic were presented. After analyzing the content of the in-depth interviews, it became apparent that in Hungary, athlete's career programs are in their initial, theoretical stages, but the realization of their fundamentals is visible, but respondents not encountered effective and successful programs in their professional careers. The in-depth interview highlighted the importance of conscious career building, which for some athletes was based on individual motivation. Lack of awareness in subsequent career paths can lead to a halt, which does not mean that the transition does not work or that there is a major break in the lives of athletes, but with greater awareness the transition between athletes and civilian careers is easier. The result of sport gaining ground in the labor market appeared equally among interviewees. Sport is not an advantage in the labor market, it requires conscious career building. The institutional background of athlete dual career systems requires a strategy and management of local governance, sports leadership. Interviewees on this issue were unable to report on practice, and talent retention is not displayed locally, except based on the athlete's individual identity, which is bound to the area. Concerning the participation in athlete dual career programs, a statement by the sports leaders and athletes participating in the research was unanimous that they had not encountered such a program.

Based on the literature and in-depth interviews, it became clear that the justification of dual career programs for athletes is clear, they have been launched in the European Union, have been published in Hungary on a theoretical level, and some of its elements are accessible. Its practical utilization is not yet visible, which is due to the less visible strategy and management. Its effective application can be operated through a nationally established athlete's career program, which may be joined by the smallest sports clubs and sports foundations from the institutions of the sports governing authority.

## **Conclusion**

Developing an athlete's career model is necessary due to athletes differing career paths in order for their careers to continue to be successful and efficient. This increases human capital in sport, in the economy and in other areas of society. Career management is not only necessary in the labor market, it is also important in earlier stages of life, as the processes started in the youth years cannot be replaced later. Athletes face many challenges during their individual career paths, but building a support system and proper management can overcome problematic areas, making it easier for top athletes and civilians to make the transition. Elements of the job market and athlete career management are different at an early stage, but later on they meet in young adulthood. The difficulties encountered at the intersection of athletes with the help of appropriate conscious management tools can be of great help in a life-changing phase of change.

International models are no longer just about study, education or institutional support, but they also provide extensive management based on individual training, where the athlete can train for his or her competencies, personality, and interests, and prepare for a civilian career. In Hungary, dual career systems for athletes are only implemented through educational and financial support, and no career management methods can be found. Based on the in-depth interviews, the research assessed the practical appearance of domestic dual career opportunities, since the theoretical models seem to realize the athlete's career model programs. Research has shown that, although theoretical lines appear, in the absence of elaborated strategies, self-care and conscious career-building require individual support, mainly from parenting, family motivation, or independent personality motivation, with the risk of lowering the athlete population appears. The goal of career management is to support the efficiency of civilian career development in the athlete community by building on a variety of top athletes.

### Acknowledgement

The paper was written with the support of the project titled "Internationalisation, initiatives to establish a new source of researchers and graduates and development of knowledge and technological transfer as instruments of intelligent specialisations at Széchenyi István University" EFOP-3.6.1-16-2016-00017.

### Bibliography

1. Arthur, M. B., Khapova, S. N., Wilderom, C.P.M. 2005. Career success in a boundaryless world. *Journal of Organizational Behavior*, 26, p. 177–202.
2. Baruch, Y., Bozionelos, N. 2010. Career Issues. In: Zedeck, S. (ed.): *APA Handbook of Industrial and Organizational Psychology. Vol. 2: Selecting & Developing members of the Organization*. p. 67–113, Washington, DC: American Psychological Association
3. Béki, P. 2018. Multidimenzionális nemi sztereotípiák a 21. század versenysportjában Magyarországon. [Multidimensional gender stereotypes in 21st century competitive sport in Hungary] Doktori disszertáció, Testnevelési Egyetem, Budapest
4. Bencsik, A., Juhász, T., Machová R., Tóth, Zs. 2015. Critical Questions of Knowledge Management Concerning Women on Maternity Leave in Hungary. *Acta Polytechnica Hungarica*. Vol. 12, no. 2 (2015), p. 175-194. ISSN 1785-8860.
5. Csókás, L., Machová, R. 2017. Hatékony vezetési stílus. [Effective leading style] *Acta Oeconomica Universitatis Selye*. Roč. 6, č. 1 (2017), s. 39-51. ISSN 1338-6581.
6. Dries, N., Pepermans, R., Carlier, O. 2008. Career success: Constructing a multidimensional model. *Journal of Vocational Behavior*, Vol. 73, No. 2, p. 254– 267.
7. Eichberg, H. 2003. Playing and Displaying Identity – About Bodily Movement, Political Ideologies and the Question of Olympic Humanism. In: Pawlucki, A. (ed.): *Postmodernity and Olympism*. Academy of Physical Education and Sport, Gdansk, 57-78.
8. Faragó, B. 2015. Élsportolók életpálya modelljei. [Athlete's dual career] Campus Kiadó, Budapest
9. Faragó, B., Béki, P., Konczosné, Szombathelyi M. 2018. Athlete and Successful Career in the Competence Matrix. In: Tibor, János Karlovitz (ed.) *Some Recent Research from Economics and Business Studies*. Komárno, Szlovákia : International Research Institute, (2018) pp. 73-80. , 8 p.
10. Faragó, B., Konczosné, Szombathelyi M. 2018. Identity of athletes on the way of professional career as factor of regional identity. In: Korcsmáros, Enikő (ed.) *A Selye*



- János Egyetem 2018-as X. Nemzetközi Tudományos Konferenciájának tanulmánykötete= Zborník X. medzinárodnej vedeckej konferencie Univerzity J. Selyeho Komárno, Szlovákia: Selye János Egyetem, (2018) pp. 67-79., 380 p.
11. Faragó, B., Konczosné, Szombathelyi M. 2018. Sportolói életpálya modell beágyazódottsága a sportoló nemzet sportstratégiájába. [Athlete's career model embedded in the athlete nation's sports strategy] In: Reisinger, A; Happ, É; Ivancsóné, Horváth, Zs; Buics, L. (eds.) "Sport - Gazdaság - Turizmus": Kautz Gyula Emlékkonferencia 2017. június 8. elektronikus formában megjelenő kötete. Győr, Magyarország: Széchenyi István Egyetem, (2018) pp. 1-12., 12 p.
  12. Gertler, M. (2004): Manufacturing culture. The institutional geography of industrial practice. Oxford University Press, Oxford
  13. Gösi, Zs. 2018. Magyarországi iskolarendszer alapú sporttámogatások. Sport, tanulás, karrier. [Hungarian school system based sports grants. Sport, learning, career] Neveléstudomány: Oktatás Kutatás Innováció (2) pp. 44-60. (2018)
  14. Gösi, Zs., Bukta Zs. 2019. Sportszövetségek a kiemelt sportágfejlesztés tükrében. [Sports federations in the light of outstanding sports development] Taylor: Gazdálkodás- és Szervezéstudományi folyóirat, A virtuális intézet közép-európa kutatására közleményei 36 pp. 46-55. Paper: 2019/2, 10 p. (2019) [https://www.researchgate.net/publication/333702874\\_SPORTSZOVETSEGEK\\_A\\_KIEMELT\\_SPORTAGFEJLESZTES\\_TUKREBEN](https://www.researchgate.net/publication/333702874_SPORTSZOVETSEGEK_A_KIEMELT_SPORTAGFEJLESZTES_TUKREBEN)
  15. Gösi, Zs., Sallói I. 2017. Rögös út a sportkarrier: A fiatal magyar labdarúgók karrieresélyei. [A Bumpy Road to a Sports Career: Career Possibilities for Young Hungarian Footballers] Magyar Sporttudományi Szemle 18:(4 (72)) pp. 11-19. (2017)
  16. Gunz, H., Mayrhofer, W. 2011. Re-conceptualizing career success: a contextual approach. ZAF, 43, p. 251–260.
  17. Guttman, A. 1978. From Ritual to Record. New York: Columbia University Press
  18. Heslin, P. A. 2005. Conceptualizing and evaluating career success. Journal of Organizational Behavior, 26, p. 113–126.
  19. Horak, R., Spitaler, G. 2003. Sport Space and National Identity. Soccer and Skiing as Formative Forces: On the Austrian Example. American Behavioral Scientist, 46: 11. 1506-1518.
  20. Judge, T. A., Cable, D.M., Boudreau, J. W., Bretz, R. D. (1995): An empirical investigation of the predictors of executive career success. Personnel Psychology, Vol. 48, p. 485–519.
  21. Judge, T. A., Kammeyer-Mueller, J. D. 2007. Personality and career success. In: Gunz, H., Peiperl, M. (eds.): Handbook of Career Studies. Sage Publications, Thousand Oaks, CA, p. 59–78.
  22. Konczos Szombathelyi, M. 2014. A regionális és a vállalati kultúra kölcsönhatásának vizsgálata. A study of the interaction between corporate and regional culture. Tér és Társadalom/Space and Society 28.1. 84-96.
  23. Machová, R., Mura, L., Havierníková K., Tóth Zs. 2017. The Entrepreneur's Network as a Cooperation Form of Entrepreneurship: Case of Slovakia. Journal of Applied Economic Sciences. Vol. 12, no. 1 (2017), p. 160-169. ISSN 2393-5162. Scopus. Snip (2015): 0,691.

24. Machová, R., Tóbiás Kosár, S. 2014. Slovensko v srdci geopolitických síl: Slovakia in the heart of geopolitical forces. *Acta Oeconomica Universitatis Selye*. Roč. 3, č. 1 (2014), p. 143-152. ISSN 1338-6581.
25. McNicholas, S.L. 2002. Social Support and Positive Health Practices. *West J Nurs Res*. 2002 Nov;24(7):772-87.
26. Mura, L., Ključnikov, A., Tvaronavičiene, M., Androniceanu, A. 2017. Development Trends in Human Resource Management in Small and Medium Enterprises in the Visegrad Group. *Acta Polytechnica Hungarica*, Vol. 14, No. 7, pp. 105 – 122. ISSN 1785-8860
27. Murphy, G. M., Petipas, A.J., Brewer, B. W. 1996. Identity froclosure, athletic identity and career maturiti in intercollegiate athletes. *The Sport Psychologist*, 10, 239–246.
28. Nicholson, N., de Waal-Andrews, W. 2005. Playing to win: Biological imperatives, self-regulation and trade-offs in the game of career success. *Journal of Organizational Behavior*, 26, p. 137–154.
29. Poole, M. E., Langan-Fox, J., Omodei, M. 1993. Contrasting subjective and objective criteria as determinants of perceived career success: a longitudinal study. *Journal of Occupational and Organizational Psychology*, Vol. 66, No.1, p. 39–54.
30. Rechnitzer, J., Lengyel, I. 2004. Regionális gazdaságtan. [Regional economics] Dialóg Campus Kiadó, Budapest, Pécs
31. Sántha, K. 2013. Multikódolt adatok kvalitatív elemzése. [Qualitative analysis of multicoded data] Budapest: Eötvös József Könyvkiadó
32. Stambulova, N., Alfemann, D., Statler, T.,Cote, J. 2009. The ISSP Position Stand: Career, development and transitions of athletes. *International Journal of Sport and Exercis Psychology*, 7, 4. 395–412.
33. Szabó-Bálint, B. 2018. A munkavállalói siker és az elérését támogató szervezeti karriermenedzsment-eszközök. [Organizational career management tools to support employee success and achievement] *Vezetéstudomány/Budapest Management Review*, XLIX. évf. 2018. 10. Szám/ Issn 0133-0179 Doi: 10.14267/Veztud.2018.10.08
34. Szakály, Zs., Ihász, F., Konczos, Cs., Plachy, J., Bognár, J., Kolomiets, O. 2016. Physique, body composition and motor performances in Hungarian students. *UCHENIE ZAPISKI UNIVERSITETA IMENI P. F. LESGAFTA 2016*: 3 pp. 267-274., 8 p.
35. Tura, T., Harmaakorpi, V. 2005. Social capital in building regional innovative capability. *Regional Studies*, 8., 1111–1125.
36. Van Maanen, J., Schein, E. H. 1977. Career development. In: Hackman, J. R., Shuttle, J. L. (eds.): *Improving life at work: Behavioral science approaches to organizational change*. Santa Monica, Ca: Goodyear, p. 30–95.

### Authors' contact details

Beatrix Faragó, Department of Sport Sciences, Faculty of Health and Sport Sciences, Széchenyi István University, Egyetem square 1. Győr, 9026, Hungary, e-mail: [farago.beatrix@sze.hu](mailto:farago.beatrix@sze.hu)

## COMPARATIVE ADVANTAGES OF LOCAL CURRENCY AGAINST REGULAR MONEY

József Varga- Rita Kovács-Szamosi

### Abstract

After the 2008 crisis more alternative money and banking system come true to correct the issues of the conventional monetary system. One of these is the local currency system, what lived its renaissance in these years. The aim of this essay is to show how local currency can help local enterprises to become more popular than multinational ones. Our hypothesis is that, the introduction of the local currency can assist to local enterprises to compete with multinational companies. Furthermore, it helps for the area to straighten the pride for the local community and other advances what help for the growth of the region.

In the first part of the essay we characterise the main problems with the conventional monetary system, and we introduce local currency and its mechanism. In the second part we show some examples for local currency in Hungary, like Soproni Kékfrank, Alsómocsoládi Rigac and so on. In the last part of the essay we create a comparative advantages analysis for local currency user SMIs. In this analysis we would show that local currency makes advantages not just to local SMIs but for the whole region. For example, it can be proofed that the area where the local currency was issued has less unemployed citizens than the other similar ones.

All in all, the most important message of the local currency – whether someone is a user, issuer or a company what accept it for payments – is: I am proud for the community where I live, and I will support the others who are live here as they are supporting me. For the introduction of the local money we need to convince the customer to use it, what can be supported by the discounts. However, to fill in the role of the survivor the local currency must be accepted and supported not just by the customers but the providers and the traders as well. For this is a good example the Swiss WIR. The local currency must have effect not just for the consumption but for the production. For this there is needed to make input-output tables and analyse them before the issuance of the local currency.

### Keywords:

local currency, local production, well-being, comparative advantages

**JEL Classification:** E42, G20, G21 ,F49

### Introduction

After the financial crisis of 2008 most economists realised that the money system has several problems and mostly it cannot serve the wellbeing of humanity. The unemployment rate rose significantly these years, more small and medium enterprises went bankrupt due to the financial crisis, nonperforming loans rate reached never seen heights, while the base rate decreased significantly. National banks stepped in, but all the monetary steps together cannot repair the economy system. It started to be clearer than ever, that the economic system, especially the monetary system has started unsustainable way. Some alternative solutions formed in these years, e.g. the Islamic banking, ethics economic theory, sustainable economic theory. One of these alternative tools was created to restore the monetary system: the local currency, which can support the local economy and local shops and services against the globalised, big companies.

Local enterprises in the Hungarian economy are important. According to the Statistical Office of Hungary more than 90 percent of the enterprises are SMEs. The Hungarian SMEs

gave the two third of employment, 43% of the added value and 34% of the national investments in 2016 (KSH, 2016) So in this country the SME sector gave significant addition to the economy. Therefore, the protection and support of the SME sector is very important in this country. One of these supports is the local currency what at first time was introduced in Sopron, 2010.

### **What is the problem with money?**

First, we need to define what the problem is with the conventional monetary system. The modern macroeconomic theory thinks on money as natural tool for making the exchange of goods and services easier (Williamson, 2009), but if we analyse the ecosystem closely it shows that the money is not so natural as the mainstream macroeconomy thinks. If we know the history of the 2008 crisis in Hungary, then we know the most part of the foreign currency debts was sent for durables (e.g. flats, cars and other properties, etc.) what heated the GDP growth (Bánfi, 2012). The banking system has a procyclical behaviour, so when the economy is in a running up stadium than banks give loans easily (Fömötör et al., 2017) but if there is a recession in the economy banks hold in lending. The lending of banks works not as textbooks teach it, so they do not take deposits and give it to others as a loan but make loans out of thin air. The debt-based money is being created by lending and disappears with the payback of loans. Endogenous money theory confirms this statement.

Based on this theory the money supply can be separated to internal and external money. Internal money is what was created by banks in the private sector. External money is what was created by the government, especially the national banks. While internal money can disappear from the system by paying back the loans, external money remains in the system. The amount of internal money is a respond to the demand of money in the private sector (Ábel et al., 2016). The problem with this internal money starts when banks ask interest for the loans. The origin of the problem is the bank-created money is part of the money supply, but there is no collateral in the system for the interest. To solve this no collateral problem there is two way: first someone need to go bankrupt that others could payback their loans plus the interest, second new people need to take loans to make the money supply bigger. The first solution is easy to understand if we know the tale of the eleventh piece. Long time ago there was a little village with eleven families in it, where people did not know what money is. So, they created their own trading system where every product has its own value. For example, three eggs worth one bread, etc., but sometimes it led to argument within the seller and the buyer. A clever man walked through this village as he saw these circumstances, he gave an advice to the citizens of the village. He cut over peace from leather – ten peace for each family – and ask them to pay with these instead of products. The citizens were really excited about the new thing and started to use it and it worked well. As the clever man left the village the citizens asked him how can they thank the new tool? The man said: I will come back after a year and then you must give me one another piece of leather above the ten you got now. From this point it is easy to find out that the citizens could meet this requirement just if one family of them went bankrupt and lost all what they had. The other solution for interest is to create more money by lending more. This solution makes the money supply higher, what leads to inflation in the system. So, it has a real economic effect (Belgin and Lietaer, 2017 as well as Varga and Sipiczki, 2018).

The other problem with conventional money is the financial cycle in the economy not equal with the real economic cycle. According to Borio (2012) financial cycles have effects on the asset prices (e.g. Price of properties), they are larger and higher than the real economy cycles and the peak of the financial cycles always in relation with the beginning of a financial crisis. This financial cycle is caused by the banking activity and internal money (Borio, 2012). The introduction of financial cycles is more over the border of this essay, but we need to know that the banking activity links to real economy through that.

On other hand, according to Lietaer and Belgin (2017) we can think about the economy as the natural ecosystem. In the ecosystem the productivity and elasticity work together to guaranteeing the subsistence of the species. In a complex network in the ecosystem productivity means the skill of the system for work up anything what get through it by using the less possible resources and the most organised way. The elasticity means here the skill of reaction for unwaited happenings, step back into previous development level, renew itself if it is needed and satisfy needs in various ways. In an ecosystem two indicator rules the productivity and elasticity: first the diversity of the system and the connections within the system. If everything goes well there is an optimal level of productivity and elasticity. The optimal adaptability depends on the equilibrium of productivity and elasticity, this optimum in the ecosystems are usually closer to the high level of elasticity than productivity. Towards the ecosystem in the financial or monetary system the productivity is more toned than the elasticity. Due to the the national banks has the monopolistic right on money issuance the diversity of the system will harm. If we try to characterise the monetary system with a natural example, it's like a jungle where only one species of animal or tree is accepted, and all others will be obliterated. This kind of thinking could lead to just one result: the system will collapse soon (Belgin and Lietaer, 2017).

In conclusion we could say that the local currency issuance needed because of the following circumstances and possible advantages: conventional money is not suitable for serving the local community and the interest of them. In the conventional economy the amount of money supply is too small. Interest paying serves the aggregation against application and due to this the turnover rate of money is too low. Local trade is good for the regional development but trade with other regions can cause the lack of resources and products. The issuance of local currency can give financial advantages to the region (Helmecky and Kóczán, 2011).

### **What is Local currency?**

First, we need to describe what local currency is. However, we use the word “currency” the local currency exactly is not a special money but a voucher in the local area. This voucher is introduced for support the local enterprises, e.g. locally produced fruit, fat, flesh, etc. and local services like restaurants and others. The main goal of this voucher is to secure to the citizens the products and services what they need in the local area. For example, Rigac from Alsomocsolád can support the supply of rabbits, eggs, chicken, etc. and the demand of other, for example computer programming, sewing, washing the clothes and so on (Varga and Palko, 2014).

The other huge difference between money and local currency is the local currency has no or negative interest. According to the usually quoted Silvio Gesel because this money has no interest the economy can grow by spending this money without the pressure. The growth of the local economy without the pressing is create more stable economic growth, because according to Gessel and his followers the interest is the main cause of the recession (Szóka, 2013; Balogh et al, 2013).

The issue of local money in Hungary starts when the local government take a deposit in his account for the collateral of this new money (the local currency voucher). Than the local government can issue this local currency what will be exchanged one by one against the national currency. Then comes the most difficult part of the output, namely, to reach that the local citizens start to use this currency in the local area instead of paying with the national currency in other nearby cities. The first users could be local patriots, local unemployed people who could get the aid in local currency and volunteers as well. The first exchanges need to be supported somehow, e.g. give discount, push the volunteers to exchange more, give aids in local currency, etc. Beside this volunteering exchange the main part of the local currency get

into the economic circulation by the payments of the local government. The local government could decide that from now it will pay its local liabilities with the local currency, so pay the wages, the locally produced goods and local services with the local currency. After that the popularisation of the local currency depends on the connections in the area, the stores could start to accept this money for payment and can use this money for internal paying as well (Almássy, 2004).

The local currency can be the adequate tool to reach the economic growth and social goals, but there are significant borders for the introduction (Kerekes et al., 2016). Among these important factors, the lack of the community's willing to action together, the local society's joint together and act together failing. Every stakeholder, who is thinking responsibly defend from the too early introduction and issuance of local currency. It seems like, the lack of trust is the main border of the issuance of local currency. The other important border is the knowledge of mechanisms and effects of local currency, what can be solved with good marketing activity. The local political environment plays relevant role in the actuation of local currency system. In the current political system almost every more important local currency issuance can be described as a political action. This issuance is more difficult if there occurs a conflict between the local government, the state government and the monetary politics authorities. Other conflict can be emergence between the civil sphere and the local government (e.g. It was about the Kékfark of Sopron).

The issuance of local currencies is defined another way in the law of various countries. In Hungary in the early times the issuance of local currency was forbidden, after the monetary system have chosen to create a legal norm for that, it is the CCXXV, law of 2013. The current European financial and legal practise squarely acceptor, as it is proofed by the existence of more Western-European local currency.

From these here we just mention some examples: In Germany the chiemgauer was issued in 2003 by Christian Gelleri for his 16 years old students as a local project of the school. To this initiative joined some local retailer and company. In 2011 the chiemgauer was one of the most successful local currencies in the world. The issuance of this currency was not because of the disappointment of the Euro or the crisis, but to fill the demand of the creation of an alternative currency for the local area. This can be in the back of the success of the chiemgauer. There were more thousands of chiemgauer users, who looked for the local currency as a great tool for hold the money in the local community and enterprises, where it was made. Though this tool the users can vivify the local trade and cash flow circulation, furthermore, avoid the negative effects of the usage of globalised trade and banking systems in the local economic system (Kennedy et al., 2012).

In Great Britain, there were also more trial to introduce the local currency for incentive the local economy. For example: the Lewes, the Totnes and the Brixton Pounds. According to Gill Seyfang (2009) there occurs a special kind of the demand of the local products by the issuance of local money, but the local money cannot be successful because it cannot reach the critical crowd and the enterprises would not accept it as an alternative tool of payment as well as their suppliers do not accept it. Seyfag find tipping point of the success of local currency if the issuer – e.g. The local government – involves the local banks and financial institutes and the issuance is made via the debit cards held by the local financial institutes.

In addition, the success of local currencies lies in the fact that it has maturity, and it loses its value if it is not spent before. For example, the maturity of chiemgauer is three months. The thought that the money must be spent during this period can stimulate the money circulation and causes the boom of local economy. The network of chiemgauer stimulates the advertisement of the local retailers and enterprises and causes advances for them. For example, the joint banks, like GLS Bank can offer interest-free microloans in local currency as the acceptor of it (Kennedy et al., 2012).

In the issuance of local currency, so successful states saw the opportunity as Switzerland. The most famous local currency of the world is the Swiss WIR (Wirtschaftsring), beside these other new local moneys were issued in this country. In fourth of May 2017 was the “farinet” registered as local currency. More than 100 local retailers contracted the acceptance of this money. Other Swiss local currency the “léman” was issued in 2015, what has 300 acceptance places in the region of Lac Léman. There are 80 thousand léman in the circulation, however it has just 1000 of users.

### **Examples for Hungarian local currencies**

The first Hungarian local currency was the Kékfrank (Blue Franc) of Sopron was introduced in May 2010. Sopron is a medium sized city of Hungary near the western border of the state, 60 km-s from Wien. The fundamental program of the issuer, “Ha mi összefogunk” (If we collaborate) what had 150 members. The main goal of this program was to stimulate the economy of Sopron and one tool of the program was the Blue Franc, which was introduced as a cross border local currency in the area. The issuer would start with 100 million Blue Franc in the circulation but after years from the issue there is just 10 million in the economy. According to the website of the currency in 2016 661 places were in the area where one could pay with Blue Franc ([www.kekfrank.hu](http://www.kekfrank.hu)).

The next issue of local currency in Hungary was in Veszprém, which is a city some kilometres above Lake Balaton. The Balatoni Korona (Balaton Crown) was issued and after accepted not just in Veszprém but some near villages as well. The local government of Veszprém, Várpalota, Balatonfüred, Balatonalmádi, Litér, Tihany and Nemesvámos and Kinizsi Bank joined together to introduce this new currency and by the new currency develop the area. The date off the issue was 22<sup>nd</sup> March 2012. The amount of the issue targeted to reach 100 million Forints, but it reached just 10-20 million in the early years. According to the website of the currency there are 191 accepting places in 2018.

Still in 2012, another local currency was issued in Hajdúnánás, namely the Bocskai Korona (Bocskai Crown). The first idea with this currency was that it will be used just in Hajdúnánás but – after the great interest about it – the local government of Hajdúnánás extended the area of the usage. Based on the small area where this money could be used the local aspect of the currency appreciated (Balogh et al., 2013). Based on the website of the currency the amount of the money in the beginning of 2016 was 25 million Forints, and 116 stores accepted it – 55 from them gave also discount for the Bocskai Korona paying.

The next Hungarian local currency is the Rigac from Alsomocsolád. This currency was issued in May 2013 by the “On our own bread” program. This currency is not just newer but considerably different like others, because of the main role of the local government in the issuing and using of the money. The local government of Alsomocsolád introduced this money not just to support the local enterprises but to this is the tool of the aid politics of the local government as well (Varga and Palkó, 2014).

Finally, this part ends with a presentation of Tokaji Dukát. Our publication is actual because on 5th March 2016, it was announced that the local currency Tokaji Dukát, which can be used in Tokaj in 27 administrative regions, was officially published. Hajdúnánási Holding Zrt. is the issuing party of the Tokaj Ducat. The board members of The Hajdúnánás Városi Önkormányzat (Hajdúnánás Local Government) founded Hajdúnánási Holding Zrt. The aim of the owners is to make sure that town-related duties are carried out effectively and successfully with clear oversight, and to contribute to the urban strategy of Hajdúnánás by completing urban and economic objectives. In accordance with ownership goals, the Holding as an owner of all member companies is responsible for the coordinated strategy, profitable management, economic growth, unified and transparent operation, exploiting opportunities in

synergies and finally securing the development resources of all member companies and the Holding as a whole.

Beyond the above mentioned Tokaj Ducat, the Hajdúnánási Holding Zrt. is also the issuing party of the Crown of Bocskai vouchers since 2012. The introduction of the local currency Tokaj Ducat is closely related to the circulation of the Crown of Bocskai. The notion to introduce this local currency was already present in the 2013 the Tokaj Wine Country National Programme, however the issuance of the local currency was finally realized as part of the business marketing section of the ÉMOP-2.1.1-F14 developmental project for major tourism attractions and services. (<http://www.tokajidukat.hu>)

The Rábaközi Tallér, Zselici Dénár and Kiskőrösi Pengő are waiting to be issued. There are also plans to introduce the Pécsi Korona and the Debreceni Fantallér.

### **Comparative advantages analysis of local currencies**

If we are thinking about the comparative advantage of something than we must find the best part of that thing, how it differs from other things in the same level. So, if we would show the comparative advantages of local currency, we must find the criteria what is in the local currency better than the regular one? These are the followings:

The issue of the local currency under special circumstances can support the economic activity. The advantageous effects of the local currency can be separated into three area of the economy: financial advantages, economic and trade advantages and social effects.

One of the financial advantages of local currency is the “seigniorage effect”, what is appear when the money creation method is almost free, and the newly created money is the profit of the banking system. Exactly it is a profit of the national banks, so indirect is the benefit of the states, this is a seigniorage the appear or issue of the local currency can interpret as the profit of an investment, because when the local currency is issued than the regular money can be withdrawn from the circulation, and this amount of money can be invested again. The other financial advantage can be if the holder took the local currency not for pay with that, but as an investment or as a memory. The value of this money is financial result for the issuer of the local currency, so it makes earnings for the issuer. The issuer also has extra income from the lost and eliminated tickets. Also, in the case of the ticket with maturity are the un-backchanged local currency tickets (e.g. the Balatoni Korona) extra profit for the issuer, when it means for him that type of liabilities from what it exempted. The last of the financial advantages is the exchange fee between the national and local currency.

Among the economic and trade advantages the most important is the absolute rise of the traffic of local traders. The relative rise of the trade also means significant advantage for the local economy, if we think about increase of the market-share of the local enterprises as advantage. The local currency affects not just for traders but the suppliers of the traders as well, if the importance of the local traders rise than the importance of the local producers will rise as well.

The turnover of local traders can increase due to the introduction of the local currency, it can be guaranteed by the given discount for the customers. Ba using these discounts can be reached that the customers would choose the local traders against the multinational companies, where they can pay with the local currency. Thanks to the economic circulation the boost can spread to the whole sales chain and can reach from the customer to the producer, therefore can fill in the recovery role of the local currency.

Due to all these in a well-functioning local currency system discernible a general economic growth, where the spill overs belong. The other effect of these spill overs is the improvement of the employment, what can be measured with the decrease of the unemployment rate.



If the community has good inner cohabitation, then the process can be faster, and customers prefer naturally the local against global. If there are enough number of acceptance places for the local currency than the process can turn into self-generating. The discounts can be widened from the local customers – who has limited numbers - into the foreign people – e.g. tourists. The usage of the local currency therefore can correct the adverse effects of globalising processes.

The social and political advantages of the issuance of the local currency is that this tool can strengthen the local identity. Based on the experiences of the introduction the self-sufficiency and political pride is increasing in that areas where they have local currency. This leads to the strengthening of the local enterprises, traders and organisations. Finally, with the rise of the general satisfaction level the political stability will grow as well.

## Conclusion

In conclusion the effects of the local currency, we can diagnose that *every local currency issuance tried to reflect for crisis*. In general, it led to significant success. The local interest was putted in the fore ground, both form ethical, social, cultural and economic aspects. The most important advantage of *the local currency systems is the growth of the local trade and economy, the rose of the economic performance of the area*.

The local currency where stable economy and strong banking is behind, is a good thing. The usage of that can gather together the local production and consumption. It helps for the local sources remain in the area (Lentner, 2011). In this context in the view of *social aspects has outstanding importance the rise of the self-sufficiency*.

The message of the local currency is: I am proud for the community where I live, and I will support the others who are live here as they are supporting me. For this there is not needed the local currency, *it can be a decision that the locally earned money we will spend for local enterprises and retailers, but with the introduction of the local currency it became explicit*. For the introduction of the local money we need to convince the customer to use it, what can be supported by the discounts. However, to fill in the role of the survivor the local currency must be accepted and supported not just by the customers but the providers and the traders as well. For this is a good example the Swiss WIR. The local currency must have effect not just for the consumption but for the production. For this there is needed to make input-output tables and analyse them before the issuance of the local currency.

## Bibliography

1. A Soproni kékfrank hivatalos weboldala, Elérhető: [www.kekfrank.hu](http://www.kekfrank.hu), utolsó letöltés:
2. Ábel, I., Lehmann, K. & Tapasztai, A., (2016). A pénz és a bankok ellentmondásos kezelése a makroökonómiában (Treating money and banking in macroeconomic theory). Hitelintézeti Szemle, 15. évf. (2.sz.), p. 33–58.
3. Almássy T. (2009) Münchhausen-effektus, avagy a pénz "ökológiája" (The Münchhausen effect, as the ecology of money) Available at: <http://www.okotaj.hu/szamok/41-42/> [Last download: 12.16.2018]
4. Balogh L. - Parádi-Dolgos A. - Varga J. (2013): A szabadpénz elmélete a jelenlegi hazai helyi pénzek működésében. In: Tompos Anikó, Ablonczyné Mihályka Lívia (szerk.). Növekedés és egyensúly: Kautz Gyula Emlékkonferencia 2013. június 11. elektronikus formában megjelenő kötete. Konferencia helye, ideje: Győr, Magyarország, 2013.06.11 Győr: Széchenyi István Egyetem Kautz Gyula Gazdaságtudományi Kar, 2013. pp. 1-10. (ISBN:978-615-5391-11-8)

5. Bánfi, T., (2012). A devizahitelezés oka, a beavatkozás lehetősége, módjai (The causes of foreign currency debt, the options and methods of intervene). *Pénzügyi Szemle*, 57.évf.(3.), pp. 380-391.
6. Belgin, S. - Lietaer, B., (2017). Új pénz, egy új világnak (New money for a new world). Budapest: Bankráció.hu.
7. Borio, C., (2012). The financial cycle and macroeconomics: What have we learnt? (BIS working paper). Available at: <https://www.bis.org/publ/work395.pdf> [Last download: 11 05 2018].
8. Fömötör B. - Parádi-Dolgos A. - Sipiczki Z. (2017) A viselkedési pénzügyek és a fogyasztói kölcsönszerződések [Behavioural Finance and Consumer Loan Contracts] *HITELINTÉZETI SZEMLE / FINANCIAL AND ECONOMIC REVIEW* 16 : 2 pp. 154-167, 14 p.
9. Helmeczi I. - Kóczán G. (2011. Apryl): A „helyi pénznek” nevezett utalványokról. *MNB-szemle MNB*
10. Kennedy, Margrit - Lietaer, Bernard – Rogers, John (2012): *People Money: The Promise of Regional Currencies*, Devon
11. KSH (2016) *Kis és közép vállalatok helyzete hazánkban*
12. Lentner Cs. (2011): A pénzügyi stabilitásért (For the financial stability). *Magyar Hírlap online* 2011-02-25
13. Seyfang, Gill (2009): *The new economics of sustainable consumption: seeds of change*, Palgrave Macmillan, London
14. Szóka, Károly (2013): A helyi pénz és társadalmi vonatkozásai. *Acta Scientiarum Socialium*. 38. 5–6. 59–66.
15. Varga J. - Palkó S. L. (2014): Az Alsómocsoládi Rigac bevezetésének kereskedelmi és pénzügyi háttere – A Magunk Kenyerén. In: Csata Andrea, Fejér-Király Gergely, György Ottilia, Kassay János, Nagy Benedek, Tánczos Levente-József (szerk.) *11th Annual International Conference on Economics and Business: Challenges in the Carpathian Basin: Global Challenges, Local Answers*. 1109 p. Konferencia helye, ideje: Csíkszereda, Románia, 2014.05.16-2014.05.17. Csíkszereda: Sapientia Hungarian University of Transylvania, pp. 338-349. (ISBN:978-973-53-1287-9)
16. Varga J. – Sipiczki Z. (2018): Az infláció gazdasági egyensúly torzító hatásai In: Cseh B - Parádi-Dolgos A. - Varga J. (edited) *Ünnepi tanulmányok Oroszi Sándor 70. születésnapja tiszteletére Kaposvár, Magyarország: Kaposvári Egyetem Gazdaságtudományi Kar*, pp. 213-225.
17. Varga J. (2016): A helyi pénz megjelenése és szerepe a gazdaságban. In: Kerekes Sándor (szerk.). *Pénzügyekről másképpen: Fenntarthatóság és közösségi pénzügyek*. 249 p. Budapest: CompLex Wolters Kluwer, pp. 161-208. (ISBN:9789632955858)
18. Williamson, S. D., (2009). *Makroökonómia (Macroeconomics)*. Budapest: Osiris.

#### Authors' contact details

József Varga, Associate professor of Kaposvár University and Corvinus University of Budapest ORCID ID 0000-0002-9199-2599, [varga.jozsef@ke.hu](mailto:varga.jozsef@ke.hu)

Rita Kovács-Szamosi, Student of Corvinus University of Budapest, [kovacs.szamosi.rita@gmail.com](mailto:kovacs.szamosi.rita@gmail.com)

