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## THE RELATIONSHIP BETWEEN EMOTIONAL INTELLIGENCE AND COMMUNICATION IN THE PUBLIC SECTOR: THE CASE OF A LITHUANIAN ARMED FORCES MILITARY UNIT

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**Abstract.** *The ability to manage emotions and to apply them purposefully in leadership, process management, or communication is important both for interpersonal relationships and for individual satisfaction in dealing with others. Emotional intelligence plays an important role in shaping relationships between individuals, both at the individual level and within teams. Therefore, the aim of this paper is to analyse the relationship between emotional intelligence and communication in a Lithuanian Armed Forces military unit. The research method used was a quantitative survey. According to the results of the study, emotional intelligence and satisfaction with communication in the public sector are related, and respondents with higher emotional intelligence scores are more satisfied with communication. The results show that emotional intelligence skills and communication are positively and significantly related. However, despite the positive aspects of the emotional intelligence-communication link identified in the study, the areas for improvement in the communication-emotional intelligence link in the unit analysed relate to strengthening the expression of empathy, improving the communication of the organisation's policies and objectives, and ensuring satisfaction with the quality of feedback.*

**Keywords:** *emotional intelligence, communication, communication satisfaction, Lithuanian Armed Forces military unit.*

**Reikšminiai žodžiai:** *emocinis intelektas, komunikacija, pasitenkinimas komunikacija, Lietuvos kariuomenės karinis vienetas.*

## Introduction

In the context of cultural and social changes in society, the changing attitude of society toward the effectiveness of organisational activity encourages researchers to pay more attention to the concept of emotional intelligence (EI) and its expression in the context of effective organisational activity. On the one hand, this is related to the general improvement of the organisation's activities (Croitor et al. 2013). On the other hand, this proceeds with a clear understanding that the core of the organisation is individuals at any level of the hierarchy. For these individuals, in the uncertain modern world, next to the implementation of goals, the relations between the members of the organisation, leadership (Adiguzel and Uygü 2020; Hajncl and Vučenovi 2020; Motorniuk and Krokmalna 2022; etc.), and the quality of communication gain importance, as do the social skills needed for teamwork and stress reduction at work (Dambean 2021). Communication is increasingly becoming a strategic factor in organisations (Jorfi et al. 2014; Ander 2021). All of these are necessary conditions for the members of organisations to achieve a balance between professional activity and personal life to ensure their wellbeing.

The relationship between EI and communication in the context of a military unit or the military as an organisation is an understudied topic. The relationship between EI and leadership in the military was examined by Morath et al. (2011), Kozáková and Saliger (2019), Aguilar and George (2019), and Pereira and Sousa (2021). Valor-Segura et al. (2020) investigated the relationships between EI, teamwork, communication, and job satisfaction among cadets. Aguilar and George (2019) noted that in the military, the quality of leadership is prioritized over the emotional wellbeing of the force members because of the established historical view that emotions can interfere with the effective performance of tasks. Such an approach requires a change, especially in noncombat situations, because EI-based leadership provides the prerequisites for achieving a higher level of resilience, which is a cultivated component of EI that helps commanders in challenging missions or when disaster strikes (Aguilar and George 2019). Military commanders must understand and protect the physical and emotional wellbeing of those serving (Morath et al. 2011). It is assumed that the Lithuanian army and its related organisations face similar challenges that require scientific and practical intervention.

Thus, the research presented in this article is based on the following question: How and in what areas is communication related to EI in a military unit? This research problem was based on the insight of Mayer et al. (2000) that EI impacts decision-making – i.e., individuals with high EI use their emotions to generate ideas and effectively control and manage their emotions, which helps to achieve and ensure effective communication. The aim of the research was to investigate the relationship between EI and communication in

a military unit of the Lithuanian army. The research was conducted using a quantitative research method via a questionnaire survey.

### **Theoretical assumptions on the relationship between EI and communication**

According to researchers (Edelman and van Knippenberg 2018), in today's context, a manager's EI becomes an essential factor in organisational management and leadership effectiveness. Wilderom et al. (2015) found that managerial EI and organisational cohesion are valued as intangible organisational resources or social-psychological capital for non-managerial employees. Based on other research, the manager's EI positively influences the formation of employee trust and organisational identity (Adiguzel and Uygun 2020). Moreover, EI improves leadership and management practices (Hajnci and Vučenović 2020; Gransberry 2022). Managers with higher EI are better prepared to understand their own identity, values, worldview, and the influence of their own emotional reactions on their behaviour with others, and are able to create an inclusive work environment that allows individuals of various backgrounds to develop (Boatswain 2022). Tasliyan et al. (2017) noted a significant relationship between EI, communication skills, and academic success. Matthews et al. (2002) indicated that people with higher EI can convey goals, ideas, and intentions more interestingly and assertively. Moreno (2010) examined the importance of communication in an organisation and noted that managers must be thoughtful, consistent, and honest individuals with interpersonal and personal intelligence. Communication is one of the levers of organisational management which is used to form a team and achieve goals, and is based on the manager's communication with employees (Bucăța and Rizescu 2017). Sincere and effective management communication improves employee morale and builds trust in the organisation (Anders 2021). As Popescu (2019) observed, two cultures come together in the army: military and civilian. Communication includes verbal, non-verbal, emotional, and personal aspects, while commanding soldiers is characterised by concise and unemotional expression. Therefore, differences in the organisation's internal communication arise due to differences in goals, differences in participants, different time resources for completing tasks, and different levels of information exchange.

Despite the fact that a military unit is a specific organisation, aspects of leadership and communication are in line with general management principles. According to Pereira and Sousa (2021), in military organisations, as in other public sector organisations, the EI of leaders is closely related to leadership competence, as the increase in one component leads to the increase in the other component, which means that in order to perform well in leadership functions, the development of EI is necessary. When military units perform tasks or participate in international missions, the success of task performance often depends on the ability of military leaders to understand and manage team emotions and on effective communication among team members in a complex and dangerous environment (Aguilar and George 2019; Valor-Segura et al. 2020). Team leaders demonstrate EI by encouraging the team and each member individually to participate in decision mak-

ing, motivating employees and thus increasing their job satisfaction (Jackson and Naziri 2020). Current conflicts involving non-state actors require military leaders to adapt to shifting roles, where EI favours interpersonal relationships, regulates stress, and focuses on optimising decision making (Jeppesen 2017). However, it is essential to realise that EI is a construct that captures differences between individuals in the expression, regulation, and management of emotional experiences, so it is very important to see the relationship between them, relating it to different past experiences and future perspectives (Agnoli 2023). Using EI to encourage others to adopt a desired behaviour is essential for a leader who seeks to build solid teams and facilitate the acceptance and adaptation of team members to organisational changes (Issah 2018). EI helps the manager adapt to the team, demonstrate leadership qualities, and make decisions while simultaneously expressing empathy and understanding to colleagues. Equally important is that EI helps the manager to promote mutual support and reduce tension when faced with disruptive or aggressive behaviour (Sharma and Sehwat 2014). EI, as the ability to empathise, cooperate, motivate, and educate others, must be part of the efficient performance of managers and the human resource management system in an organisation (Motorniuk and Krokmalna 2022).

## Research methodology

The quantitative research strategy and questionnaire survey method (standard questions) were chosen for this study. This method was chosen to reveal the attitudes, values, and behavioural traits of the members of a specific military unit in a short time.

The research was conducted in one military unit of the Lithuanian Armed Forces (hereinafter – the military unit), the exact name of which is not disclosed due to data protection. The unit was chosen because of specific functions related to the performance of tasks related to the national security of the country (participation in international missions, military support, etc.). Simple random probability sampling was used to select the sample. The size of the research sample was 80 respondents (47 had no management experience and 33 had management experience); 85 percent of those who participated in the study were men ( $N = 71$ ), and 15 percent were women ( $N = 10$ ). The specifics of the military unit determined such a distribution. It can be asserted that the research sample is representative of the military unit and the obtained results can be applied in the case of this military unit. The study was conducted in October and November 2021.

Two standardised questionnaires were used for the study. The first was the Trait Emotional Intelligence Questionnaire (Short Form; Cooper and Petrides 2010), which consists of 30 statements. The second research instrument, based on the methodological assumptions of Snowden et al. (2015), was the Communication Satisfaction Questionnaire (CSQ; Downs and Hazen 1977). The overall internal consistency coefficient of the two questionnaire scales used in the study was high: EI scale Chronbach  $\alpha = 0.851$ ; internal reliability of the communication questionnaire Chronbach  $\alpha = 0.947$ .

The data obtained were processed using the SPSS (Statistic Package for Social Sciences) statistical software package. The following statistical methods were used in data

analysis: calculation of arithmetic means, determination of standard deviation, and frequency calculation. To assess the relationship between EI and communication, Pearson's correlation coefficients between EI and communication subscales were calculated.

The research hypothesis was as follows: individuals with higher EI are more satisfied with communication in the organisation.

## Findings

**Evaluation of communication satisfaction.** When evaluating the satisfaction of the military unit personnel in various aspects of communication, the value of each isolated communication satisfaction/dissatisfaction factor was calculated: for each factor, respondents were considered to be dissatisfied or less satisfied with communication if the score was between 6 and 24, and a score between 25 and 35 identified those satisfied and very satisfied. The results revealed that the staff were most satisfied with horizontal and informal communication and communication with managers (Table 1). Staff were least satisfied with personal feedback and the communication climate created in the organisation.

**Table 1.** Descriptive statistics of satisfaction with communication in the organisation

Subcategories	Code	Survey sample	Min	Max	Medium	Standard deviation
Satisfaction with organisational integration	S1	80	11	31	25.19	3.927
Satisfaction with organisation's perspective	S2	80	8	34	24.40	5.031
Satisfaction with personal feedback	S3	80	11	32	23.81	4.106
Satisfaction with communication climate	S4	80	10	35	24.02	4.863
Satisfaction with communication with managers	S5	80	15	32	25.79	3.844
Satisfaction with horizontal and informal communication	S6	80	14	35	25.79	4.068
Satisfaction with the quality of communication tools	S7	80	12	35	25.25	4.157
Satisfaction with communication with subordinates	S8	33	14	33	25.26	3.883

When detailing the different factors of the subcategories of communication, each of which was evaluated on a Likert scale from 1 to 7 (1 – *very dissatisfied*, 7 – *very satisfied*), particular strengths and weaknesses of communication emerged in each case (Table 2).

**Table 2.** Strengths and weaknesses of communication in the military unit

Code	Strengths			Weaknesses		
	Measured factors	M	SD	Measured factors	M	SD
S1	Communication related to the conveyance of information about job requirements	5.34	1.03	Satisfaction with providing information on organisational policies and objectives	4.69	1.25

Code	Strengths			Weaknesses		
	Measured factors	M	SD	Measured factors	M	SD
S2	The staff receive enough information about the financial situation of the organisation	5.17	1.43	Communication about internal organisational changes	4.31	1.28
S3	Information related to the evaluation of the subject	5.35	1.97	Feedback-related communication, which demonstrates that managers understand the problems and difficulties faced by employees	4.24	1.53
S4	Individual's identity with the organisation where the person works	4.96	1.17	Promoting communication skills	4.60	1.23
S5	Information conveying trust in employees	5.40	1.11	The conveyance of information from managers about listening to the employee's position	4.86	1.15
S6	The freedom of horizontal communication among colleagues	5.85	1.99	Gossip-related communication	4.19	1.63
S7	Information about the quality and completeness of the submitted reports	5.40	1.98	Attitudes toward the organisational communication ethos	4.76	1.06
S8	The ability of subordinates to express their need for information	5.34	0.97	The factor related to active/overloaded communication	4.66	0.97

**Assessment of EI.** Considering the theoretical assumptions that EI is important in the communication process and helps establish relationships between employees and subordinates, manage risks, ensure teamwork, etc., we sought to assess EI in the surveyed military unit. Using the methodology of the selected research instrument, the general values and the values of each single factor were calculated. If the total value of EI is 30 to 150, then this represents lower EI; 151 to 210 – higher EI. The closer the score is to 210, the higher the EI is considered to be. Within the research framework, the overall average EI of all respondents (162) was classified as higher (min. 122, max. 200).

To measure the subcategories of EI factors in the military unit, the averages of the sum of the scores on the scales were calculated (the maximum score was 56, and the minimum score was 12) (Table 3).

**Table 3.** *Descriptive statistics of EI factors*

Subcategories	Survey sample	Min	Max	Medium	Standard deviation
Wellbeing	80	22	42	35.04	4.333
Self-control	80	17	35	27.88	3.498
Emotionality	80	26	48	38.34	5.214
Sociability	80	20	41	30.06	4.740
Empathy	80	12	34	22.70	4.527

In evaluating the self-control factor, a relatively even distribution of results was observed when evaluating all sub-factors: controlling and managing emotions and the abil-

ity to overcome stress. However, as seen in Table 3, this is one of the areas where lower evaluation results were recorded. When comparing the factors of this subcategory between respondents with and without work experience, a slightly more pronounced difference in evaluations emerged in the ability to overcome stress, with higher results for those with managerial work experience.

Emotionality measures how well respondents perceive and express emotions and use them to maintain relationships with others. In this area, the ability of the respondents to understand their emotions ( $M = 6.29$ ,  $SD = 0.84$ ) and to express them in words ( $M = 6.16$ ,  $SD = 0.93$ ) was highlighted. It was observed that the respondents who do not hold managerial positions do this more easily than those with managerial positions. Factors related to the ability to empathise with other people's situations and feel what they feel ( $M = 4.60$ ,  $SD = 1.56$ ) scored the lowest. There were no significant differences in the evaluation of this factor between respondents with and without managerial positions.

The data obtained from the sociability factor (communicability) of both groups show that the highest scores were related to the ability to defend one's rights ( $M = 5.93$ ,  $SD = 1.24$ ) and the ability to readily agree with others ( $M = 5.92$ ,  $SD = 0.74$ ). The ability to influence the feelings of other people ( $M = 4.11$ ,  $SD = 1.87$ ) and self-evaluation as a negotiator ( $M = 4.81$ ,  $SD = 1.26$ ) scored the lowest.

Lower EI indicators were recorded in the evaluation of the empathy subcategory (Table 2). The respondents' average rating regarding the ability to empathise with other people's emotions and influence them was below 5 points.

**Evaluation of EI and communication.** To assess the relationship between EI and communication, the Pearson coefficient correlation between the EI and communication subscales was calculated.

**Table 4.** Pearson's coefficient correlation between EI and communication factors

	Satisfaction with organisational integration	Satisfaction with the organisation's perspective	Satisfaction with personal feedback	Satisfaction with communication climate	Satisfaction with communication with managers	Satisfaction with horizontal and informal communication	Satisfaction with the quality of communication tools	Satisfaction with communication with subordinates
Wellbeing	.547*	.645*	−0.39	.600*	.582*	.596*	.439*	.642*
Self-control	.463*	.535*	.503*	.635*	.685*	.431*	.454*	.884**
Emotionality	.482*	.790**	.867**	.536*	.535*	.449*	.590*	.479*
Sociability	.736**	−.144	−.038	.431*	.581*	.575*	.568*	.442*
Empathy	−.134	−.213	−.160	−.012	.770	.836**	.003	.504*

\* $p < 0.05$ ,  $p < 0.001$

The results obtained show that the areas of EI abilities and communication were positively and significantly related (Table 4): emotionality and communication related to organisational perspective ( $r = 0.790$ ,  $p < 0.001$ ); emotionality to personal feedback



( $r = 0.867$ ,  $p < 0.001$ ); self-control to communication with subordinates ( $r = 0.884$ ,  $p < 0.001$ ); sociality to organisational integration ( $r = 0.736$ ,  $p < 0.001$ ); and empathy to formal and informal communication ( $r = 0.836$ ,  $p < 0.001$ ).

After the analysis of the data, it may be claimed that the hypothesis that people with higher EI are more satisfied with communication in the organisation has been confirmed. Statistically significant results were obtained by comparing all the respondents according to the correlation between EI and communication satisfaction. It was found that subjects with higher EI who hold managerial positions ( $r = 0.845$ ,  $p < 0.001$ ) and those without managerial work experience ( $r = 0.793$ ,  $p < 0.001$ ) were more satisfied with communication.

## Discussion

In summary of the study results, it may be stated that the overall level of EI in the military unit is high. As a result, individuals with higher EI are more satisfied with organisational communication. The results of the study showing solid relationships between communication and EI support the claims of researchers (Mayer et al. 2000; Jorfi et al. 2014; Mendelo 2021; Agnoli 2023) that individuals with high EI use their emotions to generate good ideas and also possess the ability to control and manage their emotions, which helps achieve effective communication. The results of the military unit in question confirmed the results of Tasliyan et al. (2017), Ghasemi et al. (2018), and Valor-Segura et al. (2020), and proved that EI and communication skills are closely related. However, to effectively implement these indicators in a military unit, the factors that emerged as problematic during the study need a more detailed analysis.

Analysing the survey data, certain differences were observed between the responses of managers and subordinates. Respondents working in managerial positions rated communication with subordinates highly – i.e., managers are satisfied with communication with subordinates, are aware of their expectations and initiate communication with them. However, an equally important aspect for solving communication problems is the communication climate, which can be manifested both by a lack of empathy and a lack of personal feedback. This aspect was rated the lowest. Therefore, these results confirm the theoretical assumption that the effectiveness of communication between the managers of an organisation and its employees is related to the full understanding of the group's employees or the ability to reduce communication problems that arise.

A lower communication climate score and a lack of personal feedback allow us to assume that insufficient attention is paid to encouraging employees, especially in terms of connecting them to the organisation's goals and promoting interpersonal communication and teamwork. These research data also agree with the theoretical insights of other authors (Marques & Dhiman 2017; Jeppesen 2017), and confirm that EI plays an important role in shaping individual and interpersonal interactions.

The study results related to areas of communication, such as satisfaction with organisational integration and organisational perspective, allow us to claim that the respondents highly valued communication related to the requirement to provide information about the

tasks performed and communication related to information about progress at work. However, it became clear that the area of communication that is essential both for the achievement of the organisation's goal and for increasing the motivation of employees needs to be improved. It is communication that is concerned with providing information about the organisation's policies and objectives. Arguably, this result depends both on each individual's personal interest and the information that managers provide. The results of the study showed that respondents with higher EI scores were more satisfied with communication related to the organisation's perspective, i.e., information about the policies and objectives of the employee's department, implemented policies related to the employee's work, internal changes in the organisation, financial status, and achievements or problems. This supports the theoretical assumption (Jorfi et al. 2014) that managers with high EI succeed in accurately and interestingly conveying their ideas, organisational goals, and intentions, thus making others feel more confident in the professional environment.

One of the essential areas for improvement in the surveyed military unit is enhancing empathy. Empathy is an important communication skill proven (Tripathy 2021) to influence the acquisition of personal knowledge and in maintaining interpersonal relationships. Therefore, it is likely that enhancing the internal factors (emotional sharing, positive relationships, mutual regard, and personal genuineness) specified in Valente's (2016) empathy development model could be one of the solutions to reducing the identified weakness in the case of the analysed military unit.

**Limitations.** Some limitations have been identified in this research. First, the study sample is not large, and the results cannot be generalised for the entire Lithuanian army. Therefore, conducting larger-scale research involving more subjects and organisations and applying other additional measurement methods would be appropriate. Second, the present study collected data in a male-dominated military unit. This sample selection eliminated the representation of women, so their attitudes towards subjective wellbeing at work remained unexplored. This situation could be another direction for further research. Despite the abovementioned limitations, the study confirms the relationship between EI and communication in a military unit and creates prerequisites for further research involving the entire Lithuanian army.

## Conclusions

1. In summary of the study results, it may be maintained that EI and communication satisfaction are related. Higher EI enables more effective communication and helps reduce employee stress and conflicts. Managers with higher EI can choose the right moment to communicate with superiors or subordinates when presenting new ideas, increasing the likelihood that the individuals with whom they communicate at the right time will be open to those ideas and will listen carefully to their arguments.
2. The results obtained show that EI skills and communication are positively and significantly related in the following areas: emotionality and communication are related to the perspective of the organisation; emotionality to personal feedback; self-control to communication with subordinates; sociality to organisational integration; and empa-

thy to formal and informal communication. It may also be claimed that respondents with higher EI scores are more satisfied with communication.

3. The research identified areas for improvement in the relationship between communication and EI in the analysed military unit related to enhancing the expression of empathy, improving communication related to disseminating the organisation's policies and goals, and ensuring the quality of satisfaction with feedback.

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## EMOCINIO INTELEKTO IR KOMUNIKACIJOS RYŠYS VIEŠAJAME SEKTORIUJE: KARINIO VIENETO ATVEJIS

**Anotacija.** *Gebėjimas valdyti emocijas ir jas tikslingai taikyti vadovaujant, valdant procesus ar komunikuojant yra svarbus tiek personalo tarpusavio santykiams, tiek individo pasitenkinimu bendraujant su kitais. Emocinis intelektas yra svarbus formuojant indi-*

vido tarpusavio santykius tiek individualiu lygmeniu, tiek komandoje. Todėl šio straipsnio tikslas yra ištirti emocinio intelekto ir komunikacijos ryšį Lietuvos kariuomenės kariniame vienete. Tyrime taikytas kiekybinis tyrimo metodas – anketinė apklausa. Remiantis tyrimo rezultatais teigina, kad emocinis intelektas ir pasitenkinimas komunikacija viešajame sektoriuje yra susiję, o respondentai, turintys aukštesnius emocinio intelekto balus, yra labiau patenkinti komunikacija. Gauti rezultatai rodo, kad emocinio intelekto gebėjimai ir komunikacijos sritys yra teigiamos ir reikšmingai susijusios. Tačiau, nepaisant tyrimo įvardytų emocinio intelekto ir komunikacijos sąsajų teigiamų aspektų, identifikuotos analizuoto karinio vieneto komunikacijos ir emocinio intelekto ryšio stiprinimo tobulintinos sritys, susijusios su empatijos raiškos stiprinimu. Straipsnyje aptartas komunikacijos, susijusios su organizacijos politikos ir tikslų sklaida, gerinimas, taip pat pasitenkinimo grįžtamoju ryšiu kokybės užtikrinimas.

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## A FAILED STATE: ADMINISTRATIVE AND FINANCIAL CORRUPTION IN IRAQ

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**Abstract.** *Since the U.S. occupation of Iraq in 2003, ongoing political turmoil and conflicts have left the country in a spiral of fragile governments with weak rule of law and deep-rooted, regionally complex political interests that are difficult to handle. This situation has increased the suffering which is associated with sectarianism. The risks of corruption and poor services are also prevalent. The state's dominant position is suffering from a ruptured economy, an underdeveloped private sector, and excessive dependence on oil, with the dominance of the power of militias established due to the high levels of instability in the state. This paper focuses on the dangers of corruption to future generations and Iraq's future as a state. It is evident in this study that there is a weakness in governance and the rule law, as evidenced by the parallel conduct of militia supported by (pro-Iran) political leaders. This has a tremendous negative impact on the economy and the ability to fight corruption. All efforts have failed to place control over financial resources. Coupled with the weak moral commitment of the Iraqi authorities, this problem will continue until transparent elections for a free and honest government are achieved.*

**Keywords:** *bureaucratic corruption, transparency, ethics, political elite corruption, governance.*

**Reikšminiai žodžiai:** *biurokratinė korupcija, skaidrumas, etika, politinio elito korupcija, valdymas.*

### Introduction

The tolerance of the citizens of Iraq for corruption has waned in recent years. Confidence in the government and its agencies has also been eroded, which reflects the increasing division between the people and the state. Thus, in recent years, anti-corruption activities have arisen, and the government is trying, with limited success, to enforce sub-

stantive reforms (Schoenlein 2020). In other words, Iraq faces an ineffective regulatory system for combating corruption and inadequately trained autonomous anti-corruption agencies. Corruption pervades the Iraqi state and culture, which attracts much concern from policymakers. The findings of numerous foreign organizations and academic articles on corruption attest to this.

Additionally, evidence reinforces the reality of the failure of human protection or fragility in the transformative process, which began in 2003 and continues today. According to a study conducted by Hassan (2020), there is considerable heterogeneity in the impact of various aspects of corruption and the level at which corruption impacts Iraq in all spheres of human endeavors. Administrative inefficiency also contributes significantly to corruption (Heidenheimer 1970). However, this study's findings indicate that widespread political corruption may be due to certain pressures from government circles. Subsequently, many studies have indicated this drawback.

One of the main challenges in Iraq's failure to achieve human stability since 2003 is the weak health and environmental protection system. The more corruption intensifies, the fewer humanitarian activities are administered. Thus, corruption significantly affects all aspects of Iraq's human security. These results reinforce the hypothesis that the effects of corruption dimensions on human protection vary according to the dimension and the degree to which it affects people (Dodge 2013; Mohamed 2012). Consequently, scholars and policymakers can perceive the enormous efforts needed to boost the status of Iraq's corruption pattern, which has seen no noticeable change in ten years. The failed state cannot cope with the magnitude of the threat confronting Iraq now and in the coming generations.

## **Research Methodology**

The researcher devised a combination of qualitative research methods by exploring the analysis of written documents and a survey of published works by professional organizations and expert authors. The case of corruption in Iraq is selected as a case study for further analysis. This research will explore ideas and formulate a theory to summarize, categorize, and interpret the phenomenon of corruption in Iraq. The researcher will further highlight and reflect on specific sectors within the Iraqi government.

## **Objectives & Importance of the Research**

Subsequent economic collapses in Iraq have triggered many issues relating to managing the Iraqi economy. One of the main reasons for the failure of this is the corruption which has spread in all ministries within the Iraqi government and resulted in a failed state. Therefore, this paper highlights the reasons and the causes behind this phenomenon to help the Iraqi people overcome this sweeping damage to future generations.

## Research Questions

This paper aims to answer questions about the corruption of the Iraqi government from 2003 onwards. From international reports, it is glaring how Iraq's economy is declining due to many reasons, and one of them is corruption. The researcher will therefore try to answer the following questions:

- What reasons made Iraq the most corrupt state in the world?
- What are the main forces behind corruption in Iraq?
- Are there adequate measures to combat corruption?
- What levels of governance are in operation?

## Literature Review

### Corruption and Economic Development/Impact of Corruption

Corruption and its manifestations have impacted all forms of life and the public's safety. This effect was expressed adversely in the output of successive Iraqi governments, which failed to implement initiatives, policies, schemes, and programs to achieve security and improve living standards from 2003 to date (Al Ittihad 2011). This resulted in a fragile state whereby public and private sector organizations cannot meet the country's needs due to a lack of efficient governance structures (Mironov 2005; Turkova 2018; Al-Mawlawi 2020; O'Driscoll 2018). Research consistently demonstrates that societies with fewer wealth inequalities (better redistribution) experience more regular and prolonged cycles of economic prosperity (sustainable development) (Norris et al. 2015; Aidt 2003). Moreover, research indicates that societies with a higher satisfaction index (approval ratings) often experience more frequent and sustained economic progress (sustainable development) (OECD 2018; Mishra 2006; Transparency International 2016). It is also worth mentioning that corruption is fatal to every government and distorts the quest to redistribute a country's wealth.

Additionally, it is evident that corruption frustrates citizens and causes them to doubt the effectiveness of public institutions. These facts imply that a nation plagued with corruption cannot truly experience rapid economic growth and progress (Aboul-Nasr 2020; Appiah et al. 2019; Cockburn 2013). Corruption is now widely regarded as one of the world's most serious problems (Alas 2012). It is a significant obstacle to sustainable growth, disproportionately affects vulnerable people, and is corrosive to society's structure. Globally, the accelerated evolution of corporate governance standards has prompted businesses to prioritize anti-corruption initiatives as part of their mechanisms for safeguarding their reputations and their shareholders' rights. Their corporate controls address various ethics and fairness issues, and many view these measures as proof of following sound management practices (Darwish et al. 2020). In recent years, the worldwide judicial battle against corruption has gathered traction. On June 24, 2004, at the United Nations Global Compact Leaders' Summit, it was reported that the UN Global Compact Principles would also contain a tenth anti-corruption principle. This principle states that "businesses can combat corruption in all manifestations, including extortion and bribery." After lengthy consultations, all



parties expressed overwhelming approval. Consequently, this sent a clear global signal that the private sector bears a significant share of the burden of eradicating corruption (Caiden 2013; Bardhan 1997). Additionally, it showed the renewed commitment of the corporate sector to contribute to the battle against corruption.

## **Corruption Levels**

After the 2003 invasion, many misdeeds went unpunished. International sanctions were lifted and restoration and state-building tools poured in, as in other war zones. This massive inflow overwhelmed the Iraqi public sector's expenditure and accountability, which was already impoverished and disorganized. This phenomenon was not limited to Iraqis. Oversight issues plagued American rebuilding, and 40% of rebuilding projects exhibited major flaws, including subcontractor overcharging, unexplained spending, duplication, and misuse, according to the final report of the US Special Inspector General for rebuilding Iraq.

The findings of a federal audit of around \$6.6 billion allocated for Iraqi reconstruction in the United States indicate that bureaucratic corruption is the primary concern within development organizations (Blackburn et al. 2011). The World Bank notes that corruption is the biggest threat to economic and social progress in Iraq. State agencies are corrupt, and abusing cash may destroy societal progress. The illicit practices of bribery and embezzlement yield substantial financial gains yet are infrequently met with legal prosecution. It is not uncommon for administrations to sustain unethical conduct. According to the 2011 Corruption Perception Survey conducted by World Transparency International, more than half of the participants (56%) acknowledged having paid a bribe within the past year. According to Transparency International's 2011 report, the police, customs, and court system were found to have accepted the highest number of bribes. The aforementioned information has been sourced from the monthly government employee questionnaires of the Integrity Commission, as documented by Richter (2011).

Iraq's corruption hinders state-building. The nation's corruption indices have been low on numerous global indexes over the last decade. Corruption hinders 62% of enterprises, according to a World Bank Enterprise study, and 33.8% of public-sector firms require bribes. Moreover, 89% of Kerbela firms said that they would donate money to "finish the work," and 70% of Baghdad firms received bribe proposals last year. According to the IMF and World Bank, \$65 billion in illicit funds left Iraq between 2001 and 2010, accounting for around twice its 2005 GDP and 56% of its 2012 GDP (Agator 2013). An examination by Iraq's Highest Judicial Board found that corruption-driven money laundering schemes using Central Bank practices total \$40 billion (SIGIR 2013), where Iraq was ranked eighth in 2013 for illegal funds.

## **Bureaucratic Corruption and Bribery**

The 2011 World Transparency International Corruption Perception Survey revealed that 56% admitted to having paid a bribe in the past year. The three organizations that

took the most bribes were the police, customs, and the justice system (Transparency International 2011).

A recent survey conducted by the World Bank showed that over 64% of the medium-sized firms in Iraq pay bribes to secure a deal. Unusual amounts are observed in Basra, which indicates that bribery is the standard in local procurement. Making a career in the public sector that pays hundreds or sometimes thousands of dollars a month is often tricky (Cockburn 2013). There is enough evidence to show that corruption, regardless of rank, occurs at any level in the media, and it is noted in daily dealings with public sector officials (Mansour 2021). This study explores corruption from three different viewpoints and provides new knowledge about how corrupt the Iraqi government is and how successful the state's "integrity regime" strategy is. There is a pervasive belief that corruption is prevalent in everyday life in Iraq, and that more progress must expose the government to greater transparency (Kolstad and Wiig 2009; Federal Commission of Integrity Report 2020)

When measuring corruption levels and patterns, ordinary citizens' encounters with administrative bribery – the type of corruption that occurs from daily interactions between consumers of public facilities acting as bribe payers and civil servants acting as bribe-takers – provide various significant indicators (OECD 2000). Statistics demonstrate pervasive bribery in Iraqi society, particularly among government workers. Managers and executives who receive larger bribes are more prevalent among supervisors (UNDP 2012). More precisely, nearly two-thirds (65%) of bribes are requested, either explicitly or indirectly, by civil servants.

## **Corruption and Integrity Challenges in the Public Sector of Iraq**

Evaluating the extent and nature of their third-party connections while carrying out their assignments will be optimal to determine whether civil servants are vulnerable to bribes. The practice of service suppliers or customers bribing individuals or businesses with cash is widespread. However, this is seldom given to public employees (15.6%). Bribery is prevalent among government employees, especially those who provide services to the public, contractors, and government ministry workers. Regarding bribery, Iraq's public sector is an open book. The Federal Commission on Integrity's 2020 report cites an egregious case of official misconduct in Iraq, which shows some unusual results. According to the report, three mayors, one Member of Parliament, and eight directors-general left the nation with smuggled public funds.

Empirical data suggests that the process of selecting and training official leaders is flawed, resulting in individuals who exhibit a significant lack of integrity and serve as poor examples for others. Moreover, it has been uncovered that certain politicians are identified and enlisted by religious governmental officials, who subsequently serve as safeguards for the unscrupulous.

Likewise, the issue of the Iraqi education sector exhibits a low prevalence of visible corruption, whereas the higher education sector is primarily characterized by the prevalence of invisible corruption, which is challenging to detect due to its covert nature. The proliferation of this form of corruption can be attributed to shared interests among stu-

dents, academic personnel, and administrative entities. The promotion of a culture of integrity and the identification of the hazards associated with corruption are essential in both the internal and external communities of Iraq's higher education sector (Al Saad and Mohsen 2017).

## **Response to Corruption**

While bribery surveys offer consistent examples of where anti-corruption activities should be centered inside the public sector, data on corruption approaches provide more compelling insight into combating corruption. Studies have shown that 5% of civil servants are involved in bribe scams, and fewer than one out of every twenty are reported to the authorities. In addition, less than one-third of those who attempted to provide payments to obtain more than \$100 in value were revealed through investigations. Nonetheless, more than half of those who attempted such practices had little concern for those reporting to them or for those who reported within 12 months of the analysis. It is critical to respect officials who are counteracting unethical or dishonest activities (Epstein 2018; Karam 2020). However, given militia threats backed by conservative parties, this might not be a realistic option.

Many civil servants are concerned about the harmful implications (including retaliation) of exposing wrongdoing and the general lack of safeguards and proper security for whistleblowers. These reports emphasize the critical value of increasing citizens' and civil servants' knowledge of monitoring locations and rendering such sources more available and secure for those attempting to reveal administrative malpractices and corruption. There is a significant amount of fraud in Iraq's public services, which would go undetected by authorities and would be unable to reach trial. Though people provide various reasons for keeping crimes unpunished, reluctance to report any illegal conduct to others who have the power to do anything about it is a prevalent factor. It is alleged that the justice system's response to wrongdoing is challenging since it sometimes finds fraudulent activity unverifiable. Moreover, there will be no convictions without imposing credible or just sentences (Abdullah 2017; Lederman et al. 2005). Although the anti-corruption initiatives and framework of the country have undergone significant expansion since 2005, they still fall short of establishing a comprehensive and robust integrity system. The efficacy of the government's efforts to combat the escalating issue of corruption is significantly hindered by several factors, including political intervention in anti-corruption agencies and the politicization of corruption matters, inadequate civil society participation, insecurity, insufficient resources, and incomplete legal frameworks (Agator 2013). Iraq is expected to encounter a noteworthy obstacle in the foreseeable future, which pertains to upholding the credibility of its management of the burgeoning and substantial oil revenue (Danilet 2009). It is reported that at least 1 in 18 of those probed for corruption are convicted. Convictions have increased, leading to more criminal prosecutions and better courtroom evidence. The mismatch between the number of investigations of persons exposed to bribes and the quantity of corruption found will indicate the need to improve capacity for monitoring all unethical behavior.

## Corruption and Protesters' Demands

Iraqi citizens suffered enormously due to conflicts, insecurity, and inadequate resources after the US invasion. Iraq is complex due to its unstable political climate and the tensions between political groups. The deterioration of the economic conditions and the embarrassment imposed on the community instilled fear in the youth, and a movement began to arise in October 2019. This revolt began on October 1 and lasted until April 2020, when COVID-19 forced protestors to cease demonstrations (Rubin 2019). Religious rituals delayed the protests, as did the US drone assault on Suleiman. The uprising occurred due to inadequate facilities, inflation, and unemployment, as well as the perception among Iraqis that Iran and its proxy militias were draining the economy and destroying the region (Davies 2019).

As a result, the requests made became recognizable as marches. Protesters demanded structural changes, employment creation and opportunities for young people, social justice, improved healthcare, a more transparent and accountable government, and an end to corruption. Additionally, demonstrators voiced their outrage at Iranian and other international meddling in Iraq. As the marches progressed, they made their requests. Initial calls for more effective and responsible government quickly evolved into calls for structural reform. These demands included the removal of the cabinet and fresh elections centered on a revamped electoral code, but also full reform, which included constitutional amendments and the abolition of Iraq's post-2003 ethno-sectarian political structure dubbed *Muhasasa*. Critics suggested that the scheme, which allocates jobs and wealth dependent on ethno-sectarian quotas, allows the national class to privilege themselves and their supporters at the cost of the public. According to sources, the demonstrations were openly anti-sectarian, with a familiar slogan: we want a homeland (UNAMI 2019)

## Discussions, Conclusions, and Findings

1. The economic environment in Iraq is suffering from many distortions, with corruption at the top of the Iraqi government's list of challenges. Weak governance is the crucial reason for the bad management of the government administration. Political parties support political leaders and decision-making centers with different loyalties but no loyalty to Iraq. Most of these leaders have arms of military militias that interfere in state affairs, and this creates chaos and loosens control over the country (Klitgaard 1991).
2. During 2011–2020, consecutive governments could not move the country forward. There are many pieces of evidence stated in this research that show the country's inferior management. Iraq is a failed state due to the corruption that permeates the political system from election to public administration. The people of Iraq are frustrated, and the sectarian violence triggered by political leaders is one of the main reasons for all of Iraq's problems.
3. The decline of services and deficient job creation increased unemployment and poverty, along with civil wars and weak governments. The interference of neighboring countries, especially Iran, complicated the situation in Iraq. Iran has a global problem

of terrorism and has ambitions to restore the Persian empire. This has created conflicts in Iraq and other countries in the Arab peninsula. Iraq is at the center of this conflict and is suffering the most.

4. All of this created an unbearable situation for Iraqis, while corrupt political elite ran the country with no hope for development. One of the main reasons for this helpless case is the loss of professional elites who were running the country for decades before 2003. Killing or displacing thousands of them created a huge gap. The country will not be able to stand it again for years to come.
5. All the above-discussed issues contributed to corruption, and the government stands unable to act against the corrupt factions supported by political parties. From this, kleptocrats have emerged.
6. This is a government whose dishonest leaders practice political control to steal their nation's wealth by embezzling government funds (Sharman, n.d.; Committee to Protect Journalists 2019).
7. Evidence of the everyday occurrences of bribery is prevalent, which shakes civil society and prevents systemic and public administration. Reports show that this is happening due to the bottleneck in the management system and the existence of corrupt officials, as indicated by Iraqi official reports.
8. Another worrying issue is the dishonest intentions of officials in remedying this situation, as the Iraqi people are not satisfied, which is witnessed in their continuous demonstrations. Even a whitepaper found only partial solutions due to the challenges encountered by parallel militias. There are severe solutions for introducing a government in association with the repair of the financial systems.
9. There is a need for a fundamental revision of the Iraqi constitution produced during the early years of occupation, which triggered many problems in Iraq. Corruption as a phenomenon is not isolated from other issues facing Iraq. One of the solutions is to establish an e-government to stop bribery and increase the efficiency of civil administration. Here, we face other problems related to the stability of electricity systems; if electricity is not stable, then the internet and all its related functions will not be operational.
10. Many countries have established e-governments, and they have been very successful. There must be a serious plan to re-consider the issue of militias; this is the primary obstacle against building a free democratic Iraq. The other issue is poor governance in most public civil institutions; as explained earlier in this paper, the case of a prime minister holding many positions leads to corruption and the state's failure.
11. Unemployment is a prodigious threat to the economy. Corruption in Iraq reduces the value of public investment and discourages private physical and human capital investment; as a result, growth will diminish gradually, and the unfortunate result is that unemployment will continue. On the ground in October 2020, we found an uprising of frustrated youth that took to the streets and squares, expressing their discontent and exposing their lives to danger (nearly 700 were killed and thousands injured) while asking for political reform, a free country, fairness, services, and jobs.

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Saad Dervish

## NEPAVYKUSI VALSTYBĖ: ADMINISTRACINĖ IR FINANSINĖ KORUPCIJA IRAKE

**Anotacija.** Nuo 2003 m. JAV invazijos į Iraką dėl besitęsiančių politinių neramumų ir konfliktų šalis atsidūrė trapių vyriausybių valdžioje, kurioms būdinga silpna teisinė valstybė ir giliai įsišakniję, regioniniu požiūriu sudėtingi politiniai interesai, kuriuos sunku suvaldyti. Taip pat įsivyravo korupcija ir nekokybiškos paslaugos. Dauguma valstybės gyventojų kenčia dėl neefektyvios ekonomikos, neišvysčiusio privataus sektoriaus ir per didelės priklausomybės nuo pajamų iš naftos, o sukarintos milicijos galios vyravimas prisideda prie dar dėl didesnio nestabilumo valstybėje. Šioje analizėje daugiausia dėmesio skiriama korupcijos pavojams, kurie atsilies ateities kartoms ir Irako kaip valstybės ateičiai. Pateiktame tyrime akivaizdu, kad milicijos (kurią remia Iranas) veikla griauja stabilaus valdymo infrastruktūrą. Ir, kaip jau buvo minėta, tai daro didžiulį neigiamą poveikį ekonomikai ir gebėjimui kovoti su korupcija. Jokiomis pastangomis nepavyksta kontroliuoti finansinių valstybės išteklių, kadangi centrinė Irako vyriausybė yra silpna. Minėtos problemos sprendimas galimas tada, kai bus užtikrinti skaidrūs, laisvi ir sąžiningi įstatymų leidžiamosios valdžios rinkimai.

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# THE ROLE OF THE EUROPEAN UNION'S RURAL DEVELOPMENT FINANCIAL INSTRUMENTS IN THE CONSERVATION OF BIOLOGICAL DIVERSITY IN LITHUANIA

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**Abstract.** *The purpose of this review article is to consider the role of the European Union's rural development financial instruments in preserving biodiversity in the agrarian landscape. This article is important in that there are not many works published on such a topic, and this problem is currently relevant. The main focus of the article is on analyzing and evaluating the impact of the European Union's financial instruments on the conservation of biodiversity in the agrarian landscape. The article analyzes the application of the European Union's financial mechanisms during three periods in Lithuania: 2000–2006, 2007–2013 and 2014–2020. Rural development had specific objectives, measures and activities during each period, with different impacts on biodiversity. In the absence of relevant legislation from the Lithuanian Ministry of Agriculture under SAPARD (the Special Accession Programme for Agriculture and Rural Development), biodiversity measures were not implemented in the first period (2000–2003), and this reduced the effectiveness of implementation in the second period. The second period included measures to protect biodiversity, but farmers and other land users chose measures and activities according to implementation options and compensation payments. In the third period, more measures and activities were implemented than in the second. There were also specific activities to preserve endangered bird species. It should be noted that more funds were allocated to the conservation of biological diversity. The activities of farmers and other land users were different during each period. It was found that the measures and activities were not only selected on the basis of the level of financial compensation, but also on the possibility of their implementation. This research is based on analysis and evaluation via methods such as descriptive and comparative data analysis in different periods. The article is relevant for agrarian researchers, agricultural specialists and scientists in the field of biodiversity conservation.*

**Keywords:** *rural development, financial instruments, environmentally friendly agricultural measures, biological diversity.*

**Reikšminiai žodžiai:** *kaimo plėtra, finansiniai instrumentai, aplinkai palankios žemės ūkio priemonės, biologinė įvairovė.*

## Introduction

Many scientists have shown that the intensification of agriculture has a negative impact on biological diversity. Different agricultural intensification levels determine the diversity and abundance of individual plants and animals. This has been illustrated by various studies, such as those carried out in Spain (Traba and Morales 2019) which showed that agricultural intensification levels (low, medium and high) in nine European regions had an important effect on the richness of various species of plants, carabids and birds (Flohre et al. 2011), in addition to studies in eight other European countries (Geiger 2011; Geiger et al. 2010). A number of scientific review articles also analyzed the relationship between the richness and abundance of biodiversity and land use intensification in Europe (Batáry et al. 2015; Bockstaller et al. 2011; Clergue et al. 2005; Dapkienė 2016; Donald et al. 2006; Flohre et al. 2011; Kleijn et al. 2009; Tscharrntke et al. 2005).

However, a positive relationship between biodiversity and agriculture has been established over the last few decades (Brunetti et al. 2019; Butler et al. 2007; Erisman and van Eekeren 2017; Erisman et al. 2016; Frison et al. 2011; Mierauskas 2011, 2016; Kleijn and Sutherland 2003; Phalan et al. 2011; Pywell et al. 2015). Higher biodiversity leads to higher productivity, and therefore to the better stability and independence of agricultural systems. Such principles are well-identified at the EU level, and are integrated into the EU Common Agricultural Policy (CAP) through a variety of rural development programs (European Commission, 2005). However, in determining the effectiveness of agricultural policy, economic instruments and their measures are to be considered.

### *Aspects of the Implementation of SAPARD and the Rural Development Plan For the First Period*

An important fact is that the failure of the Lithuanian Ministry of Agriculture to prepare national legislation according to SAPARD (the Special Accession Programme for Agriculture and Rural Development, 2000–2003) led to the loss of the opportunity to prepare more appropriately and efficiently for the implementation of the 2004–2006 Rural Development Plan. As a result, in the first year of implementation of the plan, farmers and other land users were not actively involved in the implementation of agri-environmental measures. As a result of this, the implementation of the plan in Lithuania was less effective than in those EU countries that had started implementing measures earlier – even before the start of SAPARD (Kripaitis 2009; Ministry of Agriculture 2007a).

The implementation of the Afforestation of Agricultural Lands and Improvement of Forest Infrastructure SAPARD measure was not accredited. The Environmentally Friendly Agricultural Methods measure was to be implemented in three pilot areas: The

Karst region in Northeast Lithuania (following up the Tatula Program); the Žuvintas Biosphere Reserve; and Rusne Island, located in the Nemunas Delta Regional Park. Under this measure, the protection of biodiversity should have been in effect since 2004. Due to the lengthy accreditation procedure of SAPARD, this measure was not implemented in the context of this program, and, overall, measures for the protection of biodiversity have not been implemented according to it (Ministry of Agriculture 2007a).

The implementation of nature conservation measures began to apply in the entire country upon the adoption of the Rural Development Plan for the 2004–2006 period (including 2007). The plan identified nine measures, including agri-environmental measures for biodiversity conservation. This measure was allocated 15% of the total funds available for all measures. Agri-environmental measures provided for 9 overall and 4 specific objectives, but only 2 overall objectives were directly linked to the conservation of biodiversity (Ministry of Agriculture 2008):

- improvement of the environment (water quality, biodiversity, soil and landscape; preservation of semi-natural agricultural habitats and other important ecological areas) and production of healthy food;
- restoration or preservation of traditional Lithuanian countryside landscapes (meadows, wetlands, marshes).

In the Rural Development Plan, the agri-environment was seen as the most important, hence the inclusion of the following four schemes: 1) Protection of Water Bodies Against Pollution and Soil Erosion on Arable Land (the protective belts of water body shores in meadows); 2) Landscape Stewardship (Management); 3) Organic Farming; and 4) Protection of Ancient Endangered Domestic Lithuanian Animal and Fowl Breeds.

It should be stressed that the importance preserving biodiversity in these measures was varied. The level of compensation was not dependent on the importance of the programs, but rather on the cost of consumption, protection activities, habitat types managed, plant species, livestock and bird species. Due to the specificity and complexity of the program, different individual schemes were chosen by farmers, and this was only directly linked to the level of payments in part.

It was planned that 3,000 farmers (2% of the entire Rural Development Plan) and other land users covering a total of 60,000 ha would enter the agri-environmental measure, but in fact more participated. The number of participants in this measure was 1.5% higher than planned, totaling 3,045, and the land area that they managed was 1.6 times greater than planned. This meant that the measure of implementation was 102% (Ministry of Agriculture 2009). However, it should be noted that only 504 farms (11.4%) participated in the Landscape Stewardship scheme, which is mainly and directly linked to the conservation of biodiversity. This also determined the distribution of funds to these schemes, since compensation payments in the Organic Farming scheme were the largest in the whole measure, accounting for 98.5% of total financial support. Meanwhile, the total number of land users participating in the agri-environmental measure was distributed by schemes as follows: Organic Farming – 76.3%; Protection of Ancient Endangered Domestic Lithuanian Animal and Fowl Breeds – 12.1%; Landscape Stewardship – 11.4%; Protection of Water Bodies Against Pollution and Soil Erosion on Arable Land – 0.2% (BGI Consulting 2016; ESTEP 2008).

It may be an assumption that the lack of interest from farmers in the Landscape Stewardship scheme was because it was not attractive due to the need for specific knowledge in the conservation of biodiversity, and it was more difficult to implement. In addition, the small allocation of funds was also due to the policy of the Ministry of Agriculture, where less money was being diverted to this scheme than to the Organic Farming scheme, and there was insufficient promotion for farmers.

### *The Priorities and Main Measures of the Rural Development Program in the Second Period*

To preserve biodiversity, broader and more comprehensive activities and measures were implemented in the rural development program for the second period – 2007–2013. The rural development program consisted of four axes: I, Improving the competitiveness of the agricultural and forestry sector; II, Improving the environment and the countryside; III, Improving the quality of life in rural areas and evaluating the rural economy; and IV, the LEADER Program (Ministry of Agriculture 2007b, 2014). The most important measures to preserve biodiversity were in Axis II, which received 35.1% of the funds from the entire program. Axis II identified the following three priority areas: 1. Environmentally friendly farming practices, where 29.04% of funds were allocated; 2. Mitigation measures for climate change, which received 15.93%; and 3. Biodiversity and the development of high-value nature and traditional agrarian areas, which was given 55.03%. The third priority was focused mainly on Axis II, which shows the high level of support for this priority during this period (Ministry of Agriculture 2007b, 2013, 2014).

Each priority area was covered by implementation measures. Most were directly targeted at the conservation of biodiversity, and only measures 9 and 10 were not linked or only slightly linked to biodiversity conservation. The following implementation measures were established in Axis II: 1. Agri-environmental payments; 2. First afforestation of agricultural land; 3. First afforestation of non-agricultural and abandoned land; 4. Restoring forestry potential and introducing prevention actions; 5. Non-productive investments in forests; 6. Forest environment payments; 7. Natura 2000 payments to the Water Framework Directive 2000/60/EC; 8. Natura 2000 payments (support for Natura 2000 areas in forests); 9. Payments to farmers in handicapped areas other than mountainous areas (less favored areas for farming); and 10. Non-profit-making investments (Ministry of Agriculture 2013, 2014).

### *Implementation of Measure 1 – Agri-environmental payments*

This measure was one of the most important, since the objectives of the measure were designed to preserve the environment and biodiversity. In Lithuania, Measure 1 – Agri-environmental payments consisted of four schemes linked to biodiversity protection: 1. Landscape Stewardship; 2. Organic Farming; 3. Protection of Ancient Endangered Domestic Lithuanian Animal and Fowl Breeds; and 4. Protection of Water Bodies Against Pollution and Soil Erosion on Arable Land. Each operation of these schemes had

different benefits depending on the complexity of their implementation and the costs involved. However, the amount of support was not related to the importance of preserving biodiversity. In the Landscape Stewardship scheme for biodiversity conservation, the management of natural and semi-natural meadows and wetland activities were the most important. However, for the first activity, the amount of support per hectare was lower (€98/ha) than for the management of wetlands (€229/ha for non-agricultural land, €168/ha for agricultural land). The management of grasslands is also important for preserving biodiversity, but the managing costs for wetlands increased compensation payments (Ministry of Agriculture 2007b, 2013, 2014). Other schemes were also important for the preservation of biodiversity, but their impact was not as important as Landscape Stewardship.

During this period, agri-environmental payments were mainly submitted to support the Landscape Stewardship scheme, but did not receive the highest percentage of financial support out of the number of applications submitted – 72,560 applications, of which 75.7% were financed. Organic Farming received 12,859 applications, and was financed in 76.6% of cases. The Protection of Ancient Endangered Domestic Lithuanian Animal and Fowl Breeds scheme received 1,014 applications, and was financed at the highest rate of 90.4%, but the number of submissions was low. The Protection of Water Bodies Against Pollution and Soil Erosion on Arable Land received the lowest number of applications at 368, and 34.8% received financing. Funds received were not always fully utilized for their intended application. The highest percentage of financing used was independent from the number of applications. In the Organic Farming and the Protection of Ancient Endangered Domestic Lithuanian Animal and Fowl Breeds schemes, all of the funds were used during this period. Meanwhile, in the Landscape Stewardship scheme – the most popular – only 51% of the funds were used by the end of 2013. The lowest percentage of funds was used by the Protection of Water Bodies against Pollution and Soil Erosion on Arable Land scheme, accounting for only 6% of the funding allocated. The use of funds was also dependent not only on the involvement of the beneficiaries in the schemes, but also on the environment and other conditions. The success of the Landscape Stewardship scheme was hampered by the fragmentation of land areas and activities in the management of natural and semi-natural meadows and wetlands. Special agricultural techniques and additional purchases of livestock (cows, horses, sheep and goats) for grazing on grasslands were required. Specific knowledge was also needed for managing meadows and wetlands. It should also be noted that the choice of schemes was significantly influenced by the difference in compensation payments (Ministry of Agriculture 2014, 2015a, 2015b).

*Implementation of Measure 7 – Natura 2000 Payments, and Payments Linked to the Water Framework Directive 2000/60/EC (support for Natura 2000 areas in agricultural land)*

The overall objective of this measure was to help address specific disadvantages in respective areas resulting from the implementation of: Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild

birds; Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora; and Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for community action in the field of water policy. Thus, this measure intended to contribute to the improvement of quality of life in rural areas and foster environmental awareness in local communities. The specific objective was to integrate environmental requirements in the territories of the Natura 2000 network to protect wild birds, natural habitats, and other species and their habitats. The operational objective was to support farms with agricultural holdings in Natura 2000 areas. The measure also identified indicators for assessing the effectiveness of its implementation, including 14 species of farmland birds (Ministry of Agriculture 2014, 2015a, 2015b).

This measure was not popular in the first year of the period, and while the number of applicants increased later, it did not reach the level of the measure for agri-environmental payments. In this programming period, only 9,761 applications were received, 78% of which were financed; this can be compared with agri-environmental payments, which saw 87,008 applications (Ministry of Agriculture 2014, 2015a, 2015b). There were several reasons for this: a relatively small compensatory allowance and the more difficult management of habitats in a protected area that have additional farming restrictions. Despite the fact that the greater majority of the Natura 2000 land and forest holdings are small-scale and their owners are less active, the number of supported holdings in Natura 2000 network sites in accordance with the 2000/60/EC Directive reached 126% of the planned number. In general, this measure, although not actively involving land users, was shown to have had a positive impact on biodiversity conservation.

#### *The Implementation of Measure 8 – Natura 2000 Payments (support for Natura 2000 areas in forests)*

The overall objectives were: to guarantee the successful implementation of Directives 2009/147/EC and 92/43/EEC with support for private forest owners; helping to address specific problems resulting from implementation; contributing to improving the quality of life in rural areas; and developing environmental awareness in local communities. A specific objective was to integrate environmental requirements in areas of the Natura 2000 network to protect wild birds, natural habitats, and also other species and their habitats. The operational objective was to support private forest owners who own forests in Natura 2000 territories.

This measure was even more unpopular than Measure 7. Only 2,334 applications were received during the period, of which 69% were financed. In order to implement this measure, 68% of funding was received (Ministry of Agriculture 2014, 2015a, 2015b). In some cases, the utilization of funds was limited by factors such as: the unfavorable structure of forest holdings (small forest holdings without forest-based activities); additional requirements for protected areas; and an unappealing amount of support for compliance with certain environmental obligations. Compensation payments were of differing amounts depending on the restrictions applied to the management of forest areas.

It should be noted that the measure only marginally contributed to the improvement of the ecological situation in Natura 2000 areas, and its impact on the country was small. This is because the area supported by the measure, i.e., forests belonging to the Natura 2000 network, was only 0.7% of the designated forest territory in the country (Ministry of Agriculture 2014, 2015a, 2015b).

The implementation of Measures 7 and 8 in Natura 2000 areas paid compensation to landowners and users, but the amounts were not attractive in Lithuania. In total, in Natura 2000 areas, compensation payments amounted to 0.4%, and agri-environmental payments were 43.9% of total Axis II funds (Ministry of Agriculture 2014, 2015a, 2015b). Although these measures had limited payments in Natura 2000 areas, agri-environmental payments and forest environment payments were also implemented in Natura 2000 areas. This resulted in several measures being taken in the entire Natura area, and improved the conservation status of biodiversity during this period.

### **The Implementation of the Rural Development Program for the Third Period**

In this period (2014–2020), biodiversity priorities and measures were partially different from the 2007–2013 period. The priorities for the protection of biodiversity were as follows: restoring, preserving and improving agriculturally-related ecosystems; and restoring, preserving and enhancing biodiversity – including in Natura 2000 sites, in territories with natural or other specific constraints, in areas with a high nature value for farming, and in European landscapes.

In the third period, the agri-environmental payment measures were extended and re-named the agri-environmental and climate measures (Ministry of Agriculture 2015a, 2015b). The following priorities were identified for this measure: 1) restoring, preserving and improving agricultural-related ecosystems; 2) promoting resource efficiency and supporting the transition to climate-resilient, low-carbon technological applications in agriculture and food sectors. A portion of these schemes and activities were the same, but new ideas were also approved, which resulted in increased funding compared to the previous period. In the area of protection of endangered birds, two important schemes were established to preserve the Aquatic Warbler (*Acrocephalus paludicola*), a globally threatened bird species: the preservation of the habitats of the rare bird breed the Aquatic Warbler in natural and semi-natural grasslands; and the preservation of the habitats of the rare bird breed the Aquatic Warbler in wetlands. The activities provided for in the schemes involved the management of natural and semi-natural grasslands and extensively used wetlands. The following functions were to be performed: maintenance of bushes; mowing and harvesting of grass; managing reeds; and the removal of cut bushes, grass and reeds. Despite the fact that the objectives of these schemes were the same and both of them were of equal importance in the preservation of the species in question, farmers did not choose according to the amount of payment. The protection of the Aquatic Warbler in natural and semi-natural grasslands was more attractive than the preservation of the breed in wetlands, despite the fact that the compensatory allowance for the first scheme

was €160/ha, whereas it was €291/ha for the second. While farmers preferred a scheme with lower payments, it was clear that more expenditures and resources would be needed to manage the wetlands and remove plant residues. This is why the scheme was not as popular as grasslands management. Farmers often opted for other easier-to-implement schemes, regardless of payment level (Ministry of Agriculture 2015a, 2015b).

Comparing the Management of Grasslands scheme from the second period with that of this period, two activities can be distinguished: Extension Management of Grass for Grazing Animals; and Management of Specific Grasslands. The other schemes were the same as in the previous period: Extension Management of Wetlands; Strips or Fields of Melliferous Plants on Arable Land; Protection of Water Bodies against Pollution and Protection against Soil Erosion on Arable Land; Maintenance of Slopes in Reclamation Ditches; Improving the Status of Water Bodies at Risk; and Preservation of Endangered Ancient Lithuanian Animal and Fowl Breeds. A new activity was to start from 2020 – Protection against Wolves. The aim of this activity was to promote the application of safety measures and compensation for damage.

The following measures were exactly as in the previous period, only the payments differed: Organic Farming; Natura 2000 payments and payments connected to the Water Framework Directive 2000/60/EC (included Natura 2000 in agriculture and Natura 2000 in forest land); and payments to farmers in areas with handicaps other than mountainous areas (including payments to farmers in areas with heavy natural handicaps, and payments to farmers in areas with specific handicaps).

The funding of all biodiversity, i.e., grasslands, wetlands, and forest management measures and activities, amounted to 30.3% of the total funding of the program, with an increase in the number of schemes –10.6% more than in the second programming period. However, the financing of some measures and schemes varied by more than 50% in the second and third programming periods. When comparing agri-environment (second period) and agri-environment and climate (third period), the number of funded projects increased by 3.0% and 7.6%, respectively – i.e., by just over 50% in the third period. Moreover, organic farming increased by 6.2% and 8.9%, and Natura 2000 payments by 0.3% and 0.4%, respectively (Stonkutė and Vveinhardt 2015). The number of applicants per measure varied, depending not only on the level of support but also on the complexity of the implementation of the measures. The number of approved applications depended not only on the complexity of the implementation of the measures, but also on the quality of the preparation of applications. As a result, there was a different percentage of funding for applications.

## Conclusions

1. In Lithuania, in the first period, without the framing of agri-environmentally friendly measures under SAPARD–, the protection of biodiversity in agricultural areas started later than in other European Union countries. This reduced the effectiveness of the implementation of future rural development financial instruments. Although biodiversity protection measures were introduced in the framework of the Rural De-



velopment Plan in 2004, the activity of farmers and other land users was low, and compensatory measures were not actively used.

2. In the second period (2007–2013), several measures were implemented for biodiversity conservation. The following measures had the greatest positive impact on biodiversity: Agri-environmental payments; Forest environment payments; Natura 2000 payments linked to the Water Framework Directive 2000/60/EC; and Natura 2000 payments (support for Natura 2000 areas in forests). Farmers and other land holders chose the first two easier-to-implement measures. Both Natura 2000 measures were less popular because of additional land use restrictions in protected areas, despite the level of compensation payments.
3. In the third period (2014–2020), the majority of farmers and other land users chose the same measures as in the second period, with similar compensation. In this period, the increase in the number of implementation schemes and wider compensation payments did not make applications significantly more attractive. Two very important schemes for the protection of the globally threatened Aquatic Warbler were not popular because of their additional requirements and knowledge, so they were chosen by farmers with broader environmental knowledge or environmental NGOs, regardless of the level of compensation.
4. The financial instruments of the European Union rural development have had different impacts in the conservation of biodiversity across all three periods. These impacts depended not only on the number of measures and schemes, but also on the different levels of compensation. However, farmers and other land managers made choices not only because of the maximum compensation payments, but also because of the complexity of implementation and environmental expertise available. In conclusion, the implementation of rural development measures in the conservation of biodiversity depends on the variety of measures and schemes, their availability, the feasibility of implementation by farmers and other land users, and the level of environmental knowledge and motivation.

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## EUROPOS SĄJUNGOS KAIMO PLĖTROS FINANSINIŲ INSTRUMENTŲ VAIDMUO IŠSAUGANT BIOLOGINĘ ĮVAIROVĘ LIETUVOJE

**Anotacija.** *Europos Sąjungoje kaimo plėtra yra viena iš prioritetinių sričių. Kiekviena Europos Bendrijos šalis, atsižvelgdama į Europos Sąjungos teisės aktus, parengia nacionalines programas. Šalyse narėse veikia kaimo plėtros Europos Sąjungos finansiniai instrumentai, adaptuoti pagal kiekvienos šalies poreikius. Šiame straipsnyje yra nagrinėjami Europos Sąjungos finansiniai instrumentai, taikomi Lietuvoje. Šiuo tikslu yra analizuojamas minėtų instrumentų poveikis saugant biologinę įvairovę agrariniame kraštovaizdyje. Europos Sąjungoje buvo išskirti trys programavimo laikotarpiai, dėl to pasirinkta išanalizuoti finansinių mechanizmų taikymą visuose trijuose programavimo laikotarpiuose Lietuvoje (2000–2006, 2007–2013 ir 2014–2020). Kaimo plėtrai tam tikrais laikotarpiais buvo būdingi specifiniai tikslai, priemonės ir veikla, dėl to poveikis biologinei įvairovei yra skirtingas. Lietuvos Vyriausybei neparengus atitinkamų teisės aktų pagal SAPARD (2000–2006) biologinės įvairovės programą, priemonės pirmuoju programavimo laikotarpiu nebuvo vykdomos ir tai sumažino įgyvendinimo efektyvumą antruoju*

programavimo laikotarpiu, taip pat prarastos lėšos, skirtos biologinei įvairovei išsaugoti. Antrajame programavimo laikotarpyje buvo numatytos biologinės įvairovės apsaugos priemonės, tačiau ūkininkai ir kiti žemių naudotojai rinkosi priemones ir veiklas pagal gyvenimo galimybes ir skiriamas kompensacines išmokas. Trečiajame programavimo laikotarpyje buvo įgyvendinama daugiau skirtingų priemonių ir veiklos nei antrajame. Taip pat buvo ir specifinės veiklos, skirtos išsaugoti retoms paukščių rūšims, pvz., maldinės nendrinukės išsaugojimo veikla. Šiuo laikotarpiu biologinei įvairovei išsaugoti buvo skiriama daugiau lėšų negu antruoju. Išanalizavus antrojo ir trečiojo laikotarpių priemonių ir veiklos įgyvendinimą nustatyta, kad ūkininkų ir kitų žemės naudotojų aktyvumas buvo skirtingas atskirais laikotarpiais. Nustatyta, kad priemonės ir veiklą gavėjai rinkosi ne tik pagal kompensacinių išmokų dydžius, bet ir pagal jų įgyvendinimo galimybes. Dėl to dalis priemonių ir veiklos buvo nepatrauklios nepaisant to, kad jos yra svarbios biologinės įvairovės išsaugojimui.

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## OPTIMIZING HIGHER EDUCATION MANAGEMENT: INSIGHTS FROM RESEARCH ON STUDENTS' FLOURISHING AND COGNITION

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**Abstract.** *In recent years, many governments around the world have placed a stronger emphasis on people's wellbeing with the aim of making societies more inclusive and cohesive. As part of this approach, the public sector has introduced a number of initiatives to measure and support students' psychological flourishing. Previous research reported that students' flourishing could be linked to certain positive/negative cognitions, but the specifics of these links were under-researched. This study aimed to reveal links between students' automatic thoughts and flourishing in a sample of public sector university students ( $n = 226$ ), where 75.7% of participants ( $n = 171$ ) were 18 to 24 years old and 24.3% ( $n = 55$ ) were aged 25+. The participants represented four fields of study: Life Sciences ( $n = 35$ ), Humanities ( $n = 71$ ), Social Sciences ( $n = 85$ ), and Technology Sciences ( $n = 31$ ). The Flourishing Scale (FS) was used to assess students' flourishing, and the Automatic Thoughts Questionnaire-Revised (ATQ-R) was applied to measure participants' positive and negative automatic thoughts. The findings revealed that students' negative self-concepts and negative expect-*

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tations negatively predicted flourishing, while positive automatic thoughts and positive self-statements positively predicted flourishing. The findings also revealed that positive automatic thoughts and self-statements mediate the link between negative self-concept, negative expectations, and flourishing. Moreover, the results show that strengthening students' positive cognitions can contribute to students' increased flourishing, despite coexisting negative cognitions. Based on these findings, fostering a positive and supportive educational environment that promotes mental wellbeing is recommended. This can be achieved by implementing policies prioritizing students' mental health and providing resources such as counseling services and support systems. Creating an environment where students feel valued, supported, and encouraged can help counteract their negative cognitions, leading to improved flourishing.

**Keywords:** higher education, public policy, students, flourishing, cognitions.

**Reikšminiai žodžiai:** aukštasis mokslas, viešoji politika, studentai, klestėjimas, kognicijos.

## Introduction

In recent years, many governments around the world have placed a stronger emphasis on people's wellbeing with the aim of making societies more inclusive and cohesive. As part of this approach, the public sector has introduced a number of initiatives to measure and support students' psychological flourishing. Examining students' flourishing is significant, as research has demonstrated that flourishing is positively related to students' academic performance (Locke and Schippers 2018), while poor mental health is linked to diminished flourishing (Schotanus-Dijkstra et al. 2016, 2017). Additionally, young adults aged 18–24 are more likely to experience mental health issues than any other age group (National Institute of Mental Health, n.d.).

Previous studies evidenced links between flourishing and personality traits (Kern, Della Porta and Friedman 2013), parenting behaviors (Rothenberg et al. 2021), or prosocial conduct (Miles et al. 2021). Similarly, other research evidenced links between mental diseases and cognitions and showed that negative cognitions predict students' depression and anxiety (Ingram et al. 2007; Okumuşoğlu 2017). However, the specifics of links between students' flourishing and positive/negative cognitions are under-explored.

This study aims to reveal links between students' automatic thoughts, including positive and negative cognitions, and flourishing.

## Students' flourishing

In positive psychology, flourishing is a broad concept with many definitions and explanations. Some authors indicate that high levels of emotional, psychological, and social wellbeing and the absence of mental illness could be described as flourishing (Knoesen and Naude 2017). Diener et al. (2009) established a comprehensive theory of flourishing, according to which flourishing means optimism and high self-esteem, living a purposeful

and meaningful life, contributing to the happiness of others, being engaged and interested in one's activities, having supportive and rewarding social interactions, feeling valued by others, and feeling competent and capable of accomplishing one's tasks (Diener et al. 2009).

Is there any evidence that students' flourishing could be promoted in higher education? Several decades ago, Oades et al. (2011) proposed a model of positive higher education defined by developing an environment promoting students' flourishing in educational institutions. The model suggested that five related factors might contribute to students' wellbeing: 1) classroom and formal education, e.g., academic achievement and student motivation; 2) social environment, including students' social relationships; 3) local community, including volunteering activities; 4) faculty and administrative work, including their work stress or burnout; and 5) residence halls, including facilities. According to Oades et al. (2011), students' positive feelings in higher education are essential, as are engagement, connections, purpose, and achievements.

Are educational institutions designed to foster students' flourishing? Although research has established the importance of students' flourishing for academic achievements, many studies evidence that from the first year at university, students experience various stressful events, loneliness, and a lack of social and emotional support from educational institutions, which might eventually lead to dropouts or diminished health. Most students fall into the age group of 18–24, which has the highest percentage (30.6%) occurrence of mental illness (National Institute of Mental Health, n.d.). Even though universities worldwide have initiated student wellness programs, the data on students' dropout rates and mental health indicate a need for new insights into the possibilities to promote students' flourishing.

### **Automatic thoughts: positive and negative**

Automatic thoughts, negative or positive cognitions, self-statements, or self-talk are repetitive and uncontrollable thoughts that automatically occur in the mind (Beck, 1967, 1979, 2019). Research has demonstrated that automatic self-talk could be classified as positive or negative depending on its valence, content, and potential impact (Theodorakis, Hatzigeorgiadis and Zourbanos 2012). Several criteria, including valence, function, and overtness, were suggested by Hardy (2006, quoted in Latinjak et al. 2019) as a way to categorize self-talk. Positive self-talk was specified as being delivered in the form of compliments. Positive self-talk aids in maintaining attention on the task at hand rather than on mistakes made in the past or unreachable goals in the future. Conversely, negative self-talk was defined as self-statements in the form of criticism. Negative self-talk is mainly unreasonable, unhelpful, and may cause misery or anxiety (Hardy, 2006, quoted in Latinjak et al. 2019).

The term “automatic thoughts” originated from cognitive behavioral therapy, which assumed that self-related thoughts develop at an early age and later become automatic, affecting emotions and behavior in adulthood (Ingram, Overbey and Fortier 2001). Beck (1967) was among the first authors who suggested that negative thoughts that are repetitive, intrusive, and relatively uncontrollable play a significant role in the onset of

psychopathological states. According to Beck et al. (1979), individuals with depressive symptoms think differently than non-depressed people about themselves and perceive their environment differently. Other researchers confirmed the automatic character of negative cognitions in psychological diseases, e.g., depression (Ingram and Wisnicki 1988; Ingram et al. 1995). Negative cognitions were also reported to determine the risk groups for depression (Gotlib and Joormann 2010). On the whole, researchers established that negative automatic thoughts indicate psychological dysfunctions (Ingram et al. 2007). Although negative cognitions were widely studied in determining psychological problems, for many decades cognitions were, to some extent, only researched in the context of healthy individuals or psychological wellbeing.

Several studies analyzed the links between flourishing and positive cognitions-related constructs such as self-efficacy, optimism, problem-solving appraisal, and goal setting (Maddux 2009; Carver and Scheier, 2015; Locke and Schippers 2018). Research established that positive cognitions help students achieve high psychological, social, and emotional wellbeing (Chui and Chan 2020). It was also found that negative and positive cognitions are not related (Ingram and Wisnicki 1988).

Interestingly, research has evidenced associations between high negative self-statements and low mindfulness (Frewen et al. 2007). It was demonstrated that mindfulness is negatively associated with negative self-statements, which suggests that non-judgmental acceptance of and attention towards the events happening in one's life can help to reduce negative cognitions (Ayhan and Kavak Budan 2021).

Overall, to some extent, previous studies suggest that the positivity or negativity of cognitions might affect psychological flourishing. Studies conducted by Ouweneel, Le Blanc and Schaufeli (2011) and Camacho-Morles et al. (2021) found that positive feelings and emotions towards studying, which result from positive cognitions, have a definite impact on academic performance and achievements. A study of Chinese college students conducted by Chui and Chan (2020) demonstrated that positive thinking is positively linked to students' psychological wellbeing. On the contrary, negative cognitions, which lead to disappointment, despair, or anxiety, were reported to be linked to depressive symptoms or the onset of depression (Ingram et al. 2007).

## **Current research**

This study is based on Diener's flourishing theory and Beck's theory on automatic thoughts. According to Diener's et al. (2009) theory, flourishing is reflected in optimism, self-esteem, engagement in meaningful activities, and fulfilling social relations. Beck's (1967) theory states that negative automatic thoughts adversely affect mental health, while positive cognitions may increase psychological wellbeing. One of the objectives of this study was to test whether the constructs of flourishing and positive automatic thoughts overlap, as flourishing is usually assessed based on self-rated statements about oneself and one's life.

In this study, we focus on the links between automatic positive and negative thoughts and the flourishing of university students. Some authors directly refer to variations in



psychological wellbeing based on age or other socio-demographic variables. Therefore, we also intended to estimate the effect of these variables on students' flourishing and positive and negative automatic thoughts.

On the whole, this study aimed to reveal associations between students' positive/negative automatic thoughts and flourishing. As positive and negative automatic thoughts are operationalized as different processes which function separately, we hypothesized that (H1) positive automatic thoughts are positively associated with flourishing and negative automatic thoughts are negatively associated with flourishing, and that (H2) positive automatic thoughts mediate the link between negative automatic thoughts and flourishing. We also hypothesized that (H3) differences exist in flourishing and the associations of positive/negative automatic thoughts based on age, region, and field of study. The dependent variable in this study was flourishing, and the independent variables were positive and negative automatic thoughts, age, region, and field of study.

## Methods

### *Participants*

The study sample consisted of students from public sector universities ( $n = 226$ ) who were recruited by snowball sampling. All participants were invited to participate in the study online. Before proceeding, participants were informed about the research purposes and were asked for informed consent. Participants were also informed of their right to withdraw from the survey at any time. Contact information was also added in the description of the study so that participants could have any questions answered. The data collection procedure followed the standards of the Declaration of Helsinki, and participants provided informed consent to collect their data. Participation was voluntary and anonymous. The questionnaire took around 10–15 minutes to complete.

There was no missing data from the total of 226 individuals; 75.7% of participants ( $n = 171$ ) were in the group aged 18 to 24 years, and 24.3% ( $n = 55$ ) of students were aged 25 years and older. The participants represented four fields of study: Life Sciences ( $n = 35$ ), Humanities ( $n = 71$ ), Social Sciences ( $n = 85$ ), and Technology Sciences ( $n = 31$ ). The fifth group labeled "other" ( $n = 5$ ) did not fit into any of the four groups. Participants were from two regions: 154 respondents were from Eastern Europe, and 72 students were from Central Asia. The total sample consisted of 92.04% females ( $n = 208$ ) and 7.96% males ( $n = 18$ ), which can be considered a limitation as different genders were not represented equally in this study.

### *Measures*

The *Flourishing Scale (FS)* was used to assess students' flourishing. The FS is an 8-item self-report scale developed by Diener et al. (2010). Examples of FS items are: "I am engaged and interested in my daily activities."; "I actively contribute to the happiness and wellbeing of others."; and "I am optimistic about my future." Responses are based on

a 7-point Likert scale, where 7 is the highest score and 1 is the lowest (from “strongly agree” to “strongly disagree”). The FS has been validated across various samples, including older individuals and post-secondary students, and the one-dimensional structure of the FS was confirmed by previous studies, supporting the instrument’s internal consistency (Tong and Wang 2017; Villieux et al. 2016).

The *Automatic Thoughts Questionnaire-Revised* (ATQ-R) was applied to measure participants’ positive and negative automatic thoughts. The ATQ-R is a 40-item self-report measure created by Kendall, Howard and Hays (1989). Participants were asked to rate how frequently they had experienced each thought in the previous week. The items are rated on a 5-point Likert scale ranging from 1 to 5 (“not at all” to “all the time”). The ATQ-R is a modified version of the ATQ-30 that includes ten positive self-statements in addition to the 30 depression-related negative self-statements from the original ATQ-30 (Burgess and Haaga 1994). As with the ATQ-30, a higher score denotes a higher frequency of these thoughts. Examples of ATQ-R items include: the Low/Negative Self-Concept and Negative Expectations subscale – 11. “I’m so weak.”, 33. “I’ll never make it.”; the Personal Maladjustment and Desire for Change subscale – 5. “No one understands me”, 12. “My life is not going the way I want it to.”; and the Positive Automatic Thoughts and Positive Self-Statements subscale – 3. “I am proud of myself.”, 13. “I can accomplish everything”. Previous studies confirmed the instrument’s high internal consistency (Cronbach’s  $\alpha = 0.90$ ). The ATQ-R has been validated in Portugal in a study by Da Borralha (2011), which employed the ATQ-R as a measure of how frequently automatic thoughts, both good and bad, are connected to depression in adults. Another validation study was conducted by Pereira, Matos and Azevedo (2014), in which the validity and internal consistency of the ATQ-R were examined. The latest study confirmed high internal consistency for both the whole scale ( $\alpha = 0.96$ ) and negative and positive automatic thoughts ( $\alpha = 0.91$  and  $\alpha = 0.94$ , respectively).

### *Data analysis*

We used the SPSS v. 26 and JASP v. 16 software to analyze the data. To test the reliability of the instruments, we applied Cronbach’s  $\alpha$  calculations. To test the validity of the instruments, we applied confirmatory factor analysis (CFA) based on the factors identified by Pereira, Matos and Azevedo (2014). To check the normality of the data, we evaluated the results of the Shapiro–Wilk test, skewness, and kurtosis. An independent samples *T*-test was applied to compare the groups based on age and region, and one-way ANOVA was used to examine differences based on the field of study. Bivariate correlation and linear regression analyses were performed to find associations between FS and ATQ-R subscales controlling for age, region, and the field of study.

### *Reliability and validity of the scales*

In this study, for the FS, Cronbach’s  $\alpha = 0.919$ . For the ATQ-R, Cronbach’s  $\alpha = 0.916$ . For the ATQ-R subscale Low/Negative Self-Concept and Negative Expectations, Cron-

bach's  $\alpha = 0.959$ . For the ATQ-R subscale Personal Maladjustment and Desire for Change, Cronbach's  $\alpha = 0.900$ . For the ATQ-R subscale Positive Automatic Thoughts and Positive Self-Statements, Cronbach's  $\alpha = 0.941$ .

Confirmatory Factor Analysis (CFA) showed that for the FS,  $X^2 = 38.072$ ,  $df = 20$ ,  $p = 0.009$ ,  $CFI = 0.998$ ,  $TLI = 0.997$ ,  $NFI = 0.995$ ,  $RMSEA = 0.063$  [0.031–0.094],  $SRMR = 0.040$ . For the ATQ-R,  $X^2 = 1310.531$ ,  $df = 591$ ,  $p < 0.001$ ,  $CFI = 0.996$ ,  $TLI = 0.995$ ,  $NFI = 0.992$ ,  $RMSEA = 0.073$  [0.068–0.079],  $SRMR = 0.071$ . Thus, there is evidence of the internal consistency of the instruments used in this study and a good fit of the measurement models (Byrne 2013).

### Data distribution

Analysis of the Shapiro-Wilk test revealed a departure from a normal distribution for the FS, where  $W(226) = 0.944$  and  $p < 0.001$ . For the ATQ-R subscales: Low/Negative Self-Concept and Negative Expectations,  $W(226) = 0.905$ ,  $p < 0.001$ ; Personal Maladjustment and Desire for Change,  $W(226) = 0.968$ ,  $p < 0.001$ ; and Positive Automatic Thoughts and Positive Self-Statements,  $W(226) = 0.974$ ,  $p < 0.001$ . However, the skewness and kurtosis of the scales (FS, ATQ-R) and subscales ranged from  $-1$  to  $+1$ , indicating that parametric statistics can be applied (Kline 2015). For the FS, skewness =  $-0.857$  ( $SE = 0.162$ ) and kurtosis =  $0.497$  ( $SE = 0.322$ ). For the ATQ-R subscales: Low/Negative Self-Concept and Negative Expectations, skewness =  $0.953$  ( $SE = 0.162$ ), kurtosis =  $0.201$  ( $SE = 0.322$ ); Personal Maladjustment and Desire for Change, skewness =  $0.361$  ( $SE = 0.162$ ), kurtosis =  $-0.730$  ( $SE = 0.322$ ); and Positive Automatic Thoughts and Positive Self-Statements, skewness =  $0.191$  ( $SE = 0.162$ ), kurtosis =  $-0.881$  ( $SE = 0.322$ ).

## Results

Table 1 shows the mean scores for the FS and ATQ-R (low/negative self-concept and negative expectations, personal maladjustment and desire for change, positive automatic thoughts and positive self-statements) T-test values in the samples of participants aged 18–24 and participants aged 25 and older. The results showed that participants aged 18–24 scored significantly lower on both low/negative self-concept and negative expectations and personal maladjustment and desire for change than participants aged 25+.

**Table 1.** Mean scores for the total ( $n = 226$ ) sample, and T-test for the samples of participants aged 18–24 ( $n = 171$ ) and participants aged 25 and older ( $n = 55$ )

Logistic parameter	Total sample		Aged 18-24		Aged 25+		$t(224)$	$p$	Cohen's $d$
	Mean	SD	Mean	SD	Mean	SD			
Flourishing	4.8905	1.26267	4.8238	1.24489	5.0977	1.30630	-1.402	0.162	-0.217
Automatic Thoughts									
Low/Negative Self-Concept and Negative Expectations	2.1456	.95869	2.2495	0.97050	1.8227	0.85090	2.919	0.004	0.453

Logistic parameter	Total sample		Aged 18-24		Aged 25+		<i>t</i> (224)	<i>p</i>	Cohen's <i>d</i>
	Mean	SD	Mean	SD	Mean	SD			
Personal Maladjustment and Desire for Change	2.5286	.89950	2.6281	0.89978	2.2194	0.83293	2.982	0.003	0.462
Positive Automatic Thoughts and Positive Self-Statements	2.9425	.94113	2.9103	0.91564	3.0424	1.01868	-0.905	0.366	-0.140

Table 2 shows the bivariate correlations for the FS and ATQ-R (low/negative self-concept and negative expectations, personal maladjustment and desire for change, positive automatic thoughts and positive self-statements) in the total sample of respondents.

**Table 2.** *The bivariate correlations for the FS and the ATQ-R subscales in the total sample (n = 226)*

Construct	1	2	3
1. Flourishing	—		
2. Low/Negative Self-Concept and Negative Expectations	-0.554 ***	—	
3. Personal Maladjustment and Desire for Change	-0.457 ***	0.875 ***	—
4. Positive Automatic Thoughts and Positive Self-Statements	0.557 ***	-0.531 ***	-0.484 ***

\*\*\*  $p < 0.001$

Correlational analysis showed that the constructs of flourishing and positive automatic thoughts and positive self-statements are strongly correlated ( $r = 0.557, p < 0.001$ ) but not overlapping, and can be considered two distinct constructs. Not surprisingly, flourishing was significantly negatively correlated with both low/negative self-concept and negative expectations and personal maladjustment and desire for change.

To test H1, a multiple linear regression analysis was performed to examine the links between positive and negative automatic thoughts and flourishing. In this analysis, flourishing was the dependent variable, and positive and negative automatic thoughts were the predictors. The results are presented in Table 3.

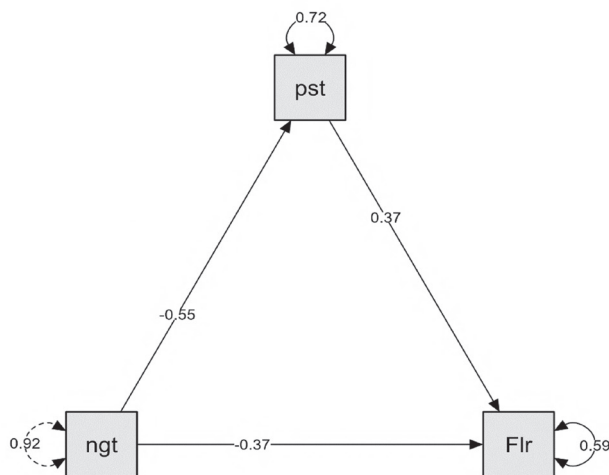
**Table 3.** *Multiple regression analysis for flourishing as a dependent variable and automatic thoughts as predictors*

Model	Unstandardized Coefficients		Standardized Coefficients	<i>t</i>	<i>p</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
(Constant)	3.954	0.387		10.221	0.000
Low/Negative Self-Concept and Negative Expectations	-0.635	0.148	-0.474	-4.280	0.000
Personal Maladjustment and Desire for Change	0.258	0.152	0.182	1.695	0.091
Positive Automatic Thoughts and Positive Self-Statements	0.555	0.082	0.409	6.785	0.000

$R^2 = 0.404$ ; *Adjusted R*<sup>2</sup> = 0.396;  $F(3, 223) = 50.478$ ;  $p < 0.001$

As demonstrated in Table 3, the results revealed a significant regression equation with  $R^2 = 0.404$ ,  $F(3,223) = 50.478$ ,  $p < 0.000$ . The predicted flourishing was  $3.954 - 0.635$  (low/negative self-concept and negative expectations) and  $+0.555$  (positive automatic thoughts and positive self-statements). Both negative self-concept and negative expectations and positive automatic thoughts and positive self-statements contributed significantly to the model and can be considered significant predictors of flourishing.

Based on a conceptual model on the importance of the balance of positive/negative cognitions, we further analyzed the links between positive and negative automatic thoughts and flourishing and presumed (H2) that positive automatic thoughts might mediate the links between negative automatic thoughts and flourishing. In the model shown in Figure 1, the outcome variable for the mediation analysis was flourishing. Based on previous analyses, the predictor variable was negative self-concept and negative expectations, and the mediator variable was positive automatic thoughts and positive self-statements.



**Figure 1.** Mediation analysis: path plot in the total sample, the role of Positive Automatic Thoughts and Positive Self-Statements

Note: Flr –: flourishing; pst: – Positive Automatic Thoughts and Positive Self-Statements; ngt–: Negative self-concept and Negative Expectations.

The mediation analysis results, which indicate the role of positive automatic thoughts and positive self-statements, are presented in Table 4. The indirect effect of negative self-concept and negative expectations on flourishing was statistically significant.  $R^2$  for flourishing was 0.403, and  $R^2$  for positive automatic thoughts and self-statements was 0.282.

**Table 4.** Mediation analysis results in the total sample of respondents: the role of positive automatic thoughts and positive self-statements as a mediator

Effect	Label	Estimate	SE	95% Confidence Interval		Z	p	% Mediation
				Lower	Upper			
Indirect	a × b	-0.256	0.0504	-0.355	-0.158	-5.09	<0.001	35.2
Direct	c	-0.473	0.0798	-0.629	-0.316	-5.92	<0.001	64.8
Total	c + a × b	-0.729	0.0730	-0.872	-0.586	-10.00	<0.001	100.0
Negative self-concept and negative expectations → Positive automatic thoughts and positive self-statements = a Positive automatic thoughts and positive self-statements → Flourishing = b Negative self-concept and negative expectations → Flourishing = c								
	a	-0.521	0.0553	-0.629	-0.412	-9.41	<0.001	
	b	0.492	0.0813	0.333	0.652	6.05	<0.001	
	c	-0.473	0.0798	-0.629	-0.316	-5.92	<0.001	

The mediation analysis showed that positive automatic thoughts and positive self-statements mediate the link between negative self-concept and negative expectations and flourishing. This means that strengthening positive automatic thoughts and self-statements can contribute to increased flourishing, despite coexisting negative cognitions.

We performed hierarchical regression analysis to test H3, which assumed differences in flourishing and associations of positive/negative automatic thoughts based on age, region, and the field of study. The results are displayed in Table 5.

**Table 5.** Hierarchical regression analysis results for flourishing in the total sample of respondents

	Predictors	F	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Flourishing	
			B	Std. Error	Beta			R <sup>2</sup>	ΔR <sup>2</sup>
Step 1	(Constant)	2.608*	5.466	0.466		11.743	0.000	0.034	
	Age		0.290	0.194	0.099	1.496	0.136		
	Field of study		-0.103	0.086	-0.079	-1.193	0.234		
	Region		-0.401	0.180	-0.148	-2.226	0.027		
Step 2	(Constant)	25.230***	4.300	0.556		7.739	0.000	0.409	0.375
	Age		0.022	0.157	0.008	0.143	0.886		
	Field of study		-0.010	0.069	-0.008	-0.151	0.880		
	Region		-0.022	0.148	-0.008	-0.146	0.884		
	Low/Negative Self-Concept and Negative Expectations		-0.641	0.148	-0.486	-4.320	0.000		
	Personal Maladjustment and Desire for Change		0.213	0.155	0.152	1.376	0.170		
	Positive Automatic Thoughts and Positive Self-Statements		0.497	0.083	0.370	5.980	0.000		

\*p = 0.052; \*\*\* p < 0.001

Hierarchical regression analysis revealed that control variables explain 3.4% of the variance for flourishing, while low/negative self-concept and negative expectations and positive automatic thoughts and positive self-statements explain 37.5% of the variance for flourishing.

## Discussion

This study is based on two partly distinct theoretical paradigms: positive psychology and cognitive-behavioral therapy. Positive psychology scholar E. Diener conceptualized flourishing as self-reported optimism and high self-esteem, a purposeful and meaningful life, contributing to the happiness of others, being engaged and interested, having supportive and rewarding social interactions, being valued by others, and being competent and capable to accomplish one's tasks (Diener et al. 2009). Cognitive behavioral therapy scholars conceptualize positive and negative automatic thoughts as beliefs about oneself and one's life that might have adaptive or maladaptive characters. Beck (1967, 2019) and Beck et al. (1979) suggested that negative automatic thoughts adversely affect mental health, while positive automatic thoughts may increase psychological wellbeing. In this study, we intended to examine whether the constructs of flourishing and positive automatic thoughts overlap, as flourishing is usually also assessed based on self-rated statements about oneself and one's life. The findings revealed that positive automatic thoughts and flourishing constructs are firmly related, but they are still indicative of two distinct constructs, and their links can be investigated.

Recent research on UK youth has shown that several factors contribute to diminished psychological wellbeing: rising unemployment, loss of social mobility, declining housing affordability, and a delay in reaching the maturity necessary to assume the role of an independent adult (Lakasing and Mirza 2020). However, little recent research has analyzed the links between students' flourishing and their positive and negative automatic thoughts.

The results of this study showed that participants aged 18–24 scored significantly lower on low/negative self-concept and negative expectations, and personal maladjustment and desire for change, than participants aged 25+. The findings demonstrate that individuals in the 18–24 years age group encounter more frequent negative automatic thoughts compared to those 25 years and older. However, there were no significant differences between age groups in flourishing and positive automatic thoughts. These outcomes indirectly link to National Survey on Drug Use and Health (SAMHSA, 2020) statistics, which showed that individuals aged 18 to 25 have the highest percentage of Any Mental Illness (AMI), with a prevalence of 30.6%, compared to the age groups of 26–49 years (25.3%) and 50 years and older (14.5%).

H1, which assumed the links between positive and negative automatic thoughts and flourishing, was partly confirmed. Multiple linear regression analysis revealed that negative self-concept and negative expectations negatively predicted flourishing, while positive automatic thoughts and positive self-statements positively predicted flourishing. However, the effect of personal maladjustment was insignificant. The findings that positive automatic thoughts positively predict flourishing were found in other studies (Diržytė et al. 2021), as well as the results linking negative self-concept to poor mental wellbeing.

H2, which was based on a conceptual model on the importance of a balance of positive/negative cognitions and presumed that positive automatic thoughts might medi-

ate links between negative automatic thoughts and flourishing, was also partially confirmed. The mediation analysis showed that positive automatic thoughts and positive self-statements mediate the link between negative self-concept, negative expectations, and flourishing. This finding seems to offer hope, as it means that strengthening positive automatic thoughts and positive self-statements can contribute to increased flourishing, despite coexisting negative cognitions.

H3, which assumed differences in flourishing and associations of positive/negative automatic thoughts based on age, region, and field of study, was partly confirmed. Hierarchical regression analysis revealed that control variables explain 3.4% of the variance for flourishing, while low/negative self-concept and negative expectations and positive automatic thoughts and positive self-statements explain 37.5% of the variance of flourishing.

To sum up, this study revealed significant negative associations between students' negative automatic thoughts and flourishing, and the findings could be linked to previous studies (Okumuşoğlu 2017; Ingram et al. 2007) and Beck's cognitive behavioral theory (Beck 1967, 2019; Beck et al. 1979).

The findings of this study also demonstrated that positive automatic thoughts are positively associated with flourishing, which is also in line with previous research (Howell 2009; Howell and Buro 2014; Dirzyte et al. 2021). Most importantly, this study showed that positive automatic thoughts mediate links between negative cognitions and flourishing, which means that efforts to improve students' positive cognitions may contribute to their flourishing.

The present research has several limitations. One of the limitations of this study is the uneven proportion of participants' genders, as the total sample consisted of 92.04% females ( $n = 208$ ), which means that different genders were not represented equally. Another limitation is a lack of data on students' nationality. A third limitation is the sample size, which limits the possibility of generalizing the findings of this study on a larger scale. Finally, we recommend a longitudinal design on students' flourishing for future research.

Based on the finding that positive automatic thoughts mediate the relationship between negative self-concept, negative expectations, and flourishing, the following public policy recommendations can be formulated:

1. The integration of positive psychology in the curriculum. Public policy could emphasize integrating concepts and practices from positive psychology into the curriculum across various disciplines. By incorporating topics related to positive automatic thoughts, self-statements, and fostering resilience, students can develop skills to overcome negative cognitions and promote their flourishing. This integration can occur at different educational levels in higher education institutions.
2. The integration of positive psychology interventions. Public policy could emphasize the integration of positive psychology interventions within educational settings. Schools and universities can implement programs that promote students' positive thinking skills. These interventions can be offered as supplementary workshops or training sessions.
3. Creating a positive educational climate. Public policy could emphasize the creation of a positive and supportive educational climate. This can be achieved by implementing



strategies such as promoting a culture of inclusivity, fostering positive teacher-student relationships, and encouraging peer support and collaboration. A positive school climate can enhance the positive cognitions of students and contribute to their overall flourishing.

4. Training educators on positive reinforcement. Public policy could focus on providing educators with training on positive reinforcement techniques, as educators play a crucial role in shaping students' cognitive processes and can actively promote positive cognitions by providing constructive feedback, encouraging positive self-talk, and reinforcing students' strengths and accomplishments. Equipping educators with the necessary knowledge and skills can create a conducive learning environment that fosters positive cognitions and contributes to students' flourishing.
5. Providing mental health support services. Public policy could prioritize the availability of mental health support services in educational institutions. Universities should have accessible counseling services to help students address negative self-concepts and expectations. These services can provide interventions such as cognitive behavioral therapy to assist students in developing more positive automatic thoughts.
6. Research and evaluation. Public policy could focus on allocating resources for ongoing research and evaluation of the effectiveness of interventions to strengthen positive cognitions in educational settings, as it would help identify the most impactful strategies and ensure evidence-based practices are implemented. By continuously evaluating and improving interventions, educational policymakers can ensure that resources are allocated efficiently and effectively to support students' flourishing.

Based on the research findings on students' flourishing and cognitions, fostering a positive and supportive educational environment that promotes mental wellbeing is recommended. This can be achieved by implementing policies prioritizing student mental health and providing resources such as counseling services and support systems. Creating an environment where students feel valued, supported, and encouraged can help counteract their negative cognitions, leading to improved flourishing.

## Conclusions

1. This study was based on two partly distinct theoretical paradigms: positive psychology and cognitive behavioral therapy. This study aimed to evaluate the links between automatic positive and negative thoughts and the flourishing of university students while also controlling for age, region, and field of study.
2. The findings revealed that negative self-concept and negative expectations negatively predict flourishing, while positive automatic thoughts and positive self-statements positively predict flourishing. The results also showed that positive automatic thoughts and positive self-statements mediate the link between negative self-concept, negative expectations, and flourishing. This finding seems hopeful, as it means that strengthening positive automatic thoughts and positive self-statements can contribute to students' increased flourishing, despite coexisting negative cognitions.

3. Based on the findings of the research, several public policy recommendations can be formulated, including: integrating concepts and practices from positive psychology into the curriculum across various disciplines; implementing programs that promote students' positive thinking skills; creating a positive and supportive educational climate by implementing strategies such as promoting a culture of inclusivity, fostering positive teacher-student relationships, and encouraging peer support and collaboration; providing educators with training on positive reinforcement techniques; prioritizing the availability of mental health support services in educational institutions; and allocating resources for ongoing research and the evaluation of the effectiveness of interventions to strengthen positive cognitions in educational settings, as by continuously evaluating and improving interventions, educational policymakers can ensure that resources are allocated efficiently and effectively to support students' flourishing.
4. By implementing the proposed public policy recommendations, educational institutions can foster an environment that promotes students' positive cognitions, ultimately enhancing their overall wellbeing.

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## AUKŠTOJO MOKSLO VADYBOS OPTIMIZAVIMAS: STUDENTŲ KLESTĖJIMO IR KOGNICIJŲ TYRIMO IŽVALGOS

**Anotacija.** *Pastaraisiais metais daug vyriausybių, siekdamos įtraukties ir vientisumo visuomenėse, vis daugiau dėmesio skiria žmonių gerovės klausimams. Viešasis sektorius kaip šios strategijos dalis diegia iniciatyvas, skirtas analizuoti ir stiprinti aukštųjų mokyklų studentų psichologinę gerovę. Ankstesni tyrimai rodo, kad tai susiję su įvairiais veiksniais, tačiau sąsajos su pačių studentų mąstymu buvo palyginti mažai tyrinėtos. Empiriniu tyrimu siekta atskleisti ryšius tarp studentų minčių ir psichologinės gerovės. Universitetų studentų imtis  $n = 226$ . 75,7 proc. dalyvių buvo nuo 18 iki 24 metų amžiaus, 24,3 proc. – vyresni nei 25 metų. Tyrimo dalyviai atstovavo gyvybės mokslams ( $n = 35$ ), humanitariams mokslams ( $n = 71$ ), socialiniams mokslams ( $n = 85$ ) ir technikos mokslams ( $n = 31$ ). Tyrimo rezultatai parodė, kad neigiamos studentų kognicijos dėl savęs ir ateities neigiamai prognozavo gerovę, o teigiamos kognicijos ją prognozavo teigiamai. Rezultatai atskleidė, kad teigiamos kognicijos yra mediatorius (turi mediacinį efektą) neigiamų kognicijų ir gerovės sąsajose. Stiprinant studentų teigiamas kognicijas, galima sustiprinti jų psichologinę gerovę. Remiantis gautais rezultatais, rekomenduojama diegti švietimo aplinkos iniciatyvas, kurios stiprintų konstruktyvų studentų mąstymą, ir sykiu psichologinę gerovę.*

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## STRATEGIC MANAGEMENT: EVOLUTION AND PROBLEMS IN MAJOR LITHUANIAN AND UKRAINIAN CITIES

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**Abstract.** *The aim of this article is to review the problems of strategic management in Lithuanian and Ukrainian municipalities. The article examines the factors that, in the authors' opinion, do not allow municipalities to take full advantage of strategic management, and attempts to distinguish between competitive (win/lose) and balanced (win/win) strategies. The long-term strategic development plans of the five largest Lithuanian and Ukrainian city municipalities are studied, assessing the balance of indicators of their strategic provisions in relation to four different balanced scorecard perspectives. Currently, the strategic management plans drawn up in Lithuanian and Ukrainian municipalities are not characterized by a balance of indicators. Moreover, the sets of selected indicators do not reflect all aspects of the municipality's activities and strategic plans of municipalities, at least in the case of large Lithuanian and Ukrainian cities. These indicators are also not detailed down to units at the lowest level and to individual employees, and at the same time cannot become strategic action plans or effective communication tools.*

**Keywords:** *municipalities, strategic management, balanced scorecard*

**Reikšminiai žodžiai:** *savivaldybės, strateginis valdymas, subalansuotų rodiklių sistema*

**JEL Classification:** M38, R50, R58

## Introduction

After the collapse of the Soviet planned economy and the restoration of the independence of Lithuania and Ukraine, an aversion to planning was felt for a long-time in almost all governance structures of public sector organizations and institutions, and the creation of various plans was considered an obsolete relic – a legacy of the Soviet era. A similar attitude even spread to the managers of private companies and organizations, but this has receded, perhaps first due to the realization that successful competition is impossible without constantly responding to changes and the efficient use of available resources, which in turn is difficult to imagine without strategic management. With the beginning of Lithuania's integration processes into the European Union, interest in strategic planning and management began to grow in the public sector, the experiences of other countries were examined, and strategic planning methodologies were developed, according to which public sector institutions, including municipalities, began to develop their plans. Unfortunately, municipal strategic plans are sometimes seen as a necessary precondition for receiving support from EU Structural Funds, rather than as a means of setting clear priorities and directions for balanced and effective action. This formalistic attitude towards the development of strategic plans also leads to flawed practices of strategic management in municipalities, which do not allow for the achievement of expected results and at the same time cause unfounded skepticism and mistrust of time-tested and effective management methods. The different views of scholars on what we would call strategic planning and strategic management and how those concepts are understood have certainly contributed to the skepticism of practitioners.

## Aims

This article is aimed at reviewing the problems of strategic management in Lithuanian and Ukrainian municipalities. The following objectives are accomplished in the article: proposing a balanced scorecard as a tool for strategic management; reviewing the evolution of strategy development in Lithuanian and Ukrainian municipalities; and analyzing the evaluation of long-term plans of Lithuanian and Ukrainian city municipalities in terms of sustainability.

## Literature Review

Although the term *strategic management* is used very often and there are varying definitions of it, its meaning is interpreted very differently by different authors. In 2007, Nag, Hambrick and Chen conducted an expert analysis of over 500 publications on the subject in an attempt to understand what each author meant when referring to strategic



management, but failed to define it unambiguously. The authors merely stated that the area of strategic management, summarizing the content of the articles they researched, is related to six elements: “(a) the major intended and emergent initiatives (b) taken by general managers on behalf of owner, (c) involving utilization of resources (d) to enhance the performance (e) of firms (f) in their external environments.” One of the reasons for such uncertainty, according to the authors, is the different and ambiguous nature of the object of these studies, which overlaps with such fields as economics, sociology, marketing, finance and even psychology.

The term *strategic management* is also not defined in either of the two strategic planning methodologies currently used by Lithuanian municipalities. Although the concept of strategic planning is better established, views on its links to strategic management are also different. Some authors consider strategic management as one of the stages of strategic planning, while others see strategic planning as an integral part of strategic management. Both positions have their merits. Understanding that this is only a matter of agreement, for convenience we will adhere to the definition of strategic planning proposed in the strategic planning methodology adopted by the Government of the Republic of Lithuania, that “it is a process to achieve the intended objectives and results through the efficient use of financial, material and human resources.” We will consider strategic planning to be an integral part of strategic management, and will define strategy itself on the basis of Chandler (1962): “Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” The concept of strategy has been known since ancient times: 2,500 years ago, Sun Tzu wrote *The Art of War*, and in 1832 the Austrian war theorist Karl von Clausewitz published his work *On War*. These two books have had a profound impact on subsequent researchers in the field, and the statements they make, with minor modifications, remain relevant today. This is especially true when it comes to competitive strategies, which can also be called win/lose strategies, or strategies where one side wins at the expense of the other. However, while it is appropriate for war, competition between companies or even states can be difficult to adapt to municipalities, where the strategic goal is sustainable development and the pursuit of the needs of all stakeholders. Such a strategy would be better called a win/win strategy.

The need for a strategic plan for municipalities can be based on several factors (Bryson, 2004) that are more appropriate for a sustainable development strategy rather than a competitive one:

- help the organization organize and execute change;
- improve decision making;
- increase the efficiency of the whole organization (this factor is determined by the first two).

The strategic planning of a public sector organization increases the efficiency not only of the organization itself, but also of the wider social environment;

When it comes to strategic planning, as with all other management processes, the question of its effectiveness arises. How can we measure the effectiveness of a strategy, and what criteria should be chosen for this?

Although all strategic situations are different, Minzberg et al. (2003) singled out some general criteria for strategy effectiveness:

- clear and convincing goals;
- proactivity of the strategy, i.e., whether it is focused on supporting the initiative rather than passively responding to emerging situations.
- concentration of the strategy, i.e., whether all resources and efforts to achieve the goal are concentrated in time and space.
- flexibility – whether there are reserves of resources for a possible maneuver and whether it is easy to reallocate these resources if necessary.
- existence of dedicated leadership.
- unexpectedness, i.e., whether the strategy takes advantage of speed and secrecy factors;
- security – does the strategy enable the security of its core resources and does it provide key procedures to prevent surprises from opponents?

Minzberg et al. (2003) argued that the criteria listed are common to military, business, and government strategies. Indeed, all cases mentioned are within the scope of competitive strategies. However, when it comes to sustainable municipal development, the above-mentioned quality criteria for strategies may not reflect the quality and effectiveness of such a strategy. In the case of non-competitive strategies, a much more important criterion for assessing the effectiveness of the strategy being developed is the balance between the performance indicators sought and monitored. An adequate breakdown of the strategy from the highest levels of government to the lowest could also indicate the quality of the strategy. The latter criterion could also be used in the case of competitive strategies. Competitive and balanced strategies could be illustrated by analogy with the human body: competitive strategies are akin to the use of drugs, where very strong concentrations of active substances affect bodily function; a win/win strategy represents a balanced, wholesome diet that promotes harmonious development to prevent diseases and ailments.

## **Methods**

The document analysis method was used to assess the data. For the collection of research data, selected data sources included: Resolution no. 827 of the Government of the Republic of Lithuania “On the Amendment of the Strategic Planning Methodology” and its amendments; Minister of the Interior of the Republic of Lithuania’s “Methodology for preparation and updating of regional development plans” and its amendments, etc. Document analysis was focused on the five largest Lithuanian and the three main Ukrainian cities’ municipal strategic and planning documents and their reports, along with the annual action plans that reflect municipal planning in terms of the objectives and results to be achieved. The method of document analysis is applicable to the analysis of the municipalities’ legislation (laws, regulations).

## Results

The balanced scorecard approach was first mentioned in 1992. The principles of this method were formulated by Kaplan and Norton (2006), who gradually supplemented and developed this method from a simple performance measurement tool to a strategic management tool that forms the nerve center of any organization. This approach unites the activities of all departments and employees of the organization regarding the organization's strategy, turning the strategy into a coordinated action plan.

The balanced scorecard is the core of strategic management, and is based on four very important management processes (Kaplan and Norton 1996):

- revising the strategy and translating it into a specific action program;
- linking strategic goals to measurements and communicating them to employees at all levels of the organization;
- identifying the values of specific goals to be achieved and coordinating initiatives to achieve them at different levels of the organization;
- strengthening feedback on the implementation of the strategy.

The concept of a balanced scorecard is based on the premise that the head of an organization must have a balanced set of measurable scores covering financial, customer, and internal processes as well as areas of innovation and improvement. By applying a system of balanced indicators in organizations, the strategy can be seen as a set of hypotheses related to cause-and-effect relationships. A well-designed system of balanced indicators is a very convenient tool that can clearly convey an organization's strategy, starting with its vision and ending with action plans for its implementation. All four reflective perspectives are linked by consequence-cause relationships.

Although the emergence of the concept of New Public Management has increased the importance of the management function in administration, and organizations operating in both the public and private sector are gaining more and more commonalities, a modified system of balanced indicators is also used (Rohm and Halbach 2005; Quesado 2018; Moullin 2017; Wällstedt and Almqvist 2017; Madsen et al. 2019). This is due to the different nature of public sector organizations. Unlike businesses, whose main motivation is profit maximization, public sector organizations and institutions are focused on fulfilling their public missions. The main focus of a balanced scorecard tailored to the needs of the public sector is becoming a mission, which in turn changes the cause-and-effect relationships between reflective perspectives. The competences of employees and the capacity of the organization determine internal processes and financial stewardship – including the rational use of the budget, as well as the ability to earn funds, which in turn determines the satisfaction of customers and stakeholders.

In addition, the balanced scorecard system can serve not only as a strategy communication tool, but also as a tool for ensuring the coherence of the strategy (Sudnickas 2005, 2008; Sudnickas and Šakočius 2009; Jagminas and Pikturnaitė 2011; Gudelis 2009). In this way, the coherence of the objectives, indicators and action plans at the different levels of the organization are ensured. As the analysis of the action plans of Lithuanian city municipalities shows, indicators are not disaggregated to subordinate subdivisions lower than departments.

Astrauskas and Česonis (2008) divided the implementation of strategic planning principles in Lithuanian local municipalities into four different stages:

1. the first stage – 1990–1994/5, the stage of denial of planning principles;
2. the second stage – 1994/5–2001/2, learning and cognition of the principles of strategic planning;
3. the third stage – 2001/2–2007/8, the stage of the establishment of strategic development plans of municipalities and learning to prepare strategic action plans and program budgets;
4. the fourth stage – from 2007/8, the stage of the development and transformation of unified strategic planning and program budget systems in municipalities into strategic management systems.

The authors distinguished these stages according to five formulated criteria, which included: understanding the need for strategic planning; the relationship between theoretical knowledge and the practical ability to prepare strategic planning documents; the completeness of the strategic planning system, i.e., the number of different duration strategic planning documents prepared; the integration of strategic planning documents; and the integration of strategic planning and other management functions.

In 2013, the Lithuanian Government created a team of strategic planning experts, municipality development specialists and scientific consultants for the preparation of recommendations on strategic planning for Lithuanian municipalities. Astrauskas and Svetikas (2015) noted that one of the main goals of this project was to enhance local democratic governance in Lithuanian municipalities by strengthening the capacity of local authorities to undertake participatory strategic planning.

According to the use of different strategic planning methods, Arimavičiūtė (2005, 2012) divided Lithuanian municipalities into two groups: the first uses the Strategic Planning Methodology; the second the Regional Development Plans Preparation and Update Methodology.

The mandatory statutory methodology for strategic planning and budgeting established by the government was updated at least 15 times between 2002 and 2019 (current version), as indicated on the website of the Government of the Republic of Lithuania.

The first paragraph of the General Provisions of the Strategic Planning Methodology approved by the Government of the Republic of Lithuania defines its designation: “The Strategic Planning Methodology establishes the strategic planning system, planning and approval of planning documents, as well as strategic action plan evaluation criteria, monitoring of strategic action plan implementation results, program evaluation and reporting on results.”

The methodology distinguishes in sufficient detail the guidelines for the preparation of strategic planning documents of various durations (long, medium and short), as well as describing the development of evaluation criteria for strategic business plans and the monitoring of the results of the implementation of strategic business plans. Monitoring the implementation of performance indicators and their performance could be considered as the first step towards the transformation of traditional municipal governance into a strategic management system (Jurkonienė and Karčiauskienė 2017).

In December 2019, the Government submitted a draft Law on Strategic Management to the Seimas. The project proposes to establish a new model of the planning documents system, which will help to: integrate national, territorial, regional, and local self-government planning processes; refine the interrelations of planning documents and their influence on funds planning; and establish strategic management system participants and their rights, responsibilities, and provisions. The aim is to reduce the number of planning documents and the strategic objectives and evaluation criteria (indicators) set in them, to create a more efficient planning and monitoring system, and to strengthen the links between strategic management and state budgeting systems. The appearance of this document could be considered the beginning of the fifth stage of strategic management in Lithuanian municipalities.

The main requirement of a balanced scorecard is to have four different perspectives from performance indicators, reflecting: stakeholder satisfaction, financial performance, internal processes, and the competencies of the employees and the capacity of the organization. At a moment, this is not sufficiently reflected in the Government's strategic planning nor in the municipal strategic plans. The methodology for preparing and updating regional development plans does not mention indicators reflecting different perspectives at all. In the Government's strategic planning methodology, internal process and financial performance indicators are not separated into single groups, but combined into one type of indicators – process and input criteria. Indicators of stakeholder satisfaction and prospects for employee competence and organizational capacity are completely indistinguishable. All of this complicates the monitoring of the performance of municipalities, because without a clearly defined set of indicators related to cause-and-effect relationships, it is much more difficult to assess areas in need of improvement.

Another problem encountered in developing strategic municipal plans in Lithuania is the lack of a breakdown of indicators from higher to lower organizational levels. Strategic plans do not reach individual employees of the municipality even in the units at the lowest level, which prevents the implementation of the coordinated action plan of the municipality and means that it cannot serve as an effective means of communication.

The Ukrainian practice of strategic municipal planning is in line with the best European and world practices, and has been enshrined in regulations and strategic planning documents such as “On the Principles of State Regional Policy” (2015) and the State Strategy for Regional Development Until 2020.

## Discussion

One of the aims of this article is to illustrate the use of the balanced scorecard system as a tool for checking the coherence of the strategy and assessing the sustainability of the indicators of the strategic plans of the studied cities.

The long-term strategic development plans of the five largest Lithuanian cities – Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys – were examined. In these cities, 1,163,128 inhabitants lived in 2019. This, according to the Department of Statistics of the Republic of Lithuania, accounted for almost 42% of the total population of Lithuania.

The Vilnius strategic plan (2010–2020) consists of 4 priorities, which were monitored using 17, 11, 12 and 7 indicators, respectively.

The Kaunas strategic plan (2015–2022) consists of 3 strategic directions. In the first direction, 7 tasks were set, the fulfilment of which is monitored according to 59 indicators; in the second direction, 12 tasks were planned and 59 indicators were set; in the third direction, 7 tasks and 40 indicators.

The Klaipėda strategic plan (2013–2020) consists of 3 priorities, the first with 6 objectives, which are monitored through 101 indicators; the second with 4 objectives and 85 indicators; and the third with 4 objectives and 64 indicators.

The Šiauliai strategic plan (2015–2024) consists of 3 priorities. The first priority has 3 objectives and 31 indicators; the second priority 3 objectives and 33 indicators; and the third 3 objectives and 58 indicators.

The Panevėžys strategic plan (2014–2020) consists of 3 priorities: the first with 31 indicators, the second with 72 indicators, and the third with 43 indicators.

In addition, the long-term strategic development plans of the largest Ukrainian cities – Kyiv, Kharkov, Dnieper, Odessa and Lviv – were examined. Around 7 million inhabitants live in these cities, accounting for almost 16% of the total population of Ukraine. At present, the indicators of the strategic plans of the Dnieper and Kharkov are in the process of development, so they were not examined in this paper.

The Kyiv strategic plan for 2017–2025 consists of 3 priorities, which are monitored using 29, 71, and 10 indicators respectively (Kyiv City Administration, 2017). The Odessa strategic plan (2016–2022) is monitored according to 21 indicators, and the Lviv strategic plan (2012–2025) consists of 3 priorities, the first of which is monitored through 9 indicators, the second through 4 indicators, and the third through 8 indicators.

After an analysis of the indicators of all strategic plans, they were assigned to one of the four perspectives of the balanced scorecard: Customer and Stakeholder, Financial Stewardship, Internal Process and Organizational Capacity (Table 1).

In Table 1, the rows represent the priorities of a specific strategic plan in a Lithuanian or Ukrainian city; the first column indicates the name of the city and country; the next four columns represent the four balanced scorecard perspectives; and the sixth column shows the percentage inclusion of indicators from different balanced scorecard perspectives in each priority of the strategy. The figures in the table indicate the specific number of indicators distributed by perspective and percentage of inclusion.

**Table 1**

City, country	Perspective				Inclusion of indicators from different BSC perspectives by priorities (%)
	Number of Customer and Stakeholder indicators	Number of Financial Stewardship indicators	Number of Internal Processes indicators	Number of Organizational Capacity indicators	
Vilnius (Lithuania)	2	6	32	7	68.7
Kaunas (Lithuania)	0	0	159	24	41.7
Klaipėda (Lithuania)	2	0	211	37	58.3
Šiauliai (Lithuania)	0	0	115	7	41.7

City, country	Perspective				Inclusion of indicators from different BSC perspectives by priorities (%)
	Number of Customer and Stakeholder indicators	Number of Financial Stewardship indicators	Number of Internal Processes indicators	Number of Organizational Capacity indicators	
Panevėžys (Lithuania)	0	0	131	15	50
Kyiv (Ukraine)	6	9	87	9	91.6
Odesa (Ukraine)	0	4	16	1	75
Lviv (Ukraine)	6	4	9	2	83

In order to ensure sustainable city development, each priority of the strategic plan should be monitored using indicators from all four balanced scorecard perspectives. In our case, it is not difficult to observe empty cells in Table 1, which means that some perspectives are not observed. The research shows that of all the Lithuanian cities studied, only the capital, Vilnius, has two priorities with indicators reflecting all four perspectives, while the third priority of Vilnius is reflected only by indicators from the single perspective of internal processes. In Klaipėda, only one priority is reflected by indicators from three different perspectives, while the priorities of the strategic plans of the remaining cities – Kaunas, Šiauliai and Panevėžys – are reflected by indicators from only two perspectives: internal processes and organizational capacity.

A somewhat better situation is observed with Ukraine's strategic plans. Kyiv leads, where only one of the three priorities of the strategic plan has indicators reflecting three perspectives, while the remaining priorities include indicators from all four perspectives. In Lviv, one of the priorities of the strategic plan is reflected by the indicators of all four balanced scorecard perspectives, and the remaining two priorities have indicators of three different balanced scorecard perspectives. In Odessa, where the indicators of the strategic plan were not broken down according to different priorities, three perspectives of the balanced scorecard are reflected.

With some exceptions, in most cases the situation with the monitoring of the strategic plans examined does not allow us to expect fully-fledged and sustainable monitoring of the implementation of these plans. In this sense, Lithuania needs to do more than Ukraine.

## Conclusions

1. Due to the different nature of the objectives pursued, there is a difference between sustainable development (win/win) and competitive (win/lose) strategies, and their development and evaluation should therefore be carried out using different methodologies.
2. The strategic management of Lithuanian and Ukrainian municipalities should be carried out in accordance with the principles of sustainable development, rather than a competitive strategy. Minzberg's quality criteria for strategies may not reflect the quality and effectiveness of such a strategy. In the case of non-competitive strategies, which are more specific to municipalities, a much more important criterion for assessing the

effectiveness of the strategy being developed and a balance between the performance indicators is sought and monitored.

3. Currently, the strategic management plans drawn up in Lithuanian municipalities are not characterized by a balance of indicators, and the sets of selected indicators do not reflect all aspects of the municipality's activities. This is due to the fact that the strategic plan indicators in the most widely used methodologies of Lithuanian municipalities' strategic planning, which are used in the preparation and updating of regional development plans, are neither regulated nor recommended.
4. Strategic plans of municipalities, at least in the case of large Lithuanian and Ukrainian cities, are not detailed down to the lowest level units and to individual employees. At the same time, they are not becoming strategic action plans or communication tools that are coordinated by the whole organization. At best, the elaboration of plans ends at the level of municipal departments.
5. Despite the fact that none of the Lithuanian and Ukrainian cities analyzed has a full balance of indicators, the situation with the balance of strategic plan indicators in Ukrainian cities is better than in Lithuania. In all the plans of Ukrainian urban municipalities examined in this paper, the indicators of each priority of the plan were reflected by at least three perspectives from the balanced scorecard.

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Tadas Sudnickas, Vainius Smalskys, Nataliia Gavkalova, Viktoriia Melnyk

## STRATEGINIO VALDYMO RAIDA IR PROBLEMOS: DIDŽIŲ LIETUVOS IR UKRAINOS MIESTŲ ATVEJIS

**Anotacija.** Straipsnio tikslas – apžvelgti strateginio valdymo problemas Lietuvos ir Ukrainos savivaldybėse. Straipsnyje nagrinėjamos priežastys, kurios, autoriaus nuomone, neleidžia savivaldybėms visiškai išnaudoti strateginio valdymo pranašumą, kai bandoma atskirti konkurencines (laimėti / pralaimėti) ir subalansuotas (laimėti / laimėti) strategijas. Išnagrinėti penki didžiausių Lietuvos ir Ukrainos miestų savivaldybių ilgalaikiai strateginiai plėtros planai – įvertinta jų strateginių nuostatų rodiklių pusiausvyra, susijusi su keturių skirtingų subalansuotų rodiklių sistemos perspektyva. Šiuo metu Lietuvos ir Ukrainos savivaldybėse rengiami strateginio valdymo planai nepasižymi rodiklių balansu, atrinktų rodiklių rinkiniai neatspindi visų savivaldybės veiklos aspektų ir savivaldybių strateginių planų, bent jau didžiuosiuose Lietuvos ir Ukrainos miestuose. Rodikliai nėra detalizuojami iki žemiausio lygio padalinių ir atskirų darbuotojų lygio, jie netampa strateginiu veiksmų planu ir efektyvia komunikacijos priemone.

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## COVID-19 AND FINTECH IN LATIN AMERICA: IMPACT AND POLICY OPTIONS

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**Abstract.** *The coronavirus crisis (COVID-19) crisis highlighted a disadvantage of globalization: risks are more systemic. That is, crises are no longer local, but quickly spread to other countries in a region and around the world. In this context, the use of information and communication technologies was an automatic response of society. The financial technology (Fintech) sector is considered a safe option to preserve health at the time of making a transaction. This paper aims to analyze the effects that the coronavirus crisis had on the use of Fintech services in Latin America. To this end, the concept of Fintech is clarified. Next, the types of Fintech services used in Latin America are characterized. The data on the number of companies and the use of Fintech products before and during the COVID-19 crisis are then analyzed. Finally, policy options for driving financial inclusion and increasing the benefits of using Fintech services in the region are presented. The results allow us to conclude that the progress of the Fintech sector in Latin America was affected by the COVID-19 pandemic.*

**Keywords:** COVID-19, Fintech, Latin America, finance, technology.

**Reikšminiai žodžiai:** COVID-19, Fintech, Lotynų Amerika, finansai, technologijos.

## Introduction

The COVID-19 pandemic reduced the mobility of people, increased uncertainty in the international movement of funds and generated a global public health emergency. Moreover, as COVID-19 spread, governments took drastic measures to curb the disease. This created a global economic crisis of new proportions in terms of widespread job losses, company closures, and defaults, which in turn increased the possibility of a new global financial meltdown.

The long-term economic impact of this new disease will depend, to a large extent, on the success of countries in collectively containing the transmission of the virus. The risks of not taking action are: 1) a dramatic increase in the number of deaths and infections; 2) the collapse of health care systems; 3) greater difficulties for businesses to operate; and 4) the paralysis of the global economy. However, if government action is confined solely to the return of autocratic societies, where borders are again erected and self-sufficiency is the goal, local solutions will be insufficient to solve a global crisis.

In this context, the use of information and communication technologies was the automatic response of society to avoid a return to autocracy and to allow a similar dynamic to the one that existed before COVID-19. The pandemic generated a significant increase in the adoption and use of online communication and merchandise exchange services. Within this industry, the financial technology (Fintech) sector is seen as a safe option for preserving health when conducting transactions. This is because Fintech services make it possible to comply with quarantine, physical distancing, biosecurity measures and other restrictions on the mobility of people imposed by governments. In addition, they eliminate the risk of contagion through the handling of cash, coins, and banknotes.

In this sense, the current paper analyzes the effects that the coronavirus crisis had on the use of Fintech services in Latin America. To this end, a theoretical and conceptual research method is carried out through the observation and analysis of existing information. First, the concept of Fintech is clarified. Next, the types of Fintech services used in Latin America are characterized. Then, data on the number of companies and the use of Fintech products before and during the COVID-19 crisis are analyzed. Lastly, we present policy options to stimulate financial inclusion and increase the benefits of using Fintech services in the region.

## Definitions of Fintech

Recent years have seen a significant movement to inform, educate, describe, and even standardize what Fintech is. This term, which has become widespread in the last two decades, is the contribution of a technology consortium initiated by Citicorp, a predecessor of Citigroup, in the early 1990s (Hochstein 2015), when they sought cooperation between banking and technology. From there, its etymological origin is recognized in the union of the terms *finance* and *technology* (Zavolokina, Dolata and Schwabe 2016), and it is identified as a concept under construction due to the lack of a unique and universal definition.

In this sense, the term *Fintech* is associated with a new financial industry that uses

technology to improve financial activities (Schueffel 2016). Philippon (2016) linked Fintech to digital innovations in business models that have transformed the financial sector, and Arner, Barberis and Buckley (2016) perceived it as a set of financial solutions enabled by technologies.

Moreover, the Financial Stability Board (2017) defined it as the application of the most recent technological developments to transactions executed in the financial system. In that direction, Gomber, Koch and Siering (2017) considered it a neologism that describes the use of new technologies, mainly those related to the Internet, in the development of activities in the financial industry. In this regard, Gai, Qiu and Sun (2018) defined it as a sector of the economy that serves the needs of companies and organizations through the incorporation of technology applications to financial services. Furthermore, for Thakor (2020), Fintech is equivalent to the use of technology to provide new and improved financial services.

Considering this conceptual breadth, in this research the term *Fintech* is considered to represent technological applications that simplify the processes of financial intermediation. These have the function of optimizing each transaction, improving it, and, above all, allowing access to financial services for a greater number of people. In this sense, Fintech services are those that can be provided by the traditional financial sector or by nonfinancial organizations known as Fintech startups.

These Fintech startups differ from companies in the traditional financial sector because they propose disruptive innovations for the provision of financial services. Their characteristics include the following: a) the propensity to make risky but profitable decisions; b) the freedom that they have in the absence of a rigid regulatory framework for their activity; and c) the opportunity to develop new and efficient intermediation systems from scratch (Philippon 2016). In addition, these organizations can address customer problems that traditional companies have not addressed (Cuya 2016). The widespread use of Fintech is generating: 1) changes in the traditional structures of the financial industry; 2) modifications in the way companies in the sector create and offer products; 3) the high incorporation of new organizations; and 4) facilities for financial intermediation (Hurtado and Molina 2021).

## **Fintech in Latin America**

In the case of Latin America, the Fintech industry is growing rapidly. Innovation and new technology ventures in the financial services sector represent topics of interest for the future of the region (OECD et al. 2020). Thus, the number of ventures within this sector of the economy experienced a in number 66% increase between 2018 and 2019, reinforcing the role of Fintech as a generator of employment and income. Similarly, Latin American companies in the Fintech sector are distributed in eleven business segments, as follows: 1) payments and remittances; 2) lending; 3) corporate finance management; 4) personal finance management; 5) crowdfunding; 6) business technologies for financial institutions; 7) digital banking; 8) credit scoring, identity, and fraud; 9) insurance; 10) wealth management and financial asset trading; and 11) capital markets. There is also an

additional segment, digital currencies, in which Latin American companies have not yet ventured as generators (IDB, IDB Invest and Finnovista 2018, Garzon 2018).

Of the eleven segments presented above, Latin American Fintech companies have positioned themselves mainly in three: 1) payments and remittances; 2) loans; and 3) corporate finance management. On the other hand, in terms of segmentation by country, it stands out that 86% of these ventures are in Brazil, Mexico, Colombia, Argentina and Chile; 11% are concentrated in countries such as Ecuador, Peru, Uruguay and Venezuela; while the remaining 3% are located in Costa Rica, the Dominican Republic, Guatemala, Panama, El Salvador, Bolivia, Honduras and Nicaragua (IDB, IDB Invest and Finnovista 2018).

This level of participation has generated, according to Berkmen et al. (2019), four differentiated ecosystems for companies in the Fintech sector in Latin America. Ecosystem 1: countries with a high growth rate (greater than 100%) in relation to 2017. With few ventures of this type in 2017, by 2018 this group represented an important entrepreneurial force, offering multiple growth opportunities. Countries in this group include Venezuela, Panama, Ecuador, Uruguay, Peru, and the Dominican Republic. Ecosystem 2: countries with a high growth rate (greater than 50%). This group is made up of nations that developed a greater number of ventures in 2017 compared to the set of countries in ecosystem 1, and includes Costa Rica, Colombia, Brazil, Argentina, and Mexico. Ecosystem 3: countries with low growth (between 1% and 49%). Countries with pioneers in companies of this type include Chile and Guatemala. Ecosystem 4: countries with negative growth – in other words, where the number of ventures decreased compared to 2017. This group includes Paraguay. These data present an important transformation of the Latin American financial system. They show that, at least in Latin America, the Fintech sector is being boosted to provide greater possibilities to those who have the capacity to use them.

## **Fintech before and during the COVID-19 crisis in Latin America**

The aforementioned advances in the Latin American Fintech sector are the result of the region's capacity to incorporate the changes generated by the latest technological innovations in financial services. However, the development of these activities in Latin America, and the world, has recently been conditioned by an unforeseen and unusual element: the COVID-19 pandemic.

COVID-19, and the measures implemented to deal with it, have impacted all areas of life in society, with obvious implications in the psychological, economic, and personal relations fields. In the psychological field, Dosil et al. (2020) and Sandin et al. (2020) highlighted the prevalence of fear of contagion, social isolation, and income problems due to job loss; emotional symptoms such as worry, stress, hopelessness, anxiety, nervousness, and depression; and sleep problems.

In the area of human relationships, collective confinement and the generalization of Internet activities has increased the distancing between human beings. In the economic and commercial sphere, there is evidence of: a) job losses; b) a drop in household income;

c) greater public and private indebtedness; d) a decrease in the level of consumption in countries; e) a reduction in the price of raw materials; f) a breakdown in global value chains; g) a decline in the growth of economies; and h) greater vulnerability of international financial markets.

This vulnerability of financial markets is the result of a combination of increased requests for financing by companies and governments and elevated risks of default by debtors who reduced their income during the first months of the pandemic. Simultaneously, the digital financial infrastructure developed over the past decades was consolidated during the COVID-19 health crisis.

During the pandemic, the use of Fintech products increased due to: 1) the fear of contagion of the virus; 2) the high cost of financial intermediation; 3) physical distance; and 4) strict biosecurity measures. Consolidation in the support of e-commerce, door-to-door sales, remittances, and new forms of businesses offering digital payment methods to reduce the use of cash were observed among other ventures that emerged during the pandemic.

This situation represents the first impact of the COVID-19 crisis on the Fintech sector. Both in the world and in Latin America, financial technology companies facilitated the normal development of societies during confinement by using technological applications and updated platforms. According to Arner et al. (2020), this generated an important movement in favor of financial literacy and the training of people in the financial area.

By December 2019, before the expansion of COVID-19 and the declaration of the pandemic, the global context of the sector showed: 1) a strong upward trend in the size of the market; 2) an increase in the number of Fintech companies worldwide, reaching 21,700; 3) the predominance of companies from North America, Europe and Asia-Pacific; 4) the expansion of the number of Latin American Fintech startups, reaching more than 1,200; and 5) the preponderance of the digital environment over the physical in the preferences of users of traditional financial intermediation services (Quiros 2020; Ditrendia 2020).

In addition, during 2019 the cell phone was the preferred electronic device in the world when performing financial transactions. Thus, users worldwide accessed their financial applications 1 trillion times in that year. In relation to Fintech, the number of monthly active users of these applications grew at a rate of 20%, while the number of bank users only grew at a rate of 15%. In addition, Indonesia, Japan, Russia, South Korea, India, and the United Kingdom were the countries with the highest growth in the number of Fintech application users. In Latin America, Brazil, Mexico, Argentina, Colombia, Chile and Peru were the countries where the number of Fintech users grew the most (Finnovista 2020; We Are Social & Hootsuite 2020a). This is the result of: a) the growth path of the global economy; b) the increase in activities in the digital economy; and c) the increase in interest in technological solutions to the problems of daily dynamics in society.

Two Fintech services that were consolidated during 2019 were: mobile payments – services which allow financial transactions via cell phones; and mobile wallets – services



that facilitate the movement of funds as if they were traditional financial instruments such as credit or debit cards. In terms of mobile payment services, Thailand, China, Taiwan, South Korea, and India led the world in their use. In Latin America, Brazil, Mexico, Argentina, and Colombia were the countries that used this type of payment system the most. Virtual wallets consolidated their position as the most widely used means of payment by consumers in e-commerce, accounting for 42% of annual spending worldwide. Within this sub-sector of financial technologies, China, South Korea, the United States, and India were the countries that most frequently used e-wallets from Fintech companies. In Latin America, Brazil, Mexico and Colombia stood out, with Mercado Pago being the most used service in the region (Ditrendia 2020; Finnovista 2020; We Are Social & Hootsuite 2020a). Thus, the sector closed 2019 on a growth path, consolidating the participation of Latin American users and companies (see Table 1).

These results changed in the first half of 2020, due to the COVID-19 pandemic and the measures implemented to contain the contagion. For the financial technology sector, this crisis implied an increase in the use of cell phones and their applications, as well as the closure of businesses and ventures. This is because new investments in the sector were affected, like many small and medium-sized companies in the world, by the fall in the income flow of economies, the reduction of entrepreneurs' resources (Ditrendia 2020), and the abrupt drop in investments in the sector. According to Marous (2020), this drop represented a regression to 2017 levels. Simultaneously, consolidated Fintech companies updated their applications to respond to the new needs of users, strengthening communication with them and keeping services within the latest technological developments.

In 2020, the number of Fintech startups dropped to 20,925 companies worldwide, of which North America and Europe retained the largest number (We Are Social & Hootsuite 2020b). In the same period, Latin America evidenced a slight growth in the number of Fintech companies, reaching 1,250 startups (Ditrendia 2020). This result contradicts the effect generated by the COVID-19 pandemic in the sector worldwide, but corroborates the interest of the Latin American population in finding technological solutions through Fintech ventures and the use and development of online activities. This also led Latin American countries to achieve the highest growth rates in the world within the digital advertising market during the pandemic, centered in Colombia, Chile, Brazil, Argentina and Mexico. The same was true of the participation of the population in Instagram, Twitter, Snapchat and LinkedIn, where Mexico, Brazil, Argentina, and Colombia led the way (We Are Social & Hootsuite 2020b).

Similarly, the cell phone continued to be the world's preferred electronic device for financial transactions in 2020. With respect to the evolution of Fintech application downloads, these continued to grow at a rate of more than 25% per month, reflecting the increase in the level of penetration of these services during the crisis period. In Latin America, Argentina, Mexico, Brazil, Colombia, Uruguay and Chile were the countries where the number of users grew the most (Lavallega 2020; We Are Social & Hootsuite 2020b).

In relation to the use of mobile payment services and mobile wallets, during the 2020 COVID-19 crisis 43% of payments in global e-commerce were made through e-wallets –

one percentage point above the value of the indicator in 2019. In Latin America, Argentina, Mexico, Brazil, Colombia, Uruguay, Chile, and Peru led the use of this payment modality (Quiros 2020; ACI 2020; We Are Social & Hootsuite 2020b). These results show a change in the order of Latin American countries, with more users and the expansion of the use of these services to new countries in the region. They also reflect the fact that the sector grew in recognition during the health crisis, which generated new challenges for Fintech companies in the world and reinforced Latin America's potential in these activities.

**Table 1.** *Fintech before and during the COVID-19 crisis in Latin America*

	2019	2020
Fintech companies (World)	21,700	20,925
Fintech companies (Latin America)	1,200	1,250
Download of Fintech apps (monthly growth rate)	20%	25%
Countries with more Fintech app users (World)	Indonesia, Japan, Russia, South Korea, India and the United Kingdom	Indonesia, Japan, Russia, the United States, India and Germany
Countries with more Fintech app users (Latin America)	Brazil, Mexico, Argentina, Colombia, Chile and Peru	Argentina Mexico, Brazil, Colombia, Uruguay and Chile
Countries with more mobile payment users (world)	Thailand, China, Taiwan, South Korea and India	China, India, Indonesia, Russia and the United States
Countries with most mobile payment users (Latin America)	Brazil, Mexico, Argentina and Colombia	Brazil, Mexico, Argentina and Colombia
Countries with more e-wallet users (world)	China, South Korea, the United States and India	China, Italy, Russia, India, Germany
Countries with most e-wallet users (Latin America)	Brazil, Mexico, Argentina, Colombia, Chile and Peru	Argentina, Mexico, Brazil, Colombia, Uruguay, and Chile
E-wallets in e-commerce (percentage of total expenditure)	42%	43%

**Source:** Own elaboration based on We Are Social & Hootsuite (2020a, 2020b); Finnovista (2020); Ditrendia (2020); Lavalleja (2020); Quiros (2020); ACI (2020).

Thus, the impact of the drop in income caused by COVID-19 on the expansion path of the Fintech sector is evident. This is reflected in the reduction in the growth of the number of companies engaged in these activities in the world and the drop in the rate of increase in the number of Fintech startups in Latin America. In a crisis that affected productive sectors in different ways, these results show the greater vulnerability of the Fintech sector compared to companies in the traditional financial system. This vulnerability is mainly observed in time in the market, relative profitability levels (Marous 2020), and institutional backing from central banks and governments.

Similarly, the pandemic has allowed consolidated Fintech organizations to advance in their business models. In this way, they are responding to consumer demands,

strengthening the role of financial technologies in global society, and maintaining a growth trajectory. These results do not exempt them from the impact of the reduction of revenue from their activities, which will affect the digital transformation goals set in the medium and long-term.

### **Policy options to boost financial inclusion using Fintech**

The impact of the COVID-19 pandemic on the Fintech sector shows a sustainable economic activity that is facing an asymmetric shock for the first time. Furthermore, given the stability of the companies in the sector, they are organizations with the capacity to: a) meet the requirements of consumers; b) withstand the crisis; and c) present themselves as an economical, efficient, safe and friendly option for financial intermediation. In this way, Fintech services are an option for advancing the financial inclusion of the global population of people who do not currently participate in any financial intermediation service.

Currently, there is still a large group of individuals, families and companies excluded from the traditional financial system. This is a consequence of: a) failure to comply with the requirements demanded by banking institutions to access a loan; or b) a lack of knowledge, income, and guarantors to guarantee access to financing. Thus, while 93% of people over 15 years of age have access to the financial system in the developed countries of North America and Western Europe, the global average is 61%, and in Latin America this figure is only 45.8% (CEPAL 2018). Given this scenario, it is necessary to boost financial inclusion in Latin America through public and private initiatives that provide products and services adapted to the needs of individuals and companies.

One of the most attractive strategies is through the consolidation of Fintech services in the region. This implies advocating policies that enable the development of Latin American technological infrastructure and improve Internet access and cell phone penetration. In this way, it will be possible to reduce transaction costs and achieve greater access to online financial services for individuals and businesses.

To make progress toward these goals, the infrastructure policies that each Latin American country can implement must be complemented by educational policies, legislation, and cooperative foreign policy. Educational policies will allow the region to reach an adequate level of financial literacy. In addition, the population will more easily recognize all of the fund intermediation alternatives in the market.

In the legal sphere, the enactment of laws regarding the Fintech sector will: 1) allow for the recognition of its activities in Latin American countries; 2) reduce the risks faced by users and the traditional financial system due to illicit activities, cyberattacks, fraud and bankruptcies; and 3) facilitate a stable investment environment. The importance of this public policy option is highlighted by the fact that the region is lagging behind in this field: only Mexico has made progress in regulating the sector, while Brazil, Colombia, Uruguay and Peru are taking their first steps (Lavalleja, 2020).

Furthermore, cooperative foreign policy will enable the countries of the region to respond adequately to the challenges posed by global and regional public goods. In par-

ticular, these goods include financial and exchange rate stability, as well as the Internet and technological infrastructure. These are pure and impure regional public goods, respectively, which require the design of coordinated policies to minimize the possibility of monetary, exchange rate and financial crises and their contagion effects. In addition, cooperative foreign policy will make it possible to consolidate Latin American integration, advance in the convergence of existing integration processes (Hurtado and Vieira 2020; Hurtado, Zerpa de Hurtado and Mora 2021), and take the first steps toward agreements that facilitate the harmonization of macroeconomic policies (Hurtado 2020). In this way, it will be used as an instrument to solve problems of exclusion, low diversification, and confrontation in Latin America.

## Conclusions

1. This paper has analyzed the effects of the COVID-19 crisis on the use of Fintech services in Latin America. When characterizing the types of Fintech services used in Latin America, it was found that the sector is growing rapidly. Similarly, Latin American companies in the sector focus on payments and remittances, loans, and corporate finance management services, which are also the most widely used by users/services. From the review country-by-country review country, we highlight that the largest number of Fintech ventures are in Brazil, Mexico, Colombia, Argentina and Chile; followed by Ecuador, Peru, Uruguay and Venezuela.
2. After analyzing data on the number of companies and the use of Fintech products before and during the COVID-19 crisis, we concluded that the sector's progress in Latin America was affected by the pandemic. This was mainly due to: 1) the increase in the number of Fintech companies in the region; 2) the increase in the use of mobile payments and digital wallets; and 3) the incorporation of users from a greater number of Latin American countries. Globally, the pandemic changed the Fintech sector by: a) reducing the number of companies in the sector; b) increasing the number of users of Fintech applications; and c) increasing the importance of stable Fintech startups with more time in the market.
3. From these effects of the pandemic, policy options to boost financial inclusion through Fintech services in the region were raised. These policies imply the promotion of public and private initiatives that provide products and services adapted to the needs of individuals and companies in Latin America.
4. The following policy options are also identified: 1) the implementation of policies that enable the development of Latin American technological infrastructure and improve Internet access and cell phone penetration; 2) educational policies that allow for a higher level of financial literacy; c) the enactment of laws that recognize the sector's activities; and 3) cooperative foreign policy that provides the tools for an adequate response to the challenges of global and regional public goods – in particular, financial and exchange stability, the Internet, and technological infrastructure.

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## COVID-19 IR FINANSINĖS TECHNOLOGIJOS LOTYNŲ AMERIKOJE: POVEIKIS IR POLITIKOS GALIMYBĖS

**Anotacija.** Naujojo koronaviruso (COVID-19) krizė išryškina globalizacijos trūkumą: rizikos yra labiau sisteminės. Tai reiškia, kad krizės nebėra lokaliai, bet greitai išplinta į kitas regiono ir pasaulio šalis. Tokioje situacijoje automatiniai visuomenės atsaku tampa informacinių ir komunikacinių technologijų naudojimas. Finansinių technologijų sektorius („Fintech“) laikomas saugia galimybe išsaugoti sveikatą atliekant transakcijas. Šiame darbe siekiama išanalizuoti koronaviruso krizės poveikį „Fintech“ paslaugų nau-

dojimui Lotynų Amerikoje. Šiuo tikslu pateikiamas „Fintech“ sąvokos išaiškinimas. Toliau apibūdinami Lotynų Amerikoje naudojamų „Fintech“ paslaugų tipai. Be to, analizuojami duomenys, susiję su įmonių skaičiumi ir „Fintech“ produktų naudojimu prieš COVID-19 krizę ir jos metu. Galiausiai aptariamos politikos galimybės siekiant skatinti finansinę įtrauktį ir padidinti „Fintech“ paslaugų naudojimo naudą regione. Rezultatai leidžia daryti išvadą, kad pandemija paveikė „Fintech“ sektoriaus pažangą Lotynų Amerikoje.

**Reikšminiai žodžiai:** COVID-19, „Fintech“, Lotynų Amerika, finansai, technologijos.

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## SOCIOLOGICAL RESEARCH INTO THE DIGITIZATION OF PUBLIC ADMINISTRATION

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**Abstract.** *Different aspects of using sociological instruments have gained crucial importance concerning: the social dynamics of the assessment of public administration; the analysis of the internal efficiency of processes; and the efficiency of regional government bodies' activities and their political and economic decisions. The results of research carried out in the Komi Republic are presented in order to outline the best mechanisms for implementing e-government. This study reveals the attitude of the state administration to public service reforms, the technological priorities of public administration, and indicators of the optimization of public and municipal services on the basis of the enhanced use of information technology.*

**Keywords:** *public administration, digitalization, administrative reform.*

**Reikšminiai žodžiai:** *viešasis administravimas, skaitmeninimas, administracinė reforma.*



## The relevance of the study

The use of sociological methods to measure social opinion has become an important part of the impact of these instruments on the development of social technologies in public administration. They enable the study of political and administrative reforms not only in terms of their relationships with the population, but also with state officials. Recently, the amount of research on the social effectiveness of public administration has been increasing, and this growing amount of research has borrowed an interdisciplinary approach for the analysis of public and municipal government systems.

Some authors analyze the set of strategic instruments of public administration and the dependence of the efficiency of public administration on the organizational design of state apparatus structures (Peci and Fornazin 2016, 99–100; Korosec 2006, 221).

This research methodology often sets out the problem of public administration, the task of quantitatively analyzing government bodies' activities, and their qualitative expression for reforms (Mele and Belardinelli 2019, 334). V. Mele and P. Belardinelli (2019, 343) emphasized the need for integrated management reporting and the increased transparency of state administration in their research.

Describing the tasks of increasing confidence in public administration, Vincent Mabillard and Martial Pasquier (2016) highlighted the lack of connection between the transparency of the government and the increased level of citizens' trust in it. While a part of the scientific literature often examines the positive relationship between these two concepts (Heeks and Bailur 2007, 256), the need for active action on the part of the institutions of power towards digitalizing management processes is emphasized. In many studies, researchers emphasize that the search for effective public administration methods and instruments is often viewed through the prism of NPM (new public management) governmental reforms (Bolshakova 2018, 86).

V. Nakrošis, a well-known Lithuanian expert in the field of public administration, emphasized the importance of ethical approaches in the context of the modernization of management, observing that the measurement of processes often focuses on the operational measurement of public officers' efficiency – a combination of the behavioral and management approaches of public officers (Nakrošis 2015, 640). The results of monitoring the activities of the authorities are mostly of an imitative and demonstrative character, sometimes even being a form of simulacrum of the institutions of power, without having any influence on the real political decisions of the authorities or on the real assessment of the efficiency of regional and local government (Belyaeva 2009, 33). Such important indicators of the regional socio-economic sector as life expectancy at birth, population size, unemployment rate, real disposable income of the population, share of the total area of residential buildings, etc., do not show the whole picture of the state of regional management.

To date, concepts have been formed in the apparatus of public administration, according to which “management is an autonomous and self-sufficient phenomenon, reproducing its internal tasks, needs and processes” (Belyaeva 2009, 36).

As observed by F. Pega, N. Valentine, and D. Matenson (2010, 450), from the point of view of the effectiveness of social management, it is justified to rely on the definition

of the efficiency and effectiveness criterion as the decisive one in determining the rules of the functioning of the management system.

## **Research Methodology**

Methods of sociological analysis, statistics, and general scientific methods of synthesis allow the scientific systemization of the issues considered in the context of the social processes being studied.

The results of the sociological survey of public officers in the Komi Republic (Russia) reveal a set of problems in implementing the practices of new state management and assessing the effectiveness of state programs aimed at social and economic development.

Sociological research has demonstrated the need for in-depth development at each stage of public administration and public service reform. Public officers reveal a certain fatigue brought about by the activity of introducing business management practices into the activities of the state apparatus. Most public officials express a high level of willingness to organize work within a client-oriented model of public administration.

Analysis of the dynamics of the renewal of the corps of state apparatus employees revealed that the majority of public officials (80.8%) believe that after the elections for the next governor of the region, 10% of public sector employees will be dismissed and then replaced by supporters of the new head of the administration.

It is worth noting that in many cases it is the heads of the public service (56.2% of the “leaders” category) who insist on the dismissal of a large part of the state apparatus after the change of the head of the region; while 30.2% of the respondents suggested dismissing one quarter of public officials; and 26% of the surveyed category suggested dismissing half of public officials. More than 60% of respondents emphasized the high level of digital technology implementation, and more than the half of respondents (55%) admitted that the digitalization of government leads to threats to their information security and the mass formation of open databases for relevant consumer groups (businesses, civic organizations, etc.). This study emphasizes the importance of ensuring the information security of public administration institutions. The priority for the authorities is digital security in the process of introducing technology into management processes.

Sociological measurement methods refer to the instruments necessary in the development of the social technologies of public administration. Sociological methods are used in determining the assessment of the internal social dynamics of the public administration apparatus, the analysis of the efficiency and effectiveness of the internal processes of regional government bodies, and the political and economic decisions taken.

The focus of all transformations, reforms and public administration and public service system restructurings has always been on the desire to improve the efficiency of executive bodies and to raise the level of professional culture and professionalism of government officials, whose work largely depends on wellbeing and moderation in the country (Bell 2014, 109).

The idea and practice of new public management includes other important concepts: a consumer – a person or society as a whole, who is provided with high quality services;

and efficiency and effectiveness – the set of performance and cost-effectiveness indicators for government agencies' activity, i.e., spending less and saving resources.

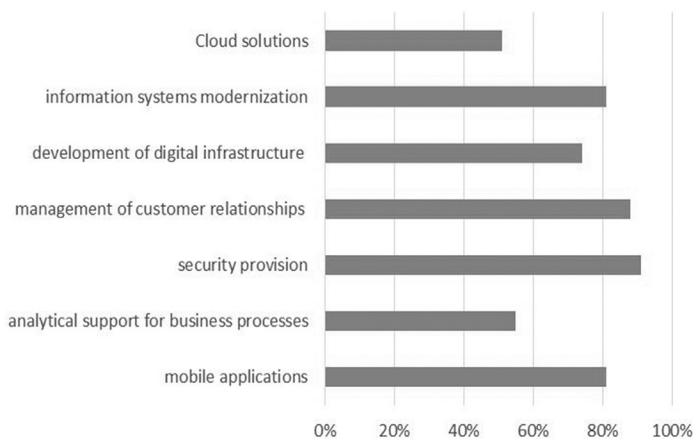
Reforming public service based on new public management is aimed at the improvement of the efficiency of the public sector and its economic impact. Customer (consumer) orientation and proximity to the citizen also provide an opportunity to improve the process of providing services to the public administration, and determine which public services can and should essentially be provided (Bolshakova 2014, 89).

The traditional approach to legislative activity, which involves a strict linear sequence of certain steps and agreements, is neither fast enough nor iterative enough for modern decision-making – the main challenges of the new digital age. Direct citizen engagement enabled by technology requires rethinking and developing fundamentally different processes aimed at simplifying interactions, from obtaining public and municipal services to holding elections.

## Results

A sociological survey of civil servants was carried out in the Komi Republic (Russia) using the generally accepted quantitative parameter of the sample set, calculated with the help of the Student criterion. The sample size this research work was 412 people – a sufficient basis for the empirical confirmation of the hypothesis.

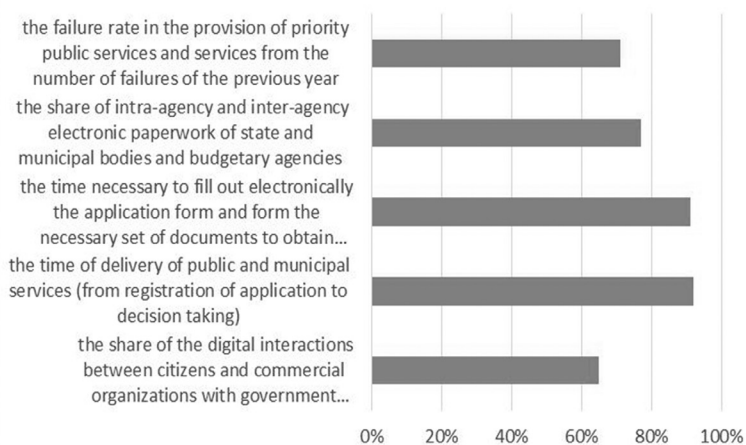
The target audience was comprised of public officers in the regional office of the government of the Komi Republic. The main part of the questions focused on the study of positions on the digitization of the public administration of the middle layer of bureaucracy – i.e., line managers who, according to the federal law of 27 July 2004 No. 79-FZ, fall into the civil service categories of chief professionals, leading professionals and department heads.



**Figure 1.** Answers to the question “What are the technological priorities of government agencies?” (Komi Republic, 2016, N = 412)

Source: Compiled by the authors

The results of the study reveal that when assessing the technological priorities chosen by the state bodies, the respondents considered the following factors to be the most important: 55% selected the transition of the processes of the state apparatus and the corresponding analytical support for business processes to platform solutions; 91% selected the security provision as among the most important indicators for civil servants; 88% selected the transition to life management and the management of relationships with customers and consumers of state services; 74% selected the need to support the development of digital infrastructure in the state apparatus; the constant support and the need to modernize information systems was selected by 81% of respondents, which includes ensuring the operation of the gocuslugi.ru state portal; and the format of mobile applications was also supported by 81% of the respondents.



**Figure 2.** Answers to the question “What are the most important indicators of the optimization of public and municipal services based on the increased use of information technology?” (Komi Republic, 2016, N = 412)

Source: Compiled by the authors

The transition to the task of digitizing public administration is important for most public servants. The results of the sociological study allow for the conclusion that the leading indicators in assessing the degree of optimization of public and municipal services based on the expanded use of information technology are: the time of delivery of public and municipal services from application to decision (92% of respondents); the importance of electronically filling out the application form and forming the necessary set of documents to obtain public and municipal services (91%); the share of intra- and inter-agency electronic paperwork for state and municipal bodies and budgetary agencies (77%); the failure rate in the provision of priority public services and other services relative to the number of failures in the previous year (71%); and the share of digital in-

teractions between citizens and commercial organizations with government (municipal) bodies and budget agencies (65%).

New digital technologies have great potential to transform traditional public administration processes. The importance of transplanting digital research into the functioning of public administration is linked to cybersecurity problems and the confidentiality of national information platforms.

New areas in the field of cloud technologies, cybersecurity and information analytics are leading the way in the system of modern government, as shown above by the importance of the information security provision indicator in the assessment of public officials, with 91% of respondents observing that it is a priority.

According to an expert assessment by the High School of Economics Research Institute (*Digital transformation... 2019*, 43), the set order of activities aimed at the coordination of informatization has a number of significant shortcomings. First, the criteria set by the Russian government for evaluating informatization plans are extremely vague, which does not imply the qualitative examination of planned and conducted information activities by the Russian Ministry of Communications. Secondly, the approved provisions do not provide any serious consequences for federal executive authorities if the set requirements are not met. Thus, the information coordination mechanism has not become a tool for forming a unified IT decision architecture at the federal level. The federal government authorities continue to be autonomous consumers of IT solutions in automating their own activities, and the coordination of information plans and reports on their performance with the Russian Ministry of Communications is merely formal.

Government costs were mainly borne within the framework of specialized state programs, especially the Information Society program, the global goal of which is to bring Russia into the top 10 countries in terms of the development of information technologies. This comprehensive program identifies three key directions for the digital economy:

- infrastructure development and narrowing the digital gap between the regions;
- the development of e-government;
- the development of ICT-based services.

The digitalization of public administration is a leading priority in the business processes of the state apparatus, which consistently includes security and management (Gaspareniene et al. 2016, 503). The digitalization of management processes is based on expanding data and using analytical capabilities by way of creating digital culture, enhancing the accessibility of databases, and providing local interfaces for internal and external usage environments.

## **Discussion**

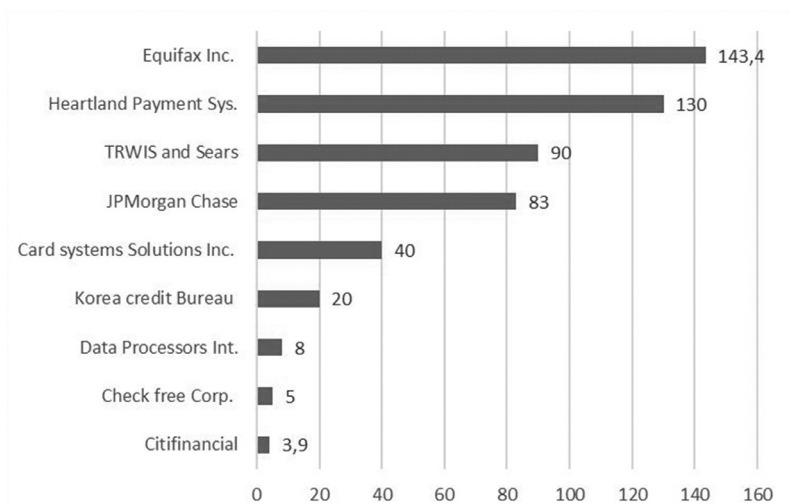
Modern public sector organizations highly appreciate a degree of network defense, or information protection. The state has to invest heavily in the development and improvement of information security measures: it must purchase expensive encryption equipment, specific software, and special licenses (Zhudrov 2018, 67).

The concept of safety is important because of the human factor, as social engineering

works the same way in many spheres. The difference here lies in the activity of the society itself. In different countries, various measures of information security are initiated by various social groups, from parents to professional associations. In Russia, security measures run down from above and are rejected by society on the spot, regardless of whether they are necessary or not. Wider research shows that there are almost no hacking sites abroad, yet there are a large number of them in the Russian language. As a result, approaches to network security are changing.

Such programs have long been working beyond a signal-based approach – that is, they do not only identify viruses by their characteristic features, but also analyze anomalies in traffic and the behavior of objects, taking into account the fact that malicious traffic is able to conceal itself in the form of other popular and permitted protocols and programs. In addition, attackers do not disregard legal software – for example, that of system administrators. The human factor works in favor of intruders. For the authorities, the most important threats and vulnerabilities of zero-day are encryption viruses or targeted attacks, which are also a form of illicit goods, such as drugs or weapons.

In future, the cyber arms race will escalate. The competitiveness of global institutions of power will depend on the formation of a cybersecurity ecosystem. This will allow: closing all available channels, not only single points of entry; taking into account a wide range of attack targets; introducing machine learning algorithms; and identifying incidents, even in the context of incomplete data. The future lies with intelligent services that are able to find solutions without involving people.



**Figure 3.** *The largest profile data thefts, millions of customers, 2019*

According to Deloitte research (Briggs and O'Dwyer 2016), the cost of cybersecurity for companies is typically included in the overall budget of the IT department, and on

average makes up around 12% of its total outlay. According to IDG, around 75% of companies have combined IT and cybersecurity departments, and only 25% of companies include a separate cybersecurity department as an independent structure.

All of the above highlights the importance of security issues for public administration.

According to the latest research and BCG rating (Bank and Butenko 2016), Russia is among the top 10 countries in terms of the percentage of its population that actively uses public services online. Monthly, 10 million people visit the gosuslugi.ru portal, and this number is continually growing. At the same time, the penetration rate of public services among the adult population is almost 70%. The majority of consumers, 84%, use the gosuslugi.ru public portal to pay fines. According to statistics, this is the most popular online public service, but there are other services that are also commonly used for booking medical appointments, enrolling in schools or kindergartens, and issuing passports.

The use of web services carries risks, the most common of which is the loss of the electronic digital signature key. The situation is changing as new services are added to the portal and it becomes more popular, yet plunderers continue to use people's electronic signatures to register false businesses for tax avoidance, which the government then attempts to extract from the complainant. Experts consider this problem very serious, as an electronic digital signature (EDS) can be obtained in any certifying center, and information about issued and revoked certificates is available only from these centers. At the moment, it is impossible to check in a particular location whether an EDS certificate has been issued and, if so, where and when. Issuing a new certificate does not automatically cancel the validity of a previous one.

## Conclusion

1. Increased investment in the electronic public environment and information technology is becoming a particularly important factor for the active transition to digital public and municipal services. It should be borne in mind that administrative reform is accompanied by changes in the approach to management technologies and the provision of resources to government bodies.
2. The analysis of internal factors of the functioning of the state apparatus and indicators influencing the behavior and decision-making of public officials has revealed a set of conditions affecting the digitalization of public services (Mercer 2003, 9).
3. This research shows that there is a need for more precise differentiation of: the status of career officials and political officials; the expansion and change of the practice of contracts with public officials; the introduction of KPIs; and the establishment of work efficiency indicators.
4. The digitalization of the state apparatus should take place at all levels – first and foremost in provisional activity. Successful implementation is only possible if all levels and directions are fully covered by digital transformation. The main condition for successful digitization is to redesign all processes based on the complete exclusion of traditional paper processes and any face-to-face interactions. Digital reengineering and au-

tomation of all processes without exception, including routine procedures, is necessary in government bodies. Digital transformation means the transfer to data, services and infrastructure of common use.

5. The main factors making information expenditures inefficient include the absence of a methodology for determining the cost of operating and developing information systems set as a norm by regulations, as well as the lack of direct legislative definitions of government information systems and their creation.
6. Thus, it is important to note that the need to implement a platform business model and its successful operation is due to a set of economic characteristics.
  - a. First, the purpose of any digital platform is to ensure that users of different types interact.
  - b. Second, the platform company usually does not own the product it sells on the market, and does not provide the services it offers on the market. This creates an open, interactive infrastructure for all market participants, with well-defined rules.
  - c. Third, successful platforms are characterized by a large number of participants both on the part of suppliers and consumers, so the costs of both sides for selection and interaction with each other are quite high.
  - d. Fourth, the level of quality and the speed of interaction increases with platform services, while expenditures for the interaction of platform users decrease, as compared to traditional forms of interaction. This is particularly important for improving the efficiency of public and municipal governance.
  - e. Finally, modern platforms are constantly accumulating large amounts of data on participants' behavior, which is then used to optimize the operation of platforms.

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Y. Bolšakova, S. Bolšakovas, M. Gruničėvas

## SOCIOLOGINIAI VIEŠOJO ADMINISTRAVIMO SKAITMENINIMO TYRIMAI

**Anotacija.** *Vertinant viešojo administravimo socialinę dinamiką, analizuojant vidaus efektyvumo procesus ir regionų valdžios institucijų veiklos efektyvumą, priimamus politinius ir ekonominius sprendimus, itin reikšmingas tapo sociologinių instrumentų panaudojimo pritaikomumas. Tyrimo, atlikto Komijos respublikoje, rezultatai skirti geriausių elektroninės valdžios įgyvendinimo mechanizmų paieškoms. Tyrimas atskleidžia valstybės valdymo požiūrį į viešųjų paslaugų reformas, viešojo administravimo technologinius prioritetus, viešųjų ir savivaldybių paslaugų optimizavimo rodiklius remiantis sustiprintu informacinių technologijų panaudojimu.*

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## THE IMPACT OF TAX REVENUES ON ECONOMIC GROWTH: EMPIRICAL EVIDENCE FROM GEORGIA

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**Abstract.** *Establishing a rational tax policy is of great importance for stable and effective public governance. This article discusses the impact of changes in tax revenues on economic growth, using the example of Georgia. In the years after independence, significant changes in Georgian tax policy were made several times, which affected the economy of the country and made the issue of tax policy research relevant. Taxation is an important source of state revenues in Georgia. The amount of tax revenues in Georgia has continuously increased over the years, and reached 22.2% of gross domestic product in 2020. In addition, the ratio of revenues collected by direct and indirect taxes in tax revenues and the changes in dynamics are noteworthy. The impact of taxation on economic growth in Georgia is analyzed in this paper using the Autoregressive Distributed Lag (ARDL) model. The results of the econometric analysis suggest the positive and significant impact of indirect taxes as well as the negative impact of direct taxes on economic growth. Thus, tax policy changes are recommended.*

**Keywords:** *tax revenues, economic growth, budgetary policy, direct and indirect taxes, ARDL model*

**Reikšminiai žodžiai:** *mokestinės pajamos, ekonomikos augimas, biudžeto politika, tiesioginiai ir netiesioginiai mokesčiai, ARDL modelis.*

### Methodology and Data Description

Taxation is a powerful instrument of fiscal policy which can promote consumption and investment. The structure and financing of tax changes are critical to achieving economic growth (Gale and Samwick 2017). Researchers around the world have long been interested in tax policy changes because of the potential they have to affect the overall

economy (Gaspar 2015; Kalaš et al. 2017; OECD 2008). Some studies show that increases in average marginal income tax rates have significant negative effects on gross domestic product (GDP) (Barro and Redlick 2011). In order to examine the relationship between GDP and tax revenues in Georgia, an autoregressive distributed lag model (ARDL) was built. This model is best used for data with small sample sizes. In an ARDL model, the dependent variable is a function of its own past lagged values as well as the current and past values of other explanatory variables (Pesaran and Shin 1999). The above-mentioned method allows us to take into account the nature of the variables and the effects they have on themselves. Therefore, we can estimate the dynamic macroeconomic relationship between them and obtain a more realistic outcome.

The data used in this research were collected from the official documents of the Ministry of Finance of Georgia ([www.mof.ge](http://www.mof.ge)), State Treasury ([www.treasury.ge](http://www.treasury.ge)) and the National Statistics Office of Georgia ([www.geostat.ge](http://www.geostat.ge)). The empirical analysis was based on quarterly data from 2005 to 2020.

## Research Results and Discussion

The aim of this study was to investigate the impact of direct and indirect taxes on the economic growth of Georgia. In order to obtain reliable empirical results, the GDP and tax variables were seasonally adjusted and logarithmized. For empirical evaluation, the following model was formulated:

$$\text{LGDP}_t = \alpha_0 + \alpha_1 \text{LIT}_t + \alpha_2 \text{LDT}_t + \varepsilon_t \quad (1)$$

In the above equation, GDP represents economic growth and is the dependent variable of the model; IT is indirect taxes; DT is direct taxes;  $\alpha_0$  is the constant term;  $\alpha_1$  and  $\alpha_2$  are cointegrating vectors; and  $\varepsilon_t$  is the error term.

At the first stage of empirical research, it is important to analyze the seasonality of time series. Quarterly time series are often characterized by considerable seasonal variations, which might complicate inter-period comparability. Therefore, such time series are subjected to a seasonal adjustment process in order to remove the effects of seasonal fluctuations. Seasonal adjustment provides a clearer picture of time series. As a result of the analysis, the existence of a seasonal component was confirmed. In order to remove seasonal patterns, the moving average method was used. At the next stage of the study, the statistical characteristics of the variables were assessed (Table 1).

**Table 1.** Statistical characteristics of time series

CHARACTERISTICS	GDP	DIRECT TAXES	INDIRECT TAXES
Mean	5,771	657	900
Median	5,777	682	900
Maximum	7,723	1,341	1,532
Minimum	3,820	118	288
Standard Deviation	1,060	316	344
Skewness	0.045	0.08	0.24

CHARACTERISTICS	GDP	DIRECT TAXES	INDIRECT TAXES
Kurtosis	1.964	2.16	2.18
Jarque–Bera	2.614	1.75	2.19
Probability	0.27	0.42	0.33

Source: author's own calculations.

In the course of the research, the time series of the variables were tested for normality using the Jarque–Bera test. It was concluded that all variables were normally distributed, since each of their probabilities exceeded 0.05.

In order to determine the stationarity in the time series, the seasonally adjusted logarithmic values of GDP and both direct and indirect taxes were examined using the augmented Dickey–Fuller test (Table 2).

**Table 2.** *Augmented Dickey–Fuller test statistics*

			Test-critical values	T-statistic	Probability
GDP	LEVEL	Constant	−2.914*	−1.498	0.528
		Constant and linear trend	−3.497*	−4.515	0.004
	1ST DIFFERENCE	Constant	−2.915*	−8.553	0.000
		Constant and linear trend	−3.492*	−8.551	0.000
DIRECT TAXES	LEVEL	Constant	−2.917*	−3.160	0.028
		Constant and linear trend	−3.495*	−2.892	0.173
	1ST DIFFERENCE	Constant	−2.916*	−7.470	0.000
		Constant and linear trend	−3.495*	−6.298	0.000
INDIRECT TAXES	LEVEL	Constant	−2.917*	−1.655	0.448
		Constant and linear trend	−3.497*	−4.560	0.003
	1ST DIFFERENCE	Constant	−2.917*	−4.324	0.001
		Constant and linear trend	−3.495*	−4.420	0.005

Source: author's own calculations. Note: \* indicates a significance level of 5%.

Akaike information criterion (AIC) was used.

The ARDL approach allows the variables to be stationary at different levels ( $I(0)$ ,  $I(1)$ ) and the regressors to have different optimal lag lengths. The null hypothesis assumes that the time series is non-stationary or has a unit root (Dickey and Fuller 1979). When the test statistic of a variable is less than its own critical value and the  $p$ -value is less than 0.05, we conclude that the time series is stationary. In this case, the test statistic < critical value and  $p < 0.05$ , so the null hypothesis was rejected. According to the results of the analysis, the variables are stationary at no more than the first difference. Consequently, the danger of spurious regression has been eliminated.

Based on the results of the analysis, the ARDL model of taxes–GDP was built, where the dependent variable is GDP. The optimal lag length was selected automatically using the Akaike Information Criterion (AIC). The optimal ARDL model (1,1,0) was selected from the 100 models evaluated.

**Table 3.** Characteristics of the ARDL model

Variable	Coefficient	Probability
Log(GDP(--1))	0.566	0.0000
Log(DT)	0.020	0.3025
Log(DT(--1))	--0.045	0.0128
Log(IT)	0.122	0.0033
C	3.016	0.0002
TREND	0.003	0.0026

Source: author’s own calculations.

Based on the data presented in Table 3, it is concluded that most of the regressors are significant at the 5% significance level, since their probabilities are less than 0.05.

At the next stage of the research, in order to detect the presence of a long-term relationship between the variables, a bounds test was conducted, the null and alternative hypotheses of which have the following forms:

$H_0 : \alpha_0 = \alpha_1 = \alpha_2 = \alpha_3 = 0$  (there is no cointegration between time series)

$H_1 : \alpha_0 \neq \alpha_1 \neq \alpha_2 \neq \alpha_3 \neq 0$  (there is cointegration between time series)

The results of the bounds test for cointegration are presented in Table 4.

**Table 4.** F-Bounds test results

T-statistic	Value	Significance level	I(0)	I(1)
F-statistic	7.44	10%	4.19	5.06
		5%	4.87	5.85
		2.5%	5.79	6.59
		1%	6.34	7.52

Source: author’s own calculations.

As can be seen from Table 4, the value of the F-statistic (7.44) is larger than the upper critical value – the value of I(1) for 5% significance level (5.85). Accordingly, we can reject the null hypothesis and conclude that there is cointegration between the time series. Cointegration essentially means two time series have a long-run relationship.

**Table 5.** ARDL Long Run Form

Variable	Coefficient	Probability
Log(DT)	--0.059	0.1721
Log(IT)	0.283	0.0008

Source: author’s own calculations.

The long-run coefficients obtained by estimating the ARDL model can be interpreted as follows: the coefficient of direct taxes is equal to  $-0.059$  and that of indirect taxes is equal to  $0.283$ , which means that a 1% increase in direct taxes in the future will lead to a decrease in GDP of approximately 0.06%, and a 1% increase in indirect taxes will lead to an increase in GDP of 0.28%. However, according to the long-run form of the ARDL model, indirect taxes are a significant variable, while direct taxes are insignificant. Among the regressors, constant and trend are also significant.

Based on the above calculation by integrating the data into the first equation, the following simplified model for the economy of Georgia is obtained:

$$LGDP_t = 0.57*LGDP_{t-1} + 3.02 + 0.28*LIT_t - 0.06*LDT_{t-1} + 0.003*TREND \quad (2)$$

Since cointegration between the time series was confirmed, the study proceeded to determine the characteristics of the error correction model (ECM). This model reflects the long-run equilibrium relationships of variables and includes a short-run dynamic adjustment mechanism which shows how variables adjust when they are out of equilibrium. The ECM allows us to measure long-run equilibrium recovery rate. Therefore, the error correction model makes it possible to estimate both the short-term and long-term effects of the explanatory variables on the dependent variable.

**Table 6.** *Characteristics of the ECM*

Variable	Coefficient	Probability
C	3.016	0.0000
TREND	0.003	0.0000
D(LDT)	0.020	0.2297
CointEq(-1)	$-0.434$	0.0000

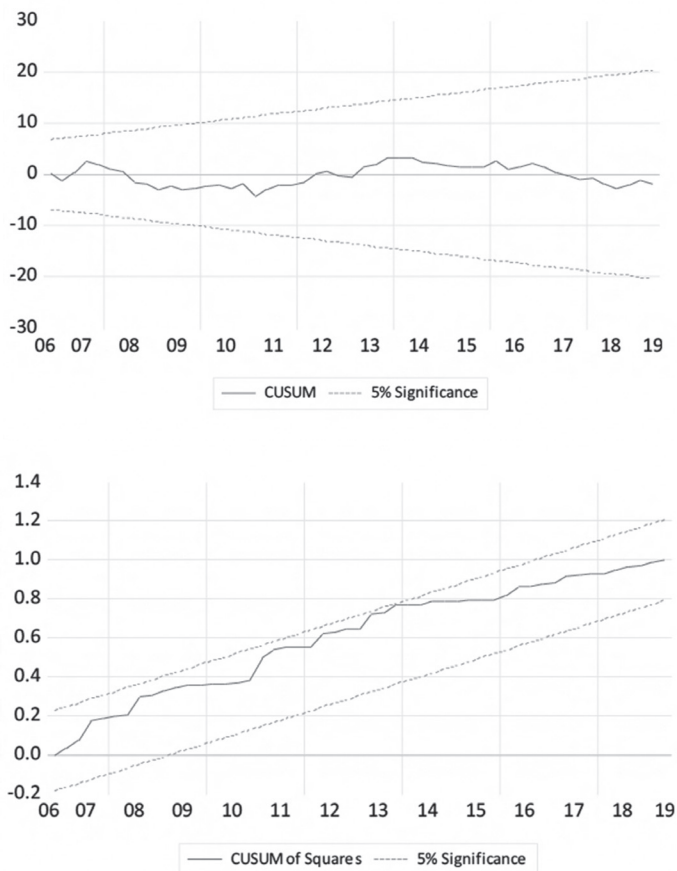
Source: author's own calculations

The error correction model built on the basis of the data presented in Table 6 has the following form:

$$\Delta LGDP_t = 3.02 + \Delta 0.06*LDT_t + 0.003*TREND - 0.43*CointEq(-1) \quad (3)$$

According to Table 6, the coefficient of the cointegrating equation is  $-0.43$  and is statistically significant, which indicates that the deviation from the long-run equilibrium of the previous period (quarter in this case) is corrected in the next quarter by approximately 43%. As for differentiated direct taxes, their corresponding coefficient is insignificant.

After specifying the ARDL characteristics, the model was tested for stability with the CUSUM and CUSUMSQ tests. The graphs of CUSUM and CUSUMSQ test statistics lie within the 5% critical bound; therefore, the ARDL model is stable (Figure 1).



**Figure 1.** ARDL model stability test results

Source: author's own calculations.

In order to test for the presence of autocorrelation in the residuals, the Breusch–Godfrey test was performed. As a result, the null hypothesis of no autocorrelation was not rejected (Table 7).

**Table 7.** Breusch–Godfrey test results

F-statistic	2.0065
Probability	0.1628

Source: author's own calculations.

At the same time, the model was tested for heteroscedasticity with the White test, and it was found that there is no heteroskedasticity in the residuals (Table 8).



**Table 8.** *White test results*

F-statistic	1.5041
Probability	0.1411

Source: author's own calculations.

According to the results of the model evaluation, the ARDL model built on the example of the Georgian economy is reliable because there is no serial correlation and most of the coefficients of the explanatory variables included in the model are statistically significant. The model is statistically significant, since the estimated coefficient of determination ( $R^2 = 0.9895$ ) and the adjusted coefficient of determination (adjusted  $R^2 = 0.9885$ ) are close to 1. Therefore, we can conclude that the model can be used for long-term forecasting when indirect taxes are included as an independent variable.

## Conclusion

The research presented above was motivated by the need for an empirical analysis of the impact of taxes on economic growth in Georgia. Based on the results of the research, it can be concluded that:

1. Indirect taxes have a positive and significant impact on economic growth;
2. Direct taxes have a negative impact on economic growth;
3. Income and profit taxes paid by taxpayers have a negative effect on economic growth, given that they reduce the disposable income of economic agents. Rising profit and income taxes discourages firms and individuals from making investments;
4. Value added tax and excise tax, which are indirect taxes, have a positive effect on economic growth by increasing government revenues.

Thus, the author recommends a decrease in the share of direct taxes in Georgia's total tax revenues at the expense of indirect tax revenues that will significantly contribute to economic growth.

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Natia Sharabidze

## MOKESČIŲ PAJAMŲ ĮTAKA EKONOMIKOS AUGIMUI: EMPIRINIAI ĮRODYMAI IŠ SAKARTVELO

**Anotacija.** *Stabiliam ir efektyviam viešajam administravimui daug reikšmės turi racionalios mokesčių politikos kūrimas. Straipsnyje nagrinėjama mokestinių pajamų pokyčių įtaka ekonomikos augimui remiantis Sakartvelo pavyzdžiu. Po nepriklausomybės atkūrimo Sakartvelo mokesčių politika kelis kartus patyrė reikšmingų pokyčių, kurie paveikė šalies ekonomiką ir tapo aktualiu mokesčių politikos tyrimų klausimu. Mokesčiai yra svarbus Sakartvelo valstybės pajamų šaltinis. Mokesčių pajamų dydis Sakartvele bėgant metams nuolat didėjo ir 2020 metais pasiekė 22,2 % BVP (bendrojo vidaus produkto). Be to, verta atkreipti dėmesį į tiesioginių ir netiesioginių mokesčių surinktų pajamų dalį bendroje mokestinių pajamų apimtyje ir jų kitimo dinamiką. Mokesčių pajamų įtaka Sakartvelo ekonomikos augimui analizuojama naudojant autoregresinio paskirstyto atsilikimo (ARDL) modelį. Ekonometrinės analizės rezultatai liudija teigiamą ir reikšmingą netiesioginių mokesčių, taip pat neigiamą tiesioginių mokesčių įtaką ekonomikos augimui. Atitinkamai rekomenduotini mokesčių politikos pakeitimai.*

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# GENDER EQUALITY ISSUES AND WOMEN'S EMPOWERMENT POLICIES FROM 2000 TO 2022: A BIBLIOMETRIC ANALYSIS

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**Abstract.** *This research is focused on reviewing the literature on the issue of gender equality and women's empowerment policies to reveal relationships, publication trends, hot topics or themes that have always been the object of research – especially on the issue of gender equality and women's empowerment. In this study, the data used for analysis was consisted of 877 documents obtained from the Scopus database. Then, the data was analyzed using VOSviewer. VOSviewer is used for creating, visualizing, and exploring bibliometric maps of science. The results showed a significant increase in the number of publications on gender equality issues over time. However, these results do not necessarily become a primary indicator of the occurrence of gender parity. On the contrary, the results of this study can be used as a reference to understand gender mainstreaming better, as well as to outline the benefits of gender equality and women's empowerment – namely, creating prosperity and peace for the entire community.*

**Keywords:** *bibliometric analysis, gender equality, gender mainstreaming, women's empowerment, policy.*

**Reikšminiai žodžiai:** *bibliometrinė analizė, lyčių lygybė, lyčių aspekto integravimas, moterų įgalinimas, politika.*

## Introduction

Gender equality has perhaps been one of the most important conversations we have had as a society over the last century (Montecinos and Anguita 2015; Latimer et al. 2019). As long as humans involve themselves in rules of a social, cultural, educational and belief-based nature, the issue of gender equality will always be debated. This is because

each individual carries out many different duties and responsibilities. Therefore, it is not wrong to assume that gender equality is a contested notion (Verloo and Lombardo 2007). Gender equality is synonymous with social balance, a balance which determines that roles, rights, and responsibilities must be equal between men and women (Widanti and Putra 2021).

In a literal sense, gender is not the same as sex. Sex is a biology-based trait of male and female identity, while gender refers to men's and women's socially and culturally determined identities (Compère et al. 2018; Hodgetts and Hausmann 2021). Gender relates to a society's duties, responsibilities, access, and opportunities for men and women, boys and girls. In the context of gender, the terms *equity* and *equality* are frequently used interchangeably. Gender equity is the process of treating women and men fairly and justly (i.e., the collection of behaviors, attitudes, and assumptions that give opportunities and generate expectations about people) in order to achieve gender equality (Brugere 2014, 87). Thus, it is fundamental to strive for gender equality, because equality between women and men is a fundamental value of any country's development and is vital to its economic and social growth (European Institute for Gender Equality 2013). In other words, gender equality is a yardstick for measuring the progress of social civilization and an important goal that must be met in order for humankind to achieve sustainable development.

Despite the explanation above, the question of whether gender equality policy has been applied well may be asked. We cannot ignore data that suggests that some countries have applied gender equality policy very well – for instance, Iceland, the most gender-equal country in the world for the 12th time, Finland, Norway, New Zealand, and Sweden (World Economic Forum 2021). On the contrary, there are still many people in various countries who experience gender inequality in the fields of education, participation in politics, decision-making, health, employment and so on (Gelgel and Apriani 2019). Table 1 outlines the differences in the representation of men and women in different skills clusters.

**Table 1.** Share of men and women by skills cluster

No.	Skill Cluster	Men	Women
1	Technology, Disruptive	71	29
2	Business	61	39
3	All	61	39
4	Technology	60	40
5	Specialized Industry	59	41
6	Soft	58	42

Source: World Economic Forum (2020).

Table 1 outlines points out the fact that the gender equality issue mostly refers to women's empowerment. This is caused by the gender gaps felt by women, who tend to be discriminated against. Therefore, it is as if women are limited regarding aspects of their

expertise, intelligence, and talent, and women are continuously marginalized while men are not limited at all. Unfortunately, women are often considered weak, while being a man is perceived as a superpower (see Dewi et al. 2022). As a result of these stark differences, the issue of gender equality is always related to women. In fact, countries with the lowest levels of women's inclusion, justice, and security frequently have the worst records relating to maternal and infant mortality (Klugman et al. 2019). Similarly, Zhang et al. (2021) stated that the importance of women in the global governance of climate change is self-evident.

Examining the role of women profoundly and critically, it is clear that their role is crucial, for example, in: the household and child affairs (Hamidi et al. 2021); the environment (see Fiantis et al. 2022); health (Porth et al. 2021); education and technology (see Marinova et al. 2021); organizations (see Smirles et al. 2020); economics (see Chuan-chuan and Jingwen 2021); and in various other responsibilities to which women have always contributed. Thus, the role of women in national development cannot be underestimated, and women have contributed to almost all aspects of human activity (Goldin 2006). Development in any country lies on the shoulders of how productive and creative the female population is (John et al. 2019). Likewise, women play critical roles as effective advocates for peace, community leaders, and champions of civil and human rights (USAID 2020). Therefore, it should be highlighted that these synergies and the centrality of addressing gender inequality and women's empowerment are part of the sustainable development agenda.

In addition, the issue of gender equality and women's empowerment policies is interesting to study, both socially and bibliographically. Many studies on gender equality and women's empowerment policies have been published (see Figure 1). In addition, the issue of gender equality is widely studied by various disciplines such as social science, arts and humanities, business and management, economics, law, health and so on. Based on the explanation above, this research is focused on analyzing literature from 2000 to 2022 and using a bibliometric analysis approach with the VOSviewer tool (Donthu et al. 2021). The author wants to examine publication trends, the theme of the gender issue, and the influence of different authors and issues on gender equality and women's empowerment policies. To achieve the objectives of this research, the researcher formulated several research questions as follows:

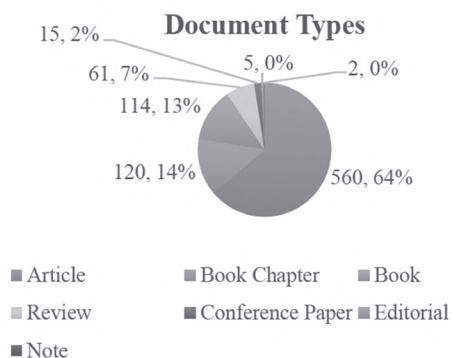
1. What are the publication's trends and its relationship with gender equality issues and women's empowerment policies?
2. Which themes are most often analyzed in gender equality issues and women's empowerment policies?
3. What are the most influential documents in gender equality issues and women's empowerment policies?
4. What is the most influential country in the publication of gender equality issues and women's empowerment policies?

## Methods and Data Analysis

### Method

The first step in conducting a bibliometric literature analysis is to determine the scope of the research study. This is essential because it is closely related to the content and amount of data to be analyzed (Waltman and van Eck 2012). The data used to analyze gender equality was taken from the Scopus database – a source-neutral abstract and citation database curated by independent subject matter experts. As a result, Scopus provides the most comprehensive overview of global research output in science, technology, health, social science, and the arts and humanities (Elsevier 2020).

There are 877 documents used in this analysis, consisting of various types. Data collection from Scopus was carried out on May 11, 2022, with the following keywords: gender equality; and women's policy. The data search produced 877 documents that were divided into several research subject areas and document types as follows: article – 560; book chapter – 120; book – 114; review – 61; conference paper – 15; editorial – 5; and note – 2. The types of data used in this study are presented in Figure 1.



**Figure 1.** Analysis of all documents on gender equality issues and women's empowerment policies

Source: Author

### Data Analysis

The database containing 877 documents was then converted to .csv format and analyzed using VOSviewer version 1.6.18 (van Eck and Waltman 2015). VOSviewer is a software tool for creating maps based on network data and for visualizing and exploring these maps (van Eck and Waltman 2011). VOSviewer is applied not only for data visualization but also to determine several types of analysis, such as the relationship between co-authorship and organization, the co-occurrence relationship with the author, the cita-

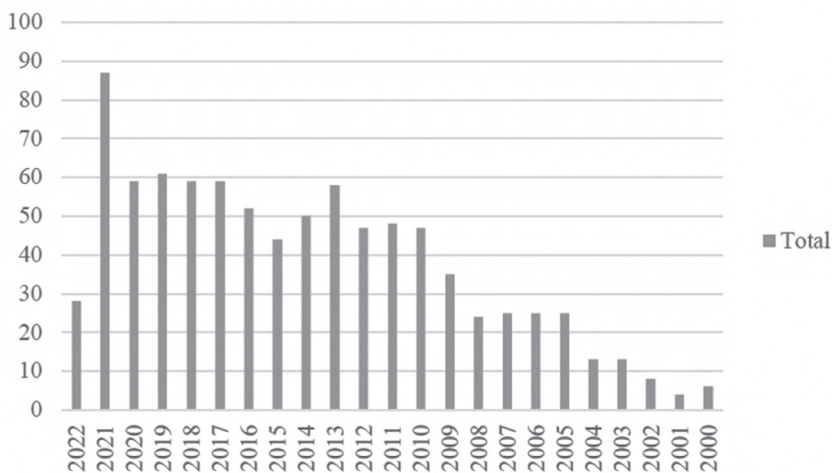
tion relationship with the author's country, and so on (Hassan et al. 2022). In addition, Tableau Public version 2021.4, an intelligence software, was also used for data visualization. Together, these two bibliometric literature analysis tools were used to obtain detailed analysis while presenting the data with an attractive appearance.

## Results and Discussion

### *Trends in Publications on the Gender Equality Issue and Women's Empowerment Policies*

In this section, the results of the analysis are focused on disclosing the number of documents, citations and sources of publications related to gender equality and women's empowerment policies on a yearly basis. Then, the results of this analysis are interpreted based on the database obtained from the VOSviewer analysis tool, as shown below.

- a. The annual number of publications.



**Figure 2.** Annual number of publications on gender equality issues and women's empowerment policies

Source: Author

Figure 2 is clear evidence that interest in the issue of gender inequality or women's empowerment has increased rapidly, especially in the field of research publications. Of course, these results prove that the issue of gender equality is increasingly being elucidated. There is no doubt that the phenomenon of gender inequality that occurs in society, government and in various other communities is receiving greater attention in the fields of work (see International Labour Organization 2020, 67), organizations (see

Ghellab and Vaughan-Whitehead 2021, 16), education (see also Yao and You 2018), and politics. Despite this, women are still underrepresented in politics (Gonzalez-Eiras and Sanz 2021), health and other fields. The most recent report from UN Women stated that women living with children were more likely to lose their jobs than men living with children (UN Women 2021). Based on the data above, from 2000 to 2022 the number of publications on gender equality issues and women's empowerment policies experienced ups and downs. For example, in 2000–2001, the number of publications was only 10; however, 11 years later (2012–2013), this number had grown significantly to 58. Furthermore, 2014–2016 experienced a slight decrease in this number to 50, while 2017–2020 was stable at 60. From its peak in 2021, this number looks as if it will continue to increase until it surpasses 90.

#### b. Citation-based source analysis

**Table 2.** *The top 5 sources of gender equality issues and women's empowerment policies*

NO	SOURCES	DOCUMENTS	CITATION	TOTAL LINK STRENGTH
1	<i>Social Politics</i>	28	1,397	160
2	<i>NORA – Nordic Journal of Feminist and Gender Research</i>	20	212	41
3	<i>Politics and Gender</i>	19	277	61
4	<i>International Feminist Journal of Politics</i>	13	410	72
5	<i>Gender, Work and Organization</i>	12	91	24

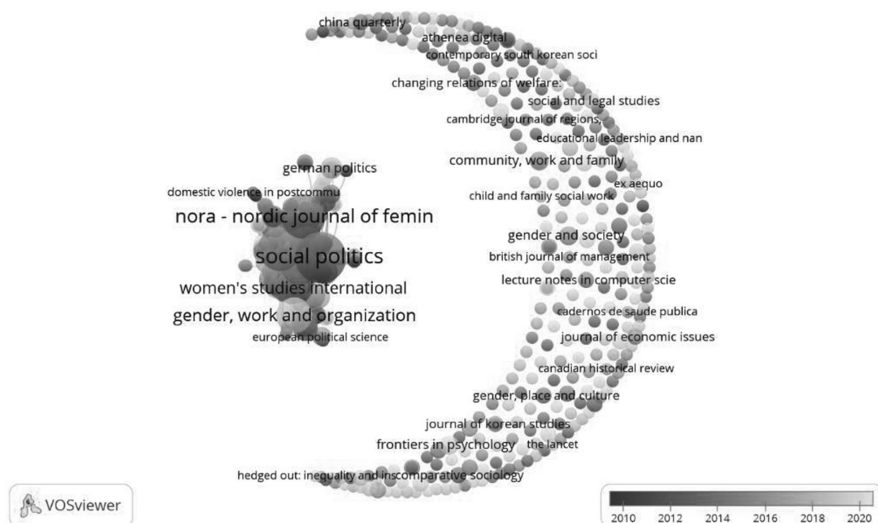
**Source:** *Research results by researchers, 2022.*

Table 2 shows the number of publications per year as the main indicator in selecting the top 20 sources on the issue of gender equality issues and women's empowerment policies. *Social Politics*, one of the sources with the highest number of publications on gender equality and political policies, produced 28 documents and 1,397 citations per year. This was followed by: *NORA – the Nordic Journal of Feminist and Gender Research*, with 20 documents and 212 citations; *Politics and Gender*, with 19 documents and 277 citations; the *International Feminist Journal of Politics*, with 13 documents; and *Gender, Work and Organization*, with 12 documents.

#### c. Average number of publications per year

The average number of publications published per year published by each journal is provided in Table 2, and is visualized in Figure 3 below.





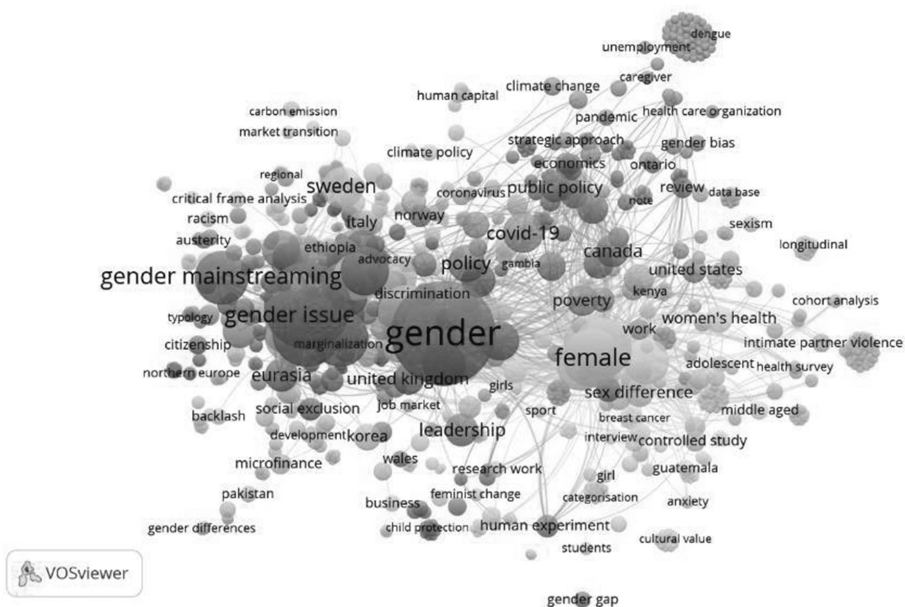
**Figure 3.** A visualization of publications on gender equality issues and women's empowerment policies and their connection with other sources

Source: Author

Figure 3 shows that most publications on gender equality issues and women's empowerment policies were published by *Social Politics* in 2010. In 2012, *Mainstreaming Politics: Gendering Practices and Feminist Theory, Policy and Politics* and *NORA – Nordic Journal of Feminist and Gender Research* led the way. *Politics and Gender*, *International Feminist Journal of Politics*, *European Journal of Women's Studies*, and the *Women's Studies International Forum* were the most prolific publishers in 2014, while the *Journal of Women, Politics and Policy* led in 2016. Finally, *Gender, Work and Organization* published the most papers in 2018, and the *European Journal of Politics and Gender* and *Public Administration* in 2020. Apart from the productivity of each journal in publishing on the issue of gender equality and women's policy, the most exciting aspect of this analysis is that *Gender, Work and Organization* is such a prominent source, as these are gender equality issues to which women remain vulnerable today. For example, the International Labour Organization (2020) reported that 327 million wage earners were paid at or below the applicable hourly minimum wage in 2020. In addition, in Pakistan, women face economic and social vulnerability and need cash transfer programs to reduce poverty and inequality and increase their empowerment (Sarfratz et al. 2022). Likewise, Moughalian and Täuber (2020) observed that when organizations are more concerned with their reputation than with changing existing inequality regimes, gender equality initiatives create the illusion of an institutional commitment to diversity and inclusion that masks persistent abuses of power.

### *The Most Frequently Analyzed Themes in Gender Equality Issues and Women's Empowerment Policies*

The emergence of the keywords in Figure 4 are the result of the analysis of a database of 877 documents in VOSviewer (see Figure 1). As a result, it was revealed that there are many diverse topics or themes related to these issues, especially gender equality and women's empowerment policies.



**Figure 4.** Network visualization of co-occurrences based on an all keywords analysis of gender equality issues and women's empowerment policies

Source: Author

From Figure 4, it can be observed that the topics that still dominate the issue of gender equality studies are: gender, gender equality, women status, female, human, women, feminism, gender mainstreaming, article, gender issue, male, gender relations, intersectionality, humans, European Union, gender role, employment, social policy, Sweden, policy making, COVID-19, domestic violence, gender disparity, Europe, policy, equality, adult, women's right, and so on. All of these keywords are themes that have always been the object of research of this kind, especially in gender equality studies and women's empowerment as the research object is vulnerable to the issue of gender inequality (Zabaniotou 2021). This is doubly reinforced by the nodes that circle the keyword in Figure 4.

The larger the circle of nodes, the greater the influence – both in terms of the number of research documents and the strength of the links between research issues or topics. Interestingly, several countries and regions appear in the co-occurrence analysis on gender equality, such as Sweden, Canada, the EU, the UK, Europe, Eurasia, Asia, Korea, Spain, and Finland. These are countries and regions that care about issues of gender equality and women's empowerment, both nationally and internationally (World Economic Forum 2021).

### *The Most Influential Papers on Gender Equality Issues and Women's Empowerment Policies*

As a result, many studies on issues of gender equality and women's empowerment policies have previously been carried out. Evidently, from the results of a database analysis of 877 documents from 2000 to 2022, the names of several researchers repeatedly producing influential documents have emerged, as shown in Table 3 and Figure 5.

**Table 3.** *The top 10 authors in gender equality and women's policy*

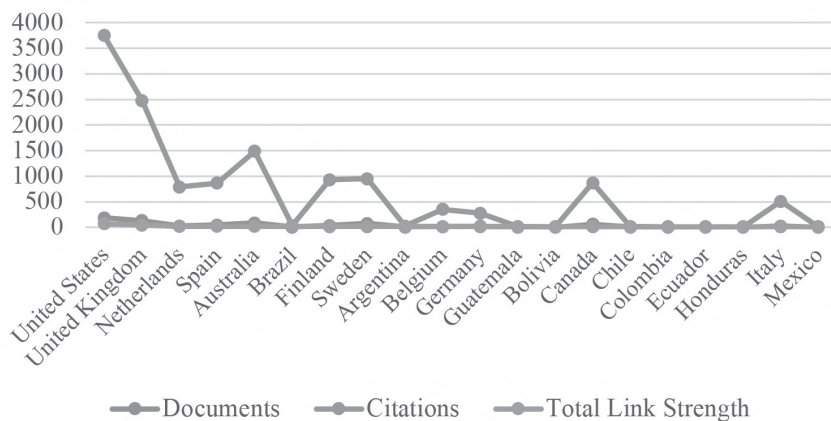
NO.	DOCUMENT	CITATIONS	LINKS
1	True, J. (2001)	461	44
2	Walby, S. (2005c)	428	25
3	May, V. M. (2015)	252	5
4	Squires, J. (2005)	231	41
5	Stratigaki, M. (2004)	215	28
6	Coffe, H. (2010)	204	2
7	Hegewisch, A. (2011)	201	2
8	Verloo, M. (2007)	163	4
9	Waylen, G. (2007)	159	3
10	Johnson, H. (2008)	159	0

**Source:** *Research results by researchers, 2022.*

The 50 most influential documents were ranked based on their number of citations and links, the top 10 of which are displayed in Table 3. First position was occupied by a document by J. True (2001), entitled “Transnational Networks and Policy Diffusion: The Case of Gender Mainstreaming”, with 461 citations and 44 links. Second was S. Walby (2005), with “Gender Mainstreaming” – 428 citations and 25 links. Third, V. M. May (2015), with 252 citations and 5 links, and then J. Squires (2005), with 231 citations and 41 links. Fourth was M. Stratigaki (2004), with 215 citations and 28 links. Fifth was H. Coffe (2010), with 204 citations and 2 links. A. Hegewisch (2011) had 201 citations and 2 links; M. Verloo (2007) 163 citations and 4 links; and G. Waylen (2007) 159 citations and 3 links. Finally, the work of H. Johnson (2008) was in 10th place, with 159 citations and no links.

### *The Most Influential Country in The Publication of Gender Equality Issues and Women's Empowerment Policies*

In this section, the analysis focuses on the countries that have contributed the most to the publication of gender equality issues and women's empowerment policies – particularly from 2000 to 2022.



**Figure 5.** *The top 20 countries in the publication of gender equality and women's empowerment policies*

Source: Author

It can be seen in Figure 5 that several countries are very dominant in the publication of gender equality issues and women's empowerment policies. This can be observed from the number of citations. First, the United States has 3,751 citations and 188 documents, followed by the United Kingdom with 2,477 citations and 130 documents. In third position is Australia, which has 1,489 citations and 85 documents, followed by Sweden, with 950 citations and 77 documents. Fifth is Finland, with 930 citations and 35 documents. Then, the following two countries have almost the same number of citations: Canada with 872, and Spain with 864. In eighth position is the Netherlands, which is then closely followed by Italy. In last place are Belgium and Germany, with 355 and 276 citations, respectively. In connection with the above results, the fact is that the increase in the number of research publications on the issue of equality does not necessarily mean that the respective country has implemented their recommendations, or that it has a high level of gender equality. On the contrary, the issue of gender inequality is still relevant because achieving a level of balance requires hard work and the cooperation of all elements (see World Economic Forum 2021; International Labor Organization 2020).

## Conclusion

1. Even though the number of publications and research on the issue of gender equality and women's empowerment has increased, this does not necessarily guarantee that gender parity will occur. On the other hand, these results can indicate a significant gender gap. Therefore, based on the results of this study, the researcher emphasizes that gender issues and women's empowerment policies still represent a significant challenge in every country. They must continue to be fought for because gender equality and women's empowerment are the main driving forces in the sustainability and development of a nation. This result also supports the vision of USAID (2020), which is to create a world that is prosperous and peaceful for all parties – both women and men alike – and in which opportunities and rights are afforded in all aspects of life, including the education, political, economic, social, and cultural spheres. Moreover, it has been proven that women's political empowerment is positively related to subsequent economic growth (see Dahlum et al. 2022). In other words, the higher the gender equality index, the more prosperous society is (see European Institute for Gender Equality 2013). Therefore, it can be concluded from the results of this analysis that specific policies or regulations are needed to enforce gender equality, and that gender mainstreaming and gender-sensitive budgets must be applied to all levels of social, cultural, educational, economic, and political life (Bacchi and Eveline 2010). Of course, achieving this level of balance is not the sole duty of the government by issuing policies through laws and regulations. Instead, all sectors of the community, including teaching staff, experts/practitioners, academics, and office holders in private companies must unite to create gender parity and women's empowerment. This is because improving female empowerment is a critical human right, and is a development aim that requires closer attention (Rettig et al. 2020).

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Ni Putu Tirka Widanti

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## IMPROVING BUREAUCRATIC PROFESSIONALISM THROUGH THE RETIREMENT POLICY OF CIVIL SERVANTS IN THE REPUBLIC OF INDONESIA

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**Abstract.** *The aim of this article is to describe problems in the formulation of policy to increase the professionalism of the Indonesian bureaucracy. These problems derive from the retirement policy of civil servants in Yogyakarta, Indonesia. The findings show that the level of substantive acceptability of regulation on the retirement age of civil servants is very high, but this is not necessarily the most effective impetus for increasing bureaucratic professionalism in Indonesia. The retirement age means that every civil servant must leave the bureaucratic structure at a certain point, even though their competence, commitment and enthusiasm to continue their work may remain very high, and the state may still need their services. The enactment of a retirement age law that is too strict has inhibited the possibility of considering other variables to support the increase in the professionalism of bureaucracy. The consistent implementation of the retirement age actually hinders the increase of bureaucratic professionalism in Indonesia.*

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**Keywords:** *bureaucracy, civil servants, professionalism, retirement regulatory policy*

**Reikšminiai žodžiai:** *biurokratija, valstybės tarnautojai, profesionalumas, pensijų reguliavimo politika*

## Background

The retirement issue is critical in the career path of every civil servant, and each civil servant has their own impression of entering retirement. Most civil servants think that the pre-retirement age is the peak of their career in their position. If this perception dominates, various problems will gradually arise. Meanwhile, if viewed from the point of view of state interests, the total amount of resources bestowed for the training of civil servants concerned is also at its peak effectiveness. Thus, civil servant retirement decisions that refer singularly to the norms of the retirement age face the risk of losing the effectiveness of training these civil servants, and a situation can emerge as if their training was in vain. In fact, in the moments before retirement, civil servants' experience, insight, mental maturity, and many other aspects of the results of various types of training are at their peak effectiveness. All of these, of course, are still highly required by the state. On the other hand, there are plenty of civil servants who do not necessarily want to retire immediately. This condition alone is not enough to boost the achievements of civil servants at the end of their tenure. The decision to retire based on age standards is definitely detrimental to the bureaucracy.

The following is an illustration of the rate of civil servants who are entering retirement age in Indonesia. Currently, 13.71% of Indonesia's 4.2 million civil servants are over the age of 55. In the 2016–2020 period, 752,271 civil servants entered retirement age.

The law regulating the retirement age for civil servants in Indonesia is stipulated in Article 90 of Law Number 5 of 2014. This law stipulates that the retirement age limit is: (a) 58 years for Administrative Officials; (b) 60 years for a High Management Officer; and (c) in accordance with the provisions of laws and regulations for Functional Officials. Those civil servants who are classified as bureaucrats are Administrative Officials and High Leadership Officials. The findings of a study conducted in Yogyakarta in 2015 demonstrated that the level of substantive acceptability of the 58- and 60-year retirement age regulations is high. However, this does not necessarily provide an impetus for the intensification of civil servants who are still productive in the bureaucratic structure (Pambudi and Kumoro 2015). This regulation has failed to prevent civil servants who are still productive and who still want to work from leaving the bureaucratic structure. When they exceed the stipulated retirement age limit, every civil servant must leave bureaucratic structures that still need them. On the other hand, the reality of bureaucratic needs does not always require such retirement decisions. The results of the research findings demonstrated that many civil servants who are entering retirement age actually still want to serve longer. At the same time, the power, thoughts, experiences, insights and personal maturity of these civil servants are still needed by the state. Of course, these conditions can bring momentum and the potential to increase the professionalism of the bureaucracy. The authority of the bureaucracy to overcome this problem is hampered by Law Number 5 of 2014 concerning the State Civil Apparatus. Therefore, a comprehensive

formulation of the problem is needed as a basis for forming policy to improve bureaucratic professionalism through the implementation of Law Number 5 of 2014. This paper aims to present the formulation of the problem by combining research findings from 2015 enhanced with the latest relevant literature studies.

## Literature Review

The term bureaucracy is commonly used to describe a type of management where profit orientation is not considered important. Bureaucrats are not just government employees – they are part of political power. The bureaucracy is in a unique position as both employer and employee, and is completely dependent on the legal authority of the state. Therefore, assessing the professionalism of the bureaucracy must be measured by the success of the public policies that it handles. The indicators of the success of public policy are non-profit oriented and multi-dimensional. Bureaucracy is absolutely different from private management or business organizations, whose achievement is measured solely by how much profit they achieve. To achieve the success of a bureaucratic organization there must be other dimensions that need to be considered wisely, including effectiveness, equity, adequacy, appropriateness, and responsibility. Because of the difficulty of implementing multi-dimensional indicators of success, it is difficult for the public sector to create vigorous professionalism in an instant way. However, the public sector consistently continues to strive for professionalism. The goal of a state is to create people's welfare and social justice that is carried out by the bureaucracy. However, there are always questions about what professionalism is. What is meant by professionalism? How does one control professionalism in job domains that are ambiguous or have multiple success criteria? What happens when different types of job control are mixed together? Noordegraaf (2007) offers several professional bureaucratic prescriptions, the first of which is described as classic professionalism with controlled content. The second is described as a bureaucratic transition from pure to hybrid professionalism. The third is described as contemporary professionalism combined with content in control.

With regard to the goal of creating social welfare and fighting for social justice, the question arises as to whether the regulation on the retirement age for civil servants, which is set at 58 years old in the form of a law, can have an impact on increasing bureaucratic professionalism. Undoubtedly, the professionalism of civil servants does not necessarily increase over time. Based on the findings of previous research concerning the civil servant retirement age (Pambudi and Kumoro 2015), to improve the professionalism of civil servants, a precise strategy is required to include other variables in the context of implementing the regulation. With this strategy, it is hoped that an increase in the professionalism of civil servants in Indonesia will be achieved.

### *The Retirement Desire Factor*

Bureaucratic professionalism is commonly defined as the high productivity of the bureaucracy, according to its capacity and authority. However, as it is composed of in-

stitutions financed by public funds (state budget), today the bureaucracy is not only required to be productive in accordance with the applicable formal rules but must also have great moral responsibility for the use of public funds (accountability). Therefore, the bureaucracy must also be effective, efficient, creative, innovative, and adaptive and so on – exceeding the standards of expectations that are formally determined in statutory regulations (beyond the limits specified by the law).

A bureaucracy is an institution that is mandated by the state to carry out state duties and fight for the interests of the people (public). Bureaucratic building blocks are civil servants who are appointed, employed and dismissed by authorized officials. Authorized officials can be bureaucratic officials at the superior level or political officials who have legal authority in accordance with statutory regulations. Usually, bureaucratic officials pursue careers from the lower level and are then appointed, employed and dismissed from their positions – not on the basis of a certain term of office, but on the basis of appointment according to applicable regulations. On the other hand, this is very different from political officials. To occupy a certain political position, a candidate does not have to pursue a career from the lower level, but must go through a process of election by the public for a certain term or period. This period can be 5 years, 8 years, and so on in accordance with applicable laws and regulations. Therefore, as long as one is elected by the people, a candidate can directly occupy a relatively high political position without having to first occupy a position below it as a career path.

Efforts to improve the professionalism of bureaucrats related to the regulation of the retirement age in Indonesia face many obstacles due to the fact that the current regulation is considered unfair. The retirement age regulation for bureaucratic civil servants in Indonesia is set at 58 years old. In fact, there are many civil servants who still want to work even though they have exceeded the retirement age. However, this high acceptability does not necessarily provide the best impetus for increasing the quality of the bureaucracy. The single norm of retirement age limits for civil servants in the law is considered too simple for the reality of the problems faced by the bureaucracy today. It is only because they exceed the stipulated retirement age limit that every civil servant must leave the bureaucratic structure at some point – even though the competence, potential, commitment and enthusiasm to continue their service period are still very high and they are still needed by the state. The concept of the retirement age limit, which is too strict and which is enforced as a single standard, has disregarded the use of other considerations which are also variables to increase the professionalism of the current government bureaucracy.

A literature review of research findings on retirement age limits across countries indicates that they vary widely. Most doctors in Australia want to retire by the age of 65. However, there are many factors that encourage them to want to retire early, including work pressure, fatigue and burnout. Meanwhile, better remuneration, better conditions of employment, and job support are generally incentives to make them continue working. Furthermore, more flexible working hours, part-time work and reduced workloads are also additional incentives for them. However, the bureaucratic order, low job satisfaction and disillusionment with the medical system are also obstacles to their continued

work. In conclusion, the number of physicians planning to retire early reflects a trend among professionals in general. Decreased job satisfaction, excessive workload and increased bureaucratic barriers are recurring factors for the consideration of early retirement (Brett et al. 2009). We hope that lessons can be learned from the case of retirement in Australia to improve the professionalism of the bureaucracy in Indonesia. If nothing else, one lesson is that the use of the retirement age limit of 58 years as a single standard will not solve the problems related to bureaucratic policy in Indonesia.

Pit and Hansen's (2014) study concluded that from the perspective of health policy reform, the biggest factors in reducing the intention to retire early among doctors were intervention factors in the area of working hours, fatigue and lack of sleep related to work, job satisfaction and psychological stress, work ability, and mental and physical health.

Among psychology consultants, the reasons for early retirement are extremely complicated. The factors driving early retirement include too much work in the bureaucracy, lack of free time and heavy workload. Meanwhile, the factors that prevent the early retirement of these consultants are that they are able to enjoy their work, work in a good team, and make a lot of money (Mears et al. 2004). On the other hand, the factors that influence the desire among school teachers to postpone retirement are those aspects of work that they actually enjoy. It is said that the place they feel they are happiest in is in the classroom with their group of students, and a particular source of enjoyment is when they teach students their favorite subject (Treasure 2016). These are the factors that encourage them to postpone retirement and extend their tenure. Once again, from the research findings above, lessons can be learned to improve the professionalism of the bureaucracy in Indonesia. The use of a single standard regardless of job satisfaction variables and remuneration systems, and disregarding other considerations that also have the effect of increasing bureaucratic professionalism in Indonesia, will not solve problems.

Psychologically, the meaning of work can be a form of self-identity, a marker of one's social status. The longer a person works, the more attached that identity will become. However, physical conditions for work have limitations; this is in line with decreased work productivity. In turn, each person will be asked to stop working when they enter their retirement period. There is a significant relationship between employee attitudes and employee turnover. The relationship between them is strongest at the point in time closest to when the person leaves their organization or enters retirement (Porter et al. 1974).

Entering retirement can create severe problems, because not everyone is ready for it. Retirement will cut off routine activities and existing social and economic relationships with colleagues, and, most importantly, will eliminate one's role and identity in society. As a result, the source of economic income will be threatened. Generally, this unpreparedness for retirement arises because of the fear of not being able to meet one's needs in the future.

Although the reaction to retirement varies, the most obvious general impact in everyday life is a reduction in the amount of income for the family. Thus, it can be concluded that the problem of decreasing bureaucratic professionalism will inevitably arise when,

on the one hand, civil servants are still able to and want to work, but on the other hand they have reached the age of 58 years and must stop working only because of regulations that have nothing to do with the substance of their work.

Li et al. found that job satisfaction and job attachment strongly influence workers' intention to leave the organization. A multitude of preferences, job satisfaction variables, job attachment, and intention to leave are bad variables of job turnover behavior (Li et al. 2016).

The article written by Griffeth and colleagues concluded that the variables that affect employee turnover consist of job satisfaction, commitment to organization, ease of finding work, comparison of other job alternatives, and intention to quit work. Furthermore, hidden determinants include work environment characteristics, job content, stress, work group cohesion, autonomy, leadership, distributive justice, promotion opportunities and alternative employment opportunities. However, the demographic and background characteristics of employees can also effectively influence resignation (Griffeth et al. 2000).

The findings of Griffeth et al. (2000) study require further discussion. First, this meta-analysis found that job search methods can also influence employees' intentions to quit. It is very likely that employees follow a more general logical structure. The intention to leave the organization is related to the decision to find another job and having another job offer as an option (Sager et al. 1998; Tubbs and Ekeberg 1991). That is, the decision to leave is triggered by job dissatisfaction, which leads to preparation for a new job hunt. Employees see the availability of greener pastures elsewhere, and at a certain date they then make the concrete decision to resign.

Women are more likely than men to remain in employment with older age. Perhaps in some societies traditional household and childcare responsibilities for women decline with age; conversely, childbirth or childcare often force young women to leave work.

In military and non-military circles the role of leadership in the intention to leave the organization is quite interesting. Civil (bureaucratic) employers may be able to adopt employment contracts similar to those of the military, which require employees to remain employed for a specified period of time. Professional sports clubs and universities ask their employees to sign contracts for a certain period to prevent resignation at inopportune times. Likewise, fast food restaurants combine these contractual obligations with bonus payments if employees continue to work for a specified period of time. Obviously, there are benefits to this approach as it can make employee turnover more predictable, can improve the quality of human resources planning, and can provide a more stable workforce.

Taken together, the above research findings suggest two recommendations. First, the management of the turnover of employees who will retire must be sensitive to various variables that exist in the organization. Second, studies on employee turnover must be carried out continuously over the long term in order to generate benefits for the organization. Through these two recommendations, it can be concluded that the decision to retire civil servants on the basis of the age limit of 58 years as the only law-based standard is detrimental to the professional development of governmental organizations and the Indonesian bureaucracy.

## Research Method

The research method applied in this research is descriptive-qualitative, through prioritizing the logic of general scientific thinking (dialectic, logical, analytical, and systematic) combined with empirical knowledge from the latest relevant literature studies. The dialectic method was employed to carefully study the results of previous studies related to regulations on the retirement of civil servants and the relationship of this requirement to aspects of bureaucratic professionalism. The systems analysis and content analysis methods link the structure of the cause-and-effect relationship between the problem of implementing regulation on the retirement age and bureaucratic professionalism both individually and institutionally, and do so in both a legal-formalist and empirical manner. The results of this analysis are then identified and classified as advantages and disadvantages. All of these methods are used together, either simultaneously or alternately according to the need for a comprehensive understanding.

This qualitative research analysis method is open and exploratory, as suggested by Pope et al. (2002). Exploratory questions like this are commonly employed when: (a) there is little knowledge in a particular area of research; (b) existing research is confusing, contradictory, or stagnant; or (c) the topic is very complex.

## Results and Discussion

This paper intends to follow up on the findings of research on the retirement age in 2015 in the aim of creating a professional bureaucracy. Therefore, enrichment must first be carried out through the development of insights, literature study and the relevant findings of previous research. The works of von Misses (1944), Dunn (1981), Brett et al. (2009), Pit and Hansen (2014), Mears et. al. (2004), Treasure (2016), Noordegraaf (2007), Porter et al. (1974), Li et al. (2016), Griffith et al. (2000), Sager et al. (1998); Tubbs and Ekeberg (1991) enriched the analysis of this paper.

The following is a summary of the findings of aspects of civil servant retirement regulations in Law Number 5 of 2014 that do not support increasing bureaucratic professionalism. These findings became the inspiration and trigger for the emergence of ideas for formulating strategies for implementing the regulation.

1. The definition the retirement age limit as stipulated in Law Number 5 of 2014 is too operational and is very rigid. In fact, this is the key word for establishing a national retirement norm for civil servants, where the conditions of bureaucratic personnel problems throughout Indonesia are of course very diverse. Moreover, in the last few decades the application of technology has been massive. Therefore, the dynamics and diversity of society are also increasing. This means that variations in the form and intensity of bureaucratic problems are likewise growing. Therefore, the factors that affect the desire of civil servants to retire are much more complex, beyond just a matter of turning 58 years of age.
2. The second finding is the problem of enforcing the age of 58 as a single condition for retirement. It is not clear that other alternatives are formulated when the implementa-

tion of this single condition encounters obstacles and creates new problems in the field that are unpredictable as a consequence of the above diversity. This problem becomes counterproductive for increasing the professionalism of the bureaucracy when carrying out its functions in the field.

3. The decision to retire or leave the bureaucratic structure for civil servants based on law has consistently led to the emergence of ambiguous attitudes and behaviors of bureaucratic accountability. The convergence between legal responsibility and moral accountability in the form of solving real problems at hand has not been realized. This means that when civil servants comply with legal norms, they must legally relinquish all their duties, responsibilities and authority at that time. There is no demand for the accountability to complete all the work that a civil servant is handling completely in advance of retiring. In short, the decision to retire for each civil servant is not based on the need for real work completion within the bureaucracy. The findings of this study suggest that this is one of the obstacles to the development of bureaucratic professionalism in Indonesia so far.
4. The productivity and desire of civil servants to stop working or retire do not always have a direct correlation with age. Many other variables may affect this, such as excessive workload, work pressure, fatigue or boredom, the remuneration system, job satisfaction, disappointment, health factors, motivation, morale factors, cohesion with coworkers, other job preferences, work environment, job offers elsewhere, and so forth. Therefore, it is possible that a civil servant may reach the Retirement Age Limit (BUP) according to the law but remain productive and willing to work, and is in fact still needed by the state. Therefore, the turnover of civil servants within the bureaucracy is contrary to the outcomes of work productivity. The productivity of new civil servants does not automatically replace those who are retiring, as each civil servant runs independently on their respective tracks. Therefore, there can be a decrease in the quality of the bureaucracy whenever an employee reaches the retirement age. Faced with this problem, the implementation of BUP Law Number 5 of 2014 will not be effective. In the end, the consistent implementation of BUP regulations will not have an impact on increasing the professionalism of the bureaucracy; on the contrary, it could actually reduce the professionalism of the bureaucracy. Therefore, an increase in bureaucratic professionalism cannot be expected here.
5. In fact, there is no compelling reason to set age-based retirement as a single standard; it should also simultaneously consider other influential factors as mentioned above. There is no urgency to establish a definitive retirement age limit in the form of a law. It can even be said that the stipulation of BUP as a single law standard does not have a strong logical basis for a cause-and-effect relationship in order to improve bureaucratic professionalism.
6. The civil servant retirement law is less responsive to the dynamics of internal bureaucratic problems and problems that develop in society that require intensive handling by the bureaucracy. The format of a law is difficult to amend if necessary. In fact, the condition of society today is very dynamic, in line with the rapid development of information and communication technology.



7. Finally, apart from the research findings above, the regulatory retirement norms for civil servants that are stipulated in Law Number 5 of 2014 are not compatible with the system of civil servant retirement policy in Indonesia. There are several other laws that also regulate the retirement age limit for certain civil servants, such as retirement regulations for judges, prosecutors, lecturers, and so on. However, the respective regulations are not interconnected, often overlapping so that they do not form a single comprehensive regulatory system.

## Conclusion

The following are the conclusions of this research:

1. From the point of view of increasing bureaucratic professionalism, it is concluded that there is no urgency to set a retirement age limit that must be formulated definitively in the form of a law. Definitive formulation in the form of a law can create difficulties rather than bring benefits when it comes to increasing bureaucratic professionalism.
2. The second conclusion is that the other variables that influence the desire of civil servants to retire are very diverse, consisting of individual variables, internal variables of bureaucratic organizations, and environmental variables. All of these variables must be taken into consideration in making retirement decisions for every civil servant who is part of the bureaucracy.
3. It is predicted that the singular application of civil servant retirement age limit norms will create excess in the form of counterproductive problems that will hamper the increase in professionalism of the bureaucracy. Therefore, it is urgently necessary to formulate other alternatives, such as transitional regulations, in order to avoid the singular norm.

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## Conflict of Interest

In writing this paper, the authors have no conflict of interest with the material of this paper, either individually or institutionally.

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## VALDININKŲ PROFESIONALUMO TOBULINIMO POLITIKA: ĮGYVENDINIMO PROBLEMOS INDONEZIJOS RESPUBLIKOS VALSTYBĖS TARNYBOJE

**Anotacija.** Šio straipsnio tikslas – išanalizuoti Indonezijos valstybės tarnautojų profesionalumą jų išėjimo į pensiją kontekste. Tyrimas atliktas Džogjakartos mieste, Javos saloje, Indonezijoje. Šio mokslinio straipsnio išvados parodo, kad griežtas valstybės tarnautojų pensinio amžiaus reguliavimas nebūtinai yra geriausias postūmis Indonezijoje didinti valstybės tarnautojų profesionalumą. Išėjimo į pensiją amžiaus ribos verčia kiekvieną valdininką palikti valstybės tarnybos struktūrą, nors kompetencija, įsipareigojimas ir entuziazmas tęsti darbą vis dar išlieka labai aktyvus, o tarnautojų paslaugų valstybei vis dar reikia. Įstatymiškai per griežtos pensinio amžiaus normos įteisinimas sustabdė galimybę išlaikyti darbo rinkoje profesionalius ir patyrusius tarnauto-

*jus. Nuoseklus pensinio amžiaus ribos reguliavimo įgyvendinimas iš tikrųjų trukdo didinti valstybės tarnybos darbuotojų profesionalumą Indonezijoje.*

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