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INDEX

Foreword

The Use of Social Media in Political Campaigns: The Case of Croatian Local Elections
KISIC Alen

Transforming Online Ties in Tools for Entrepreneurial Learning Readiness in Small Transition Economies
SULA Oliana, ELENURM Tiit

Muslim Countries: From Regime of Aid-Dependancy to Regime Self-Sufficiency
DAWOOD Adesola Hamzah

The Effects of Digital Transformations and the Impact on Employment in Europe and in the Republic of Croatia
RONČEVIĆ Ante, GOLUB Marija, PLUŠČEC Marina

Influence of Ethical Business Practices of Islam on the Formation of Turkish Social Business Networks
TURKER Mehmet

Terrorism, Wahhabism and Islam (East)-West Dialogues:
A Reflection from Indonesia
HERDI Sahrasad, AL Chaidar, DEDY Tabrani

Dependencies Occurring Between the Basic Macroeconomic Indicators in Eurozone
SOBKO Radosław, KLONOWSKA-MATYNIA Maria
FOREWORD

In the second number of the sixth year of regular publishing, Journal of Economic and Social Development offers dominantly political topics. Our authors focus on the crucial East-West relationship in the paper *Terrorism, Wahhabism, and Islam (East)-West Dialogues: A Reflection from Indonesia*. Similar topics are offered in two more papers *Muslim Countries: From Regime of Aid-Dependency to Regime Self-Sufficiency* and *Influence of Ethical Business Practices of Islam on The Formation of Turkish Social Business Networks*. These papers cover different authors’ experience on social and economic development from Indonesia, Turky, and Nigeria.

Other papers, showing authors’ experience from Estonia and Croatia, put more lights on *The effects of digital transformations and the impact on employment in Europe and in the Republic of Croatia, The Use of Social Media in Political Campaigns: The Case of Croatian, and Local Elections Transforming online ties in tools for entrepreneurial learning readiness in small transition economies*. We hope that a variety of topics and the ideas of authors from different cultural and economic environments can contribute to a better understanding and improve the dialog within the academic network.

*Marijan Cingula*
The Use of Social Media in Political Campaigns: The Case of Croatian Local Elections

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Abstract

Social media appears as an important public relations tool which enables political parties and candidates to interact with citizens. Extensive literature review has shown multiple benefits of social media usage such as gaining publicity, spreading messages and mobilization of the voters.

Most of the previous studies have been performed in the developed countries and there is lack of evidence for developing countries. Our study thus seeks to fill this gap and investigates the social media usage of political candidates in Croatian context. Aim of the research is to examine Facebook usage by Croatian political candidates during the 2017 local elections. Following research questions are set up: (i) To what extent are Croatian candidates using Facebook to interact with citizens? (ii) Which political candidate was most frequent in using Facebook? (iii) What social media functions did the candidate use? (iv) With whom candidate interacts and how frequently? (v) Which is the reach of the candidate’s posts? (vi) Is there significant correlation between candidates’ results and social media activity? To address research questions, primary data are collected. Data set consists of posts on the Facebook pages of the candidates for the capital city major and descriptive data analytics and correlation analysis were performed. Results of the research serve as guidelines for the formation of campaigns strategies.

Keywords: social media, campaign strategy, political campaign, election prediction

1. Introduction

The Internet has enabled new ways of connecting, communicating and distributing information. Participants in political campaigns have always used new and innovative ways of communicating in order to reach the voters. Earlier newspapers, radio, television, and today the internet, largely changed political communication. Since it has become a mainstream, it attracts the attention of researchers in the domain of political communication. The new dimension of research in this area is achieved by the emergence of a social media platform [1]. Many authors point out that social media has drastically changed the way of creating, distributing, and measuring political communication. Dynamic interactions and complex interdependencies at different levels and dimensions brought by social media represent a challenge to traditional understanding of political communication [1]. Rapid expansion and application of social media in political campaigns around the world prompted scientists to explore how the use of this technology affects political orientation, participation and attitudes of voters. Boyd states that a profound understanding of the characteristics and dynamics of social media communication provides a valuable framework for understanding the logic of social processes [2]. Buettner [3] defines social media as a computer-mediated tools that allow you to create, share, or exchange information, ideas, images, or videos
in virtual communities and networks. There are various forms of social media: Blogspot, LiveJournal, Yahoo! answers, Epinions, Flickr, YouTube, Digg, Reddit, microblogs (Twitter, Foursquare) and social networks (Facebook, Myspace, LinkedIn, Twitter, Tribe) as the most popular form of social media [4]. Social media play a significant role in politics. Recent research has been conducted with the aim of identifying the influence of social media on political campaigns from several perspectives: political participation, political knowledge and political efficiency [5].

Common characteristic for each of them is persuasion, which is crucial to political campaigns. Every speech, every phone call, every knock on the door, every announcement through social media has the purpose of propaganda created to influence voters.

The aim of this research is to determine the frequency and means of using social media in political campaigns and associate it to the outcomes of the election. To be more specific, Facebook usage by Croatian political candidates during the 2017 local elections is examined. In order to achieve the objective, this paper analyses the data collected in the context of Croatian local elections by applying descriptive statistics.

This paper is organized as follows. Extensive literature review of this topic is explained in chapter 2. Chapter 3 presents research questions along with the data and methodology description. Chapter 5 presents results.

2. Literature Review

An extensive literature review has been conducted and results shown that there is a need to monitor the content being published and to analyse the impact of that content on the targeted audience. Today, in the big data era this is possible more than ever. Access to data provided a breakthrough from a mere assessment to data-based decision making. Which data and for what purposes have been used in the previous researches?

Houholder and LaMarre [6] investigated relationship between expectations of the campaign on social media and information on participation in the elections that occurred as a result of activity on social media. The results indicate that social media engagement has a positive impact on the campaign. Authors point out that engagement on social networks can also help in prediction the outcome of the election. Houholder and LaMarre believe that future research should investigate to what extent certain types of engagement on social media result with desired outcomes [6].

Guleria et al., [7] discussed the impact of an electronic campaign on the behaviour of voters, their awareness and understanding of political parties. Authors emphasizes the benefits of such campaigns in terms of wider coverage compared to traditional approaches. Their research is qualitative. The guidelines for future research indicate the need for quantitative research to prove the relationship between electronic media and political participation [7]. Chen and Chang investigated the link between Facebook and blog usage with motivation for information and political discussion [8]. The results of the regression analysis have shown that the desire for political discussions is significant predictor of blogging, while the motivation for information is related to the Facebook usage. Bond et al., [9] conducted an investigation of political messages to Facebook users during of the US election to Congress in 2010. The results show that messages sent by politicians through social media have a direct impact on the elections result, not just on the person who reads the message, but also to the people interacting with them. The interpretation of the results emphasizes the importance of a large number of social network followers as factors of election success [9]. Hong and Nadler have been researching whether and to what extent Twitter’s use for political purposes has the potential to influence public opinion [10]. Their results are based
on the activities of American presidential candidates on Twitter. Their results have shown that Twitter’s activity is not statistically significantly associated with the number of mentioning on Twitter [10].

A review of recent papers revealed that very little study so far was conducted about the impact of social media on the election results themselves. Most of these studies focus on describing social media as a marketing tool for politicians (e.g., [11], [12]). To understand the impact of social media and realize effectiveness of this tool, it is necessary to measure the use of social media for the purpose of political activities [5]. Borah [13] highlights increasing number of researches about application of social media sites for political purposes, but also points out that a small number of these surveys examine the content of the candidates’ pages. On the same path are directions for further research from Praude and Skulme [14]. They highlighted the need for measuring the effectiveness of messages that are sent via social media.

3. Research Methodology

An implementation of Facebook campaign has become a norm in the elections of most modern democratic societies; however, it is yet unknown what role can Facebook play in the election in the Croatian context. Accordingly, this study will investigate the Facebook usage during the 2017 local elections.

Following research questions are set up:
- RQ1: To what extent are Croatian candidates using Facebook to interact with citizens?
- RQ2: Which political candidate was most frequent in using Facebook?
- RQ3: What social media functions did the candidate use?
- RQ4: With whom candidate interacts and how frequently?
- RQ5: Which is the reach of the candidate’s posts?

To address research questions, primary data are collected. Data set consists of posts on the Facebook pages of the candidates for the capital city major. The researchers limited the data to the one-month activity: their page activity is monitored during the official campaign: from 21st April till 21st May. Table 1 depicts variables measured in the research.
Table 1. Variable Description

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Variable description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photos</td>
<td>Overall number of photos posted during the campaign</td>
</tr>
<tr>
<td>Videos</td>
<td>Number of videos posted during the campaign</td>
</tr>
<tr>
<td>Links</td>
<td>Number of links posted during the campaign</td>
</tr>
<tr>
<td>Statuses</td>
<td>Number of statuses posted during the campaign</td>
</tr>
<tr>
<td>Events</td>
<td>Number of events created during the campaign</td>
</tr>
<tr>
<td>Authors</td>
<td>Number of different authors who created the page content</td>
</tr>
<tr>
<td>Reactions</td>
<td>Average number of reactions on posts</td>
</tr>
<tr>
<td>Shares</td>
<td>Average number of posts shares</td>
</tr>
<tr>
<td>Comments</td>
<td>Average number of posts comments</td>
</tr>
<tr>
<td>Commenters</td>
<td>Average number of different commenters of posts</td>
</tr>
<tr>
<td>Reactors</td>
<td>Average number of different reactors</td>
</tr>
<tr>
<td>Top post</td>
<td>Type of most with most reactions</td>
</tr>
<tr>
<td>Top post reaction</td>
<td>Number of reactions on top post</td>
</tr>
<tr>
<td>Top post shares</td>
<td>Number of shares of top post</td>
</tr>
<tr>
<td>Top post comments</td>
<td>Number of comments on top post</td>
</tr>
<tr>
<td>Page likes</td>
<td>Overall number of page likes</td>
</tr>
<tr>
<td>Score</td>
<td>Percentage of votes on elections</td>
</tr>
</tbody>
</table>

Sociographic tool [14] was used in order to extract data from the Facebook pages of candidates. The unit of analysis for this study was limited to the candidates for city major. There were eight candidates. Out of those, two did not have active pages. Thus, six candidates were included in the research. Furthermore, elections results in terms of candidate’s percentage gained on the elections were also included.

Data analysis includes use of a methodical approach to describe the findings from data collected, extract reasoning, and answer the research questions. This study relies on the use of statistical methods to analyse the data collected. The findings were analysed by using descriptive statistics.

Descriptive statistics is used to summarise and display the quantitative data. The descriptive statistical methods present data in a summarised way that the underlying information contained in the data can be easily identified [15]. The following chapter present the descriptive statistics contained in the data about social media usage for political activities.

4. Research Results

This chapter presents the results of the empirical study. It will present the descriptive analysis of the data collected and their interpretation. This chapter will also answer the research questions.

By means of Sociographic [16] data about six political candidates for capital city major were extracted. Out of eight candidates for capital city major, six of them (75%) had active Facebook pages during the official campaign. Candidate 1 did not have active page for whole period of
campaign, just the half of period. Answer on RQ1: To what extent are Croatian candidates using Facebook to interact with citizens? is in large extent since three quarters of the candidates had active pages. First candidate activity is presented in Fig. 1.

<table>
<thead>
<tr>
<th>Table 2. Social Media Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Candidate</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td><strong>SUM</strong></td>
</tr>
</tbody>
</table>

The data contained in table 2 show social media functions used by candidates. The type of activities that the politicians engage the most are photos, following by videos and statuses. One could infer that multimedia elements are dominant here. The table also show that there are differences among candidates. Whereas all candidates prefer photo as main medium for communication with voters, usage of other activities is different among the candidates. For instance, candidates 2 and 3 prefer statuses over videos and links, whereas candidate did not post single status. There is small number of created events for each of the candidates: candidate 3 created the highest number of events – four events. Candidate 2 posted most of the content during the observed period, following candidate 3 (see Table 2). Political candidate which were most frequent in using Facebook are second and third ranked at the elections. It is to be noted that first ranked candidate had active page only for a half of official campaign.

Table 3 also answers RQ3: candidates used almost all social media functions, but not with the same frequency. Candidates are engaged in various kinds of function with the aim to encourage citizens to participate in discussion. The harnessing of these functions can aid an effective communication between the politicians and citizens.

Our next step is to look more closely at the dynamics of each candidate activities during the observed period to see frequency of the interaction with the audience and to answer RQ4. Figure 1 shows distributions of candidate 1 activities. Multimodal distribution is seen for Candidate 1. This shown to be common feature of all candidates, so we emphasized here only one candidate. The data provides a good indication that all candidates are more engaged at the beginning of campaign and on the end of the campaign. The frequency of the activities is not the same during the campaign.
In sum, there are only slight differences in the dynamics of candidate’s activity. In general candidates are assigning higher relevance to the use of social media for political communication closer to the elections.

In order to identify reach of posts and to answer RQ3 we have examined reactions and posts comments.

The data presented in table 3 provides a good indication that the candidates provoke reactions on the social media. Citizens are engaged by reacting, sharing and commenting posts. Candidate 2 had the largest number of individual reactors on the posts (4508), following by candidate 3 and candidate 5. Candidate 5 stands out as candidate with highest number of average reactions, shares and comments.

This amplifies the opportunity for candidate to take advantage of the social connectedness on social media and influence the decision of followers and their friends politically. In line with the results from previous chapter that shows that a good percentage of the functions are actively accepted from citizens. While this category did not indicate that they agree with the presented content, they chose to react on it. Under the right circumstances and with the right content, this category of people can arguably be targeted as potential voters.

A further analysis was carried out on the level of post to drill down categories of post with highest number of reactions. This is to discover the function on which the respondents are more
active politically and the owners of which function are likely to cause reactions on social media politically.

<table>
<thead>
<tr>
<th>Table 4. Top Post</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top post type</strong></td>
</tr>
<tr>
<td>Candidate 1</td>
</tr>
<tr>
<td>Candidate 2</td>
</tr>
<tr>
<td>Candidate 3</td>
</tr>
<tr>
<td>Candidate 4</td>
</tr>
<tr>
<td>Candidate 5</td>
</tr>
<tr>
<td>Candidate 6</td>
</tr>
</tbody>
</table>

The above result shows that the link is post with highest number of reactions, whereas video is post with highest number of shares. Video and photo are most frequent top post among candidates.

The most commented post is video. It can therefore be deduced that the popularity of multimedia elements application across different spectrum makes social media phenomenon that has come to stay. This makes it necessary for politicians to explore the possibility of making use of social media.

<table>
<thead>
<tr>
<th>Table 5. Elections Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Page likes</strong></td>
</tr>
<tr>
<td>Candidate 1</td>
</tr>
<tr>
<td>Candidate 2</td>
</tr>
<tr>
<td>Candidate 3</td>
</tr>
<tr>
<td>Candidate 4</td>
</tr>
<tr>
<td>Candidate 5</td>
</tr>
<tr>
<td>Candidate 6</td>
</tr>
</tbody>
</table>

Social media provides the platform for the politicians to interact, and develop connections online that can generate election success. This could provide increased, participation and drive election victory. Table 5 depicts number of pages likes and election score measured by percentage votes gained by each candidate. Raw data gives potential to explore interdependencies among activity and election results, so we have performed correlation analysis. Results are presented in Table 6.
Table 6. Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Authors</th>
<th>Reactions</th>
<th>Shares</th>
<th>Comments</th>
<th>Commenters</th>
<th>Reactors</th>
<th>Top post reactions</th>
<th>Top post shares</th>
<th>Top post comments</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authors</td>
<td>-</td>
<td>0.09</td>
<td>-0.29</td>
<td>-0.02</td>
<td>0.48</td>
<td>0.76</td>
<td>0.92</td>
<td>-0.28</td>
<td>0.81</td>
<td>-0.35</td>
</tr>
<tr>
<td>Reactions</td>
<td>0.09</td>
<td>-</td>
<td>0.91</td>
<td>0.98</td>
<td>0.87</td>
<td>0.59</td>
<td>0.47</td>
<td>0.90</td>
<td>0.56</td>
<td>0.47</td>
</tr>
<tr>
<td>Shares</td>
<td>-0.29</td>
<td>0.91</td>
<td>-</td>
<td>0.96</td>
<td>0.66</td>
<td>0.25</td>
<td>0.11</td>
<td>0.99</td>
<td>0.23</td>
<td>0.45</td>
</tr>
<tr>
<td>Comments</td>
<td>-0.02</td>
<td>0.98</td>
<td>0.96</td>
<td>-</td>
<td>0.83</td>
<td>0.47</td>
<td>0.37</td>
<td>0.96</td>
<td>0.48</td>
<td>0.39</td>
</tr>
<tr>
<td>Commenters</td>
<td>0.48</td>
<td>0.87</td>
<td>0.66</td>
<td>0.83</td>
<td>-</td>
<td>0.85</td>
<td>0.77</td>
<td>0.64</td>
<td>0.88</td>
<td>0.12</td>
</tr>
<tr>
<td>Reactors</td>
<td>0.76</td>
<td>0.59</td>
<td>0.25</td>
<td>0.47</td>
<td>0.85</td>
<td>-</td>
<td>0.91</td>
<td>0.22</td>
<td>0.91</td>
<td>0.04</td>
</tr>
<tr>
<td>Top post reactions</td>
<td>0.92</td>
<td>0.47</td>
<td>0.11</td>
<td>0.37</td>
<td>0.77</td>
<td>0.91</td>
<td>-</td>
<td>0.12</td>
<td>0.93</td>
<td>-0.13</td>
</tr>
<tr>
<td>Top post shares</td>
<td>-0.28</td>
<td>0.90</td>
<td>0.99</td>
<td>0.96</td>
<td>0.64</td>
<td>0.22</td>
<td>0.12</td>
<td>-</td>
<td>0.22</td>
<td>0.40</td>
</tr>
<tr>
<td>Top post comments</td>
<td>0.81</td>
<td>0.56</td>
<td>0.23</td>
<td>0.48</td>
<td>0.88</td>
<td>0.91</td>
<td>-</td>
<td>0.93</td>
<td>0.22</td>
<td>-0.11</td>
</tr>
<tr>
<td>Score</td>
<td>-0.35</td>
<td>0.47</td>
<td>0.45</td>
<td>0.39</td>
<td>0.12</td>
<td>0.04</td>
<td>-0.3</td>
<td>0.40</td>
<td>-0.11</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 6 answers RQ6 and examines correlations between candidates’ score measured as rank and social media activity seen as: number of authors on candidates’ page, number of reactions, shares, comments, commenters and reactors of posts. The results indicate a statistically significant correlation among candidates’ score at the elections and number of reactions, number of comments and number of top post shares. This correlation is positive indicating that candidates with higher number of follower’s reactions and comments achieved better result. There is also statistically significant, but negative correlation between candidates result and number of authors of content at the Facebook page of the candidate. Negative correlation coefficient indicates that candidates with higher number of posts authors performed worse. Top post reactions, shares and comments are highly correlated with number of overall reactions. High number of statistically significant correlations between observed variables points out the need for further investigation of relationship and indicates possible need to group these indicators in index of candidate’s activity.

5. Conclusion

This research aims to provide insight into the use of social media in political campaigns. Politicians are attempting to connect with their target market via social media, but not all of them are gaining competitive edge from it. Literature review suggested that the concept of social media is associated with elections results and those links should be explored. Therefore, the social network activities of candidate provided a basis for the study that was carried out on the usefulness of social media in political campaigns. Analysis presented here tried to identify how politicians are taking advantage of social media.

The contributions of this paper are as follows. First, this paper provides an extensive literature review on the social media for political communication. Second, based on the empirical results, high level of interest for social media-based communication of political parties is identified. We also observe a strong will of citizens to engage with reactions, comments and shares. Furthermore, this study reveals that politicians are willing to engage in social media and citizens have the need to stay updated about current political situation and about politician’s reputation in social media.

Social media are excellent tool to detect new trends and identify influential politicians. In Croatian context, there are yet untapped opportunities for the use of social media for politics. This could be an opportunity for the politicians to engage more via social media. As a limitation, our
study focuses on Croatian politicians and only one city. In the future, research should be repeated in different legislative periods and with politicians from other cities. Also, further investigation of interdependencies should be investigated by means of advanced statistical methods and machine learning approaches.

REFERENCES

Transforming Online Ties in Tools for Entrepreneurial Learning Readiness in Small Transition Economies

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Abstract

Online social networks create the opportunity to increase and expand network ties, they provide a new channel that widens weak ties and intensifies stronger ties. Broad and diverse social network is linked to entrepreneurial success. Learning is an essential dimension of entrepreneurial network. Entrepreneurs may benefit from expertise and they can exploit future entrepreneurial learning opportunities. This paper explores the entrepreneurial learning leverage that young students enrolled in higher education system can get from online ties in small transition economies focusing in Western Balkan region and more precisely in Albania comparing with a small-developed county such as Estonia. The paper explains how young student are ready to use online ties for entrepreneurial opportunity recognition. Further online learning strategies are explored through focus group analysis and blog analysis. Young students use online ties for entrepreneurial knowledge sharing. The study concludes with the suggestion of a typology of entrepreneurial learning orientation strategies.

Keywords: online ties, international entrepreneurial learning, knowledge sharing, learning strategies, learning tools

Introduction

Young students both in advanced market economies and in developing economies have integrated online social networking tools to their daily activities. These tools are not used just for leisure or relational activities but as well for academic and professional purposes. Online social networks have unused potential facilitating the process of creating and maintaining business relationships of young potential entrepreneurs. A new kind of ties emerge which are different from the offline ties because the relationship is maintained virtually and the geographical scope of this ties can be global.

Entrepreneurship networking is essential because it provides new entrepreneurial opportunity discovery and resource finding process for venture creation [1]. Online social networks and online ties can be part of the synergy of the learning process, especially for young students which are very familiar with online social networking tools. They however need deeper knowledge, how to relate their existing social networking practices to online networking tools that support discovering new entrepreneurial opportunities and knowledge that is relevant for entrepreneurial initiatives.

Global Entrepreneurship Monitor (GEM) 2012-2014 Estonian surveys have demonstrated the role of cross-border ties in developing ambitious internationally oriented entrepreneurial initiatives but also networking needs of early-stage entrepreneurs. Entrepreneurs representing international growth ambitions and innovation focus have often relied on knowledge sharing with people
arriving from other countries while entrepreneurs that were domestically focused trust more their close friends and spouses as business knowledge sources [2].

In small transition economies such as Albania, online social networks are accessible from young students like in every part of the world. There is however lack of awareness for integrating them in the entrepreneurial learning process and personal self-development efforts. The aim of this paper is to study how to online ties in the context of online social networks can contribute to online entrepreneurial learning, knowledge sharing and entrepreneurial learning culture for young students in small transition economy such as Albania, compared with a more developed economy such as Estonia. An exploratory study with young students from University “Aleksander Moisiu” Durres in Albania and Estonian Business School in Tallinn Estonia is presented. The study is focused in the research problem how online ties influence student entrepreneurial learning and how online ties can influence the establishment of an entrepreneurial learning culture.

A questionnaire was distributed to 130 young students in both countries during spring semester of the academic year 2016/2017, focus groups were applied in Albania during spring semester of the academic year 2016/2017 and the posts of the blog of the course Business in Virtual Networks at Estonian Business School were analysed for the year 2016 and 2017.

In the second section of the paper theoretical constructs are explained, research gaps are identified theoretical gaps in terms of online ties, entrepreneurial learning, knowledge sharing and entrepreneurial cultural context. Methodology of the empirical research and data analysis results are presented respectively in the third and fourth section, results are analysed in the fifth section concluding in the sixth section with discussion and conclusions.

Literature Review

Online ties as emerging social ties for youth entrepreneurship

Structural dimension of face-to-face social networks is related to the heterogeneity of network ties, which are a main feature of network structure. Network structure influences business development and entrepreneurial learning of young students because entrepreneurship is a situational exchange of resources and opportunities [3] and the relational dimension of face-to-face social networks (social network ties) influence business development [4].

The degree of the strength of a tie that can be defined as the intensity of interaction and the diversity of relationships or the amount of time emotional intensity and the reciprocal services that characterize the tie [5]. Face-to-face social network ties are divided in two main categories: weak ties or wider ties and strong ties. Strong ties usually refer to closer social interaction such as friends and family with whom there is closer emotional interaction and contact, [6] whereas with weak ties there is not close interaction. Weak ties seem to be less connected within face-to-face social network compared to strong ties. [7] focuses on weak ties as they can serve as a bridge of connection even between face-to-face social networks with strong ties. Recent studies on the role of weak ties have given evidence that information environments with rapidly changing information overlap between actors can diminish the information novelty enabled by weak ties. The meaning of novelty has to be however specified depending on the aims of networkers [8]. Social media allows online tie formation and connecting different networks without necessarily being linked to specific time or place [9]. That may be essential for early-stage cross-border knowledge sharing and business initiatives of young students.

The increasing specialization of entrepreneurs and firms creates the necessity for more information and knowledge, which can be provided from online ties, and they can help to overcome
external business environmental shock. Networks are particularly important for small and medium enterprises and young entrepreneurs as they provide a unique opportunity to access business related information and knowledge sources [10]. Gathering information through social networks is usually a cheaper option [11], networks provide the conduct through which private information flows.

Developing both weak and strong ties for young entrepreneurs is crucial because as simplistic as it can be networking for and entrepreneur means basically making new “friends” or “contacts” or using the leverage that they can get from the current “friends” or contacts in order to advance in their business and achieve desirable results. The more developed is the network in terms of ties and particularity in terms of quality of ties the more beneficial it will be for the young entrepreneur rather than a less developed network [12]. Although only certain young entrepreneurs can recognize innovative and cross-border entrepreneurial opportunities. Usually those who succeed have previous information and social networks make it easy to obtain information that can require years [13]. For [14] strong ties are more beneficial for entrepreneurs from a point view of knowledge sharing because they imply trust but knowledge sharing opportunities for entrepreneurs can from other sources than family members or closer friends [15]. Stronger ties provide “economies of time” because they will reduce help to reduce the time spent in monitoring business opportunities. Strong ties are useful to entrepreneurs who face high degree of uncertainty and insecurity especially in developing countries or small transition economies because they provide protection. On the other hand, strong ties are vulnerable to external shocks [16].

The increasing use of internet intensified the virtual connection between people worldwide, in business entrepreneurs could benefit from larger circles [17] having as a consequence the formation of three categories of social capital [18]: network capital, commitment capital and participatory capital. It is supposed that generally internet can contribute to strengthen strong ties and wider weak ties.

Online social networks are as well one of the greatest consequences of the development of the internet, they provide an establishing, maintaining and mediating of relationships through online social media platforms that can be used for business purposes such as Facebook, Google+, LinkedIn or Instagram. [19] have pointed out found that Twitter users had the highest bridging social capital, followed by Instagram, Facebook, and Snapchat, while Snapchat users had the highest bonding social capital, followed by Facebook, Instagram, and Twitter. Bridging social capital can enhance discovering new business opportunities and concept whereas bonding ties may be needed at later stages of a new business initiative, when trust becomes essential for developing co-creative teamwork.

Online ties are related traditionally to virtual interaction, but they cannot be considered only as weak ties just because their virtual dimension as example LinkedIn second degree and third-degree contacts are an opportunity to wider weak contacts for entrepreneurial purposes [20]. An online tie can be strong or weak depending on the intensity of interaction and diversity of relationships that they provide, an offline tie that is related to face-to-face interaction within the network can be as well weak or strong depending on the intensity of interaction and the diversity of relationships [21].

Online ties can add value to establish, mediate and maintain core social relationships for young entrepreneurs [22] but there is a need of transference of experiences from offline to online context.

Broad and diverse online social network is crucial for entrepreneurial success; venture capitalists usually monitor online social networking platforms for entrepreneurial opportunities.

Another dimension that counts defining online ties as social ties that influence youth entrepreneurship is cultural context; perceptions around online social networks may vary in
different cultures, in individualist societies weaker ties are supposed to persist, in collectivist societies stronger ties are supposed to dominate [23].

Yet the online dimension refines the social dimension of the network especially for young entrepreneurs which can get leverage from ties in terms of knowledge, learning and business opportunities especially in small transition economies such as Albania because they act as bridges that are easier to build compared to a face-to-face context. Entrepreneurial knowledge sharing is a main advantage that young students benefit from online ties.

**Entrepreneurial knowledge sharing through online ties**

The emergence of knowledge-based entrepreneurship and the recognition of knowledge as one of the key factors that determines competitive advantage for entrepreneurs are making it crucial to understand and develop knowledge management tools that can be useful for the entrepreneur. One of the most relevant dimensions of knowledge management for the young entrepreneur involved in online social networks is knowledge sharing in order to find and use business opportunities.

Knowledge sharing is influenced by informal sharing context that includes personal relationships and networks [24]. Knowledge sharing process usually start with a process of storage [25], the personal dimension of knowledge sharing is empathized through face-to-face meetings, informal communication and it influences the way that entrepreneurs cooperate and communicate.

The strength of ties can affect knowledge sharing; stronger ties would lead to interaction that is more frequent and would facilitate the process of knowledge sharing [26]. Sharing knowledge with weak ties would to an access of new and unique knowledge because weak ties provide information and knowledge that goes beyond the social circle [27] and even the level of interaction is low knowledge sharing still can occur [28].

Online social networks are perceived as new emerging paradigm in knowledge management.

Online social networking tools enable the entrepreneur to share knowledge and to get expertise in the virtual context thus such networks can be defined as e-participation platforms that encourage collaboration, socialization, openness, creation and knowledge sharing among a community of users [29]. Online social networks provide communication, connecting, collaboration; compelling and combining additionally online social networks provide transparency and authenticity [30] which can facilitate entrepreneurial knowledge sharing process for the young students in the context of a small transition economy.

For the young students it is crucial to determine knowledge sharing priorities in online social networks according to the different stages of its entrepreneurial projects and to the entrepreneurial orientation. The co-creative entrepreneur prefers to share knowledge in networks which allow access to open innovation, imitative entrepreneur prefers to share knowledge will closer strong face-to-face ties and individualist entrepreneur does not rely much on networks as possibility of knowledge sharing [31]. Entrepreneurial knowledge sharing process in online social networks in the context of higher education institution is associated with young student learning.

**Entrepreneurial learning in online social networks: a matter of “strength” of online ties?**

Online social networks are popular and accessible from everyone, they provide new opportunities for preparing learners in the 21st century through facilitating knowledge sharing but as well, they enhance collaboration [32]. Online social networks through distance interactions allow the accumulation of content of the time, which creates a sort of collaborative knowledge.

Online social networks provide unique learning environments through better communication and collaboration [33].and individuals need to rely on non-formal learning approaches through the
development of learning networks. Young student as digital people use online social networks for learning [34], they have access to a kind of knowledge and experience that they cannot have through formal education classroom methods on entrepreneurial learning [35].

The features of online social networks facilitate delivery, development and management of learning process. Digital natives process information and knowledge differently from previous generations in e-participatory learning environments, they exhibit specific preferences in learning in online social networks which includes quick and easily accessible information [36] with an immediate feedback [37].

Online social networks are used both to maintain existing contact and to create new contact, in terms of online ties, online social networks provide new ways to connect with digital natives who share their interest and their goals. Young students who rely only in strong ties for learning purposes will be deprived from knowledge and business opportunities that come from weaker ties that might be in online social networks.

More recent research in learning in online social networks shows that in order to enable individuals to learn in the context of online social networks, relationships build within the online social network context and the online social network itself should topic-based and with simple peer-to-peer relations [38]. Formal and non-formal education should enable young students to get to know entrepreneurial learning opportunities from online social networks as benefit of the quick digitalization process and it provides a new flexible way of learning that can be accommodated by the young entrepreneurs, online ties can be a learning intermediary.

Methodology

The aim of this exploratory research is to determine how online ties can influence online entrepreneurial learning within the context of online social networks in small transition economies in Western Balkan Region in Europe such as Albania that can be classified as high context, collectivist society.

Young students in Albania are digital born young people part of the global digital village but in Albania there are still problems of digital divide and digital policy gaps as in most countries in the region but efforts are being done in terms of raising community awareness. Online social networks can be an educational tool for entrepreneurial learning that can compensate traditional curricula offered formal higher education institutions. Entrepreneurial learning through online social networks is an unexplored phenomenon in the context of Albania but it can be a leverage for young students from online social networking. Online social networks can widen the learning opportunities and can make young students more connected especially in the context of small transition economies. Comparison can be made in order to share examples of best practices of the use of online social networks for entrepreneurial learning from Estonia, which is a small country in Europe but part of OECD and European Union with several achievements in terms of digitalization, digital policy, innovation and entrepreneurship policy.

In this study, mixed-methods are used. The sample of the study is composed by 130 young business students enrolled at the third year of Bachelor Degree and first and second year of Master Degree at the University “Aleksander Moisiu” Durres and 43 young students enrolled at 2nd and 3rd year of Bachelor Degree in International Business at Estonian Business School, in Tallinn Estonia.

Triangulation is conducted through gathering primary data through the distribution of a survey to young business students in Durres and in Tallinn during the spring semester of the academic year 2016/2017. Four focus groups composed of young business students were realized in Durres
during the spring semester of the academic year 2016/2017 and secondary data from the course Business in Virtual Networks which contains students posts dating from the year 2010 but for this study posts of the year 2016 and 2017 were taken into account, in total for this time period there are 130 post from students.

The questionnaire contains 24 questions that combine open-ended questions, Likert scale questions and closed questions. There are questions about online ties and entrepreneurial learning outcome from online social networks. Students were also asked to assess their online social networking priorities and their online social networking skills priorities. Survey serves just to identify the general trends; there was a need to study in-depth online social networking ties, online social network learning and online social network knowledge sharing through focus groups and posts of the blog of the course Business in Virtual Networks.

Focus groups in Durres were organized with three groups of eight students each from the 3rd year of Bachelor Degree in Business Administration and 2nd year of Master Degree in Business Administration based on the fact that Entrepreneurship and Small and Medium Business Management is part of the course curricula and on the fact if they had some kind of participation in informal events connected to youth student entrepreneurship such as Startup weekends, they were moderated by an external moderator other than the lecturer in order to not bias the process.

were to be effective focus group questions were open-ended and they moved from general to more specific questions about online social network usage in general, entrepreneurial learning in general, the influence that online ties have in general for students and more specifically for entrepreneurial learning and how the cultural context accommodated knowledge sharing in online social networks.

Secondary data were collected from the posts of the blog of the course Business in Virtual Networks at Estonian Business School. Students posted and commented each other posts on the use of online social networks focus on a large amount of specific and specialized online social networks that does not include traditional online social networks with massive use such as Facebook, LinkedIn, Instagram or Google+, an emphasis is put on advantages and disadvantages of these networks for entrepreneurial purposes. 130 posts where analyzed.

Data analysis
The questionnaire was used to determine general trends or online networking orientation of young students in Albania and in Estonia, the leverage that this study gets from the questionnaire is a description of general trends in online social networking ties. General descriptive statistics are presented in order to identify trends.

Focus groups were recorded, transcribed and translated from Albanian into English, data were coded using axial coding, codes were organized in themes and themes were organized in global wider themes. The most important step of data collection is encoding which consists in creating codes and organizing them in wider themes (Florentine, 2006). The encoding can be theoretical, thematic and global analysis. In this study was used thematic encoding. There were identified 40 codes and 4 themes.

Posts from the course Business in Virtual Networks were analyzed creating codes and organizing codes in themes and themes in wider themes. There were identified 20 codes and 2 main themes.
Results

Results from survey

Online ties versus Face-to-Face ties related to business opportunity recognition and knowledge sharing were compared based on questionnaire results. In Table 1, trends in using online social networks to find and discuss about business ideas of young Albanian students and young Estonian students are compared considering the fact if students in both countries will have intention to start their entrepreneurial project abroad. The scale of measurement in the survey was a five-point Likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree, mean is used to compare the two groups. As it is shown in the table, young students in both countries tend to rely equally to face-to-face ties and online ties. The most relevant face-to-face tie for Albanian students who want to start their entrepreneurial project abroad is students from other universities and mentors whereas for students in Estonia who want to start their project abroad the most relevant face-to-face tie mentors followed by friends. For Albanian students who do not want to start their entrepreneurial project abroad the strongest face-to-face tie is entrepreneurs followed by mentors and in Estonia close friends followed by entrepreneurs. Online social networks are perceived almost equally in both countries having a mean score that varies from 3.5-3.6 between neutral and agree. Table shows as well that family is a face-to-face tie that is not so preferred for entrepreneurial purposes by students in both countries. In Estonia, students will rely more experienced to their closest circle such as friends whereas in Albania students will rely more entrepreneurs. Mentors are an important face-to-face tie in both countries, there is no huge difference between online, and offline ties preferences.

Table 1. Comparison Online Ties vs Face-to-Face Ties for Young Albanian and Young Estonian students based on their willingness to start their entrepreneurial project abroad

<table>
<thead>
<tr>
<th>Online Ties vs Face-to-Face Ties for Entrepreneurial Readiness</th>
<th>Young Albanian Students</th>
<th>Young Estonian Students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Willing to start business abroad</td>
<td>Not willing to start business abroad</td>
</tr>
<tr>
<td></td>
<td>35 individuals</td>
<td>57 individuals</td>
</tr>
<tr>
<td>Family</td>
<td>3.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Close Friends</td>
<td>4.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Students in my university</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Students in other universities</td>
<td>4.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>4.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Mentors</td>
<td>3.8</td>
<td>4.0</td>
</tr>
<tr>
<td>E-mentors</td>
<td>3.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Online Social Networks</td>
<td>3.6</td>
<td>3.4</td>
</tr>
</tbody>
</table>

In Table 2 Online Ties and Face-to-Face Ties are compared for Young Albanian Students and Young Estonian Students based on their previous entrepreneurial experience using means of the sample. As it is shown in Table 2, there is not significant difference in terms of using networking ties for entrepreneurial purposes between those who already have entrepreneurial experience and those who do not have entrepreneurial experience. Young students tend to rely on mentors and entrepreneurs in both countries. Young Estonian Students who have already entrepreneurial experience use more than the other sub-groups in both countries online social networks as online entrepreneurial ties.
Table 2. Comparison Online Ties vs Face-to-Face Ties for Young Albanian and Young Estonian students based on their entrepreneurial experience

<table>
<thead>
<tr>
<th>Online Ties vs Face-to-Face Ties for Entrepreneurial Readiness</th>
<th>Young Albanian Students</th>
<th>Young Estonian Students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entrepreneurial Experience</td>
<td>No Entrepreneurial Experience</td>
</tr>
<tr>
<td></td>
<td>11 individuals</td>
<td>82 individuals</td>
</tr>
<tr>
<td>Family</td>
<td>4</td>
<td>3.4</td>
</tr>
<tr>
<td>Close Friends</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Students in my university</td>
<td>3.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Students in other universities</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>4</td>
<td>4.5</td>
</tr>
<tr>
<td>Mentors</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>E-mentors</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Online Social Networks</td>
<td>3.5</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Online networking priorities for business purposes

Fig. 1. Comparison between Albanian and Estonian Students

47% Students in Albania prefer using Facebook for entrepreneurial purposes, 38% Estonian students prefer LinkedIn. This is due to the notoriety of LinkedIn as online social network in Albania. Instagram is becoming a relevant online social network used for entrepreneurial purposes in both countries respectively for 15% of Albanian students and 17% of Estonian students.

Instagram as online social network offers the possibility not just to visualize experience in online social network but it is becoming a network where online ties can become effective for business purposes. Students in both countries tend to not prefer other online social networks for entrepreneurial purposes.
Entrepreneurial learning in online social networks (Facebook vs LinkedIn).

Fig. 2. Facebook online learning priorities comparison

Knowledge sharing is the main reason that facilitates learning process in Facebook and in LinkedIn in both countries although 52% students in Estonia prefer to share knowledge through LinkedIn. Social monitoring is more effective in Facebook as learning priority for 13% of Albanian students and for 16% of Estonian Students is more effective in Facebook. Teamwork is more relevant in Facebook as a learning priority for Albanian students compared to Estonian students; this can be due to the informal perception of the configuration of this online social network.

Learning innovation is more relevant in Facebook for students in both countries. Interaction is more important in Facebook compared to LinkedIn for Estonian students, for Albania student interaction, as entrepreneurial learning priority is the same in Facebook and LinkedIn. Group activities are more important in Facebook for students in both countries with 10% respectively.
Gratification is more important in Facebook for students in Albania with 10%, for students in Estonia there is no difference between Facebook and LinkedIn.

Overall, from the survey, in both countries, students do not make a significant difference between online and offline ties for entrepreneurial opportunity recognition in online social networks, for starting a new entrepreneurial project or for sharing business ideas. Online social networking preferences for entrepreneurial purposes in both countries are dominated by Facebook and LinkedIn followed up by Instagram.

As learning priorities, they focus in knowledge sharing process, teamwork, social monitoring and interaction in Facebook and LinkedIn that are connected to online ties. In focus group and blog analysis is explored further how online ties can be explored further for entrepreneurial learning purposes in online social networks and how differently young students can strategically learn through online social ties compared to face-to-face ties and how these ties can affect entrepreneurial culture.

Focus Group Results

Four main themes were identified after encoding process:

Theme 1: Online entrepreneurial ties

Participants of the focus groups did not make any distinction between online and offline ties for entrepreneurial purposes. As a participant would mention

“...it is true that at the end of the day the interaction is virtual but what you get from the network after all is real, if there is something interesting to discuss about entrepreneurial projects than why not...”.

Although participants in the focus group assume that in Albania, we prefer face-to-face contact traditionally but due to the specific business environment of the country that is small economy still in transition young students would rely to also to entrepreneurial opportunities that come from online ties. One participant took as an example that many of the events where he participated with his business idea were found by him through Facebook rather than from his daily interaction with his face-to-face ties.

Online ties cannot be categorized as online social ties within the context of online social networks for the young student but those ties in the context of entrepreneurial learning can be defined as online entrepreneurial ties, which are a complement to face-to-face entrepreneurial ties.

Theme 2: Learning through online entrepreneurial ties in different online social networks

“...you can get the information you need everywhere, but yet depends on the network and on how well do you know the network...”.

Participants in the focus group admitted that online social networks are overloaded with information, yet it is important in the process of entrepreneurial learning to assess entrepreneurial knowledge learning priorities before you undertake the learning process. It is easy and costless to share knowledge in online social network but it is important to make an assessment of entrepreneurial knowledge expertise in online social networking. “… it is about to know what do you know already and what do you what to need to know from the network, and if there is any kind of expert in the network…”. For some kind of knowledge about certain business ideas or when there is the pre-start phase of the entrepreneurial project Facebook is better, a simple status update is very useful, to get more formalized knowledge and expertise LinkedIn is more useful, it is like...
a business card network. Yet for those young people who are more involved into e-commerce or visual project, Instagram is more useful. Online entrepreneurial ties are useful in any case.

**Theme 3: Entrepreneurial strategic learning and entrepreneurial learning strategies**

“... learning in online social networks means that you cannot be egoist and you are not alone” commented one of the participants. Online social networks facilitate distant virtual collaboration.

Entrepreneurial strategic learning means learning efficiently (costless and in real-time) for young students and effectively (when it is needed). Although there is a distinction between being a constant entrepreneurial learner in online social networks through permanently and collaboratively e-participating and sharing entrepreneurial knowledge in online social networks and relying constantly in online entrepreneurial ties or casual entrepreneurial learner in online social networks who takes advantage of learning through online entrepreneurial ties according to environment and opportunities.

**Theme 4: Online entrepreneurial learning collaborative culture**

Online entrepreneurial learning is perceived as a complement to traditional entrepreneurial learning in higher education institutions. There is a lack of entrepreneurial culture in Albania, this is due to structural problems caused by transition by as well for participants it is matter of national culture that traditionally is not oriented towards entrepreneurship. Although establishing an entrepreneurial culture is, feasible and entrepreneurial, learning and transferring best practices can make this process possible. Accordingly, participants agree that online learning and international online entrepreneurial ties and entrepreneurial collaborative orientation can influence positively the establishment of such entrepreneurial culture.

**Results from blog analysis**

Two main themes were identified after the analysis of the posts in the blog.

**Theme 1: Online entrepreneurial knowledge**

The most interesting outcome from the analysis of the post in blog of the course Business in Virtual Networks is the variety of the networks analysed apart from the traditional networks such as Facebook or LinkedIn; there are different interesting online social networks useful for entrepreneurial knowledge even if they are not designed specifically for entrepreneurial knowledge. The majority of post about online social networks analysis for entrepreneurial purposes were other networks and not the traditional networks such as Facebook or LinkedIn.

One example mentioned is Digg which is a news aggregator and selects stories for internet audience.

“By using Digg, you can acquire business-related knowledge, since it includes nearly all trending issues that people find important. As Digg users can add friends to their networks, it is a social network as well. One can for example promote their blog through Digg. If you share lots of articles that others find worthwhile through your blog on Digg, you can attract traffic to it.”

Some examples are more local such as Jam (Facebook) in France that is a virtual assistant that any student dreams to have, jam has even a feature for the creation of a new business, or Investly in Estonia or crowdfunding websites such as start next in Germany.
Theme 2: Online ties as a matter of connection

In the blog students posted frequently analysis of the apps that people use for the daily communication such as What’s App or Messenger. Those apps have a main advantage connectivity and getting real time feedback from online ties, although What’s App is more private because it involves phone number sharing. Messenger feature added value to Facebook.

“Using also Facebook Messenger a group can be connected 24/7 if needed”.

Groups can be used in professional and job offering/seeking purposes. Usually in these groups there are limited number of members who are able to add new members or one can apply a membership which is then evaluated. These groups utilize transitivity and composability.

Online social networks imply connectivity and collaboration. Some online social networks in blog posts were perceived as more as facilitators for face-to-face ties such as for example Slack that allows the creation of online working spaces.

Discussion and Conclusions

Online social network ties emerge as online entrepreneurial ties that determine entrepreneurial opportunity recognition with a not very significant distinction from face-to-face ties in both countries. There are no significant distinctions between students in both countries in terms of using online social network ties and face-to-face ties in terms of entrepreneurial opportunity recognition if willingness to start and entrepreneurial project abroad or entrepreneurial experience are taken into consideration. Results were confirmed by focus groups and blog analysis which precise that online social networking ties can be online entrepreneurial ties for young students in Albania and in Estonia complementing and facilitating collaboration through face-to-face strong or weak ties.

Facebook and LinkedIn are the main online social networks used for entrepreneurial learning purposes by young students in Albania and Estonia. Young students in Albania tend to prefer Facebook and young students in Estonia tend to prefer LinkedIn. This is due to the perception and notoriety of these networks in both countries. Facebook usage in Albania is very expanded especially among young students and it is perceived as a “all in one” network, LinkedIn is more popular and more functional in Estonia and it is considered a more dedicated network towards professionalism. Albanian young students barely know LinkedIn and its functionalities.

Knowledge sharing, teamwork, social monitoring, interaction, connectivity and collaboration are the main learning priorities through online social ties. Students define online entrepreneurial learning in online social networks as complementary learning method of traditional entrepreneurial learning. Thus, online entrepreneurial learning strategies such collaborative learning strategy and casual learning strategy can lead to the creation of online entrepreneurial culture especially in the case of Albania but there should be more awareness towards non-traditional and complementary entrepreneurial learning methods. Online entrepreneurial learning can contribute to establish a new entrepreneurial learning culture that influences entrepreneurial readiness especially in Albania.

The main assumptions of this exploratory study are:

Assumption 1: There is no distinction between online social ties and face-to-face ties for entrepreneurial opportunity recognition for young students in Albania and Estonia.

Assumption 1a: Online social ties complement face-to-face ties for entrepreneurial opportunity recognition for young students in Albania and in Estonia.

Assumption 2: Online ties are connected to online entrepreneurial learning in online social networks.
Assumption 2a: Assessing learning priorities is crucial for online collaborative learning for young students.

Assumption 2b: Online entrepreneurial learning creates online entrepreneurial learning culture and environment complementary to traditional entrepreneurial education especially in transition economies.

The main limit of this study is the sample itself as it is composed only by young students enrolled in the higher education system in a small transition economy such as Albania and a comparison with Estonia which a small developed European Country.

There could be suitable for further research to operationalize some of the themes identified as variables and further study factors of online entrepreneurial learning and online learning ties in terms of empirical quantitative research in order to determine to what extent network ties determine online entrepreneurial learning and online entrepreneurial readiness.

In order to have more outcome in terms of online ties in youth entrepreneurial projects and sharing of best practices and knowledge, there could be interesting to build some kind of joint virtual action learning project that involves online teams and study how online team ties because young students in both countries influence knowledge sharing for entrepreneurial projects and business opportunity recognition and development. Online entrepreneurial learning can further contribute to the evolution entrepreneurial education in any cultural context and can establish a new flexible entrepreneurial culture which combines formal and informal learning strategies.

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Muslim Countries: From Regime of Aid-Dependency to Regime Self-Sufficiency

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Abstract

The aim of this paper is to examine the concept of development aid as a mechanism of bilateral or multilateral relationship between developed and developing countries. It is intended to particularly explore its overall effects on sustainable development of developing Muslim countries. An attempt is made to examine some points in this regard by an interpretive methodology within relevant theoretical framework. Previous researches have tried to answer questions why these countries’ economic indices are expressions of wide imbalances in the distribution of incomes and wealth among their citizens with a view to argue that these had been the underlined causes why they have tendency for development aid. This paper reveals that traditionally, development aid used to be relatively non-intrusive. However, it has become re-branded and intensifies to the extent that it is now, arguably a mechanism for interventionist global development policy. It has thus led to emergence of a culture of aid-related dependency that may not have much to do with economic or financial supports, but political goals. The consequence is that those nations economic and political agendas are subjected to uncertainty, questionable sustainability, and a tendency of top-down approaches to political and social involvement. The overall contribution of this paper is to highlight and place emphasis on some basic elements that can assist these countries to sustain their development agenda. These elements include good governance, rules of law, respect for human rights, education and culture of hard work.

1. Introduction

Economic development is a fundamental principle by which a country advances the economic, political and social status and well-being of its people. However, for economic development strategy and policy to be meaningful, it must be sustainable. Sustainable development is all about meeting the needs of the present generation without causing destruction to the need of the incoming generations (Brundtland, 1987.). In spite of many available economic development blueprints, the Muslim countries have remained underdeveloped, poor and in social and political crises. It has been observed that some 31 of the 57-member states of the OIC are classified among the least developed nations, including the countries that occupy the bottom five places on that list (Badawi, 2007). This paper attempts to examine the Muslim Nation’s development state vis-à-vis variety of aid and technical assistants emanating from both Pan-Islamic and international levels.
2. Muslim Countries

Muslim Countries or ‘Islamic world’ is a ‘reference to the states and societies, located in different parts of the world, whose religion is Islam and who embrace its history, or those strongly influenced by this religion and history’ (Altwaijri, 2014) Thus, ‘it is a reference to countries that are predominantly peopled by Muslims spread over 86 countries with high concentrations in the Asian and African countries.’ A 2015 study shows that there are 1.8 billion Muslim adherents in the world, constituting about 24% of the world population (Lipka, and Hackett, 2017).

3. Key Elements of Economic Development

The economic and social variables that shape a country’s economic development are built around a number of elements. These elements may sound theoretical, but essentially, they are practical.

Experts have identified these elements, but for purpose of brevity, very few will be examined. Here it is intended to examine, good governance, social justice (equitable distribution of resources), and the rule of law, and education.

3.1 Good Governance

Good governance is contextual. It implies different things in many different contexts (Agere, 2000). However, for the purpose of this paper, it connotes upholding justice and equity; rules of law and fundamental rights in the administration of human affairs. It is in reference to corporate, international, national, local governance or to the interactions between other sectors of society.

Thus, it is how public institutions conduct public affairs and manage public resources. Governance which is the keyword connotes “the process of decision-making and the process by which decisions are implemented (or not implemented)”. It is in reference to corporate, international, national, local governance or to the interactions between other sectors of society. In practical term, good governance is all about the responsibility of governments and governing bodies to meet the needs of the masses as opposed to select groups in society (Khan, 2004). Grindle contends that good governance emanates precisely from its relationship with the development of a country and the reduction of poverty.

3.1.1 Muslim Countries and Good Governance

The past history of Muslim Countries is replete with legacies of good governance. There were records of governments under the administration of Muslim leadership that were epitomes of justice, equity, simplicity, and respect for the rules of law and human rights. Though there were also instances of despotic and unjust rulers. ‘Umar Ibn al-Khattab, the second Caliph is one of such exemplary leadership commonly cited. For instance, it was reported that the son of ‘Amr Ibn al-‘As, the governor of Egypt struck an Egyptian common man with a whip. The matter was brought before Caliph ‘Umar. Without regard to the esteemed status of the offender’s father, he ruled that the Egyptian common man was wronged and was entitled to avenge himself for the harm done to him (Gallant, 2009). In another instance, ‘Umar was reported to have ordered strictly observance of the regulations established by the Muslim jurists stipulating that the sellers should not misrepresent their goods for the qualities they do not possess, that they should disclose the exact qualities (good or bad) of their stock to prospective buyers and that they should not hide the weight
and quantity of their goods, and they should not keep their prices secret in such a way that if the buyers come to know of them they will refuse to buy the goods.

3.1.2 Ibn Khaldun’s Postulate of Good Governance

Ibn Khaldun in his postulate on statecraft characterized the inter-connectivity that exists between theory and practice of good governance especially under the Shari’ah. This postulate was condensed into eight points namely that: the strength of the sovereign does not materialize except through the implementation of the Shari’ah; the Shari’ah cannot be implemented except by the sovereign; the sovereign cannot gain strength except through the people; the people cannot be sustained except by wealth; wealth cannot be acquired except through development; development cannot be attained except through justice; justice is the criterion by which God will evaluate mankind; and, the sovereign is charged with the responsibility of actualizing justice.

3.1.3 Muslim Countries and Good Governance in Modern Time

The golden age of Islam (for example, the Abbasid dynasty, which ruled from 750 to 1258) was a time when Europe was primarily in its dark ages and when Islamic civilization’s intellectual and leadership model were second to none. Good governance underscored this remarkable historical landmark. Unfortunately, the contemporary Muslim Countries have failed to live to that landmark and had fallen short in almost every facet, from science and technology to democracy and human rights. It is noted that it fell behind the modern developed nations of the West and now trails other areas of the world, most notably many Asian nations. Critics have maintained that development indexes of the Muslim Countries from rates of illiteracy and science to its lack of military power, the Islamic world is lagging behind by world standards.

The contemporary Muslim leadership and ruling elites are fond of life of luxury associated with corruption. These were some of the factors that led the way for decline of Mughal Empire abundance of wealth, luxurious life and leisure that had made them reckless and became incompetent to rule (Khattak, 2015). As Muslim rulers indulged in immoral activities their concentration to create a viable education has diverted to leisure and luxurious life. Government officials, political elites engage in corrupt practices which ultimately weakened the foundation of rule in most countries of the Muslim Countries.

3.2 Social Justice

Social justice simply means giving each individual what he/she deserves, distribution of financial benefits in the society, providing equally for basic needs. It is also an expression of egalitarianism in opportunities, i.e., each person has a chance to climb up the social ladder (Chaudhry, 1999). It is a far-reaching concept that attracts divergent views among scholars and writers. Some experts argue that it means that “right relationship” between and among persons, communities, states, and nations (Finn, 2017).”

3.2.1 Social Justice: A Western Perspective

Patrick McCormick contends that social justice simply connotes fairness in the assignment of fundamental rights and duties, economic opportunities, and social conditions. Thus, Rawls provides two basic principles of social justice, modified from his earlier work. According to him, social justice presupposes that each person has the same indefeasible claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all; and, social and economic inequalities are to satisfy two conditions: First, they are to be attached
to offices and positions open to all under conditions of fair equality of opportunity, and second, they are to be to the greatest benefit of the least-advantaged members of society (the difference principle).

3.2.2 Social Justice: An Islamic Perspective

Islam by its moral teachings and legislation, combines both social and legal justice. Thus, it can be described as moral rightness based on ethics, rationality, law, natural law, religion, equity and fairness (Al Halwani, 2018). In Islam, justice stands for placing things in their rightful place. Sayed Qotb identified three basic elements of social justice in Islam, namely, the absolute freedom of conscience, the complete equality of all men, and the social interdependence among members of the society. Freedom of conscience as the first basic element dictates that social justice cannot be attained except in an atmosphere where human conscience is totally free with an inherent belief that there is no superior or controlling power over any individual except God, the Creator and Lawgiver. It follows that God is the ultimate authority and who does not require any mediator between Him and His Creature. In the light of this divine gift of freedom of conscience, man is liberated from fear of any creature as no one except God can benefit or harm his life, livelihood, or position. Sayed Qotb opines that “Islam taught the unity of the human race in origin and history, in life and in death, in privileges and in responsibilities, before the law and before Allah, in this world and in the world to come.” This, according to him is the purport of the Qur’an 4 verse 1. He asserts that social independence means sense of duty and responsibility towards an individual’s community or society. It is a holistic concept which covers both the emotional sympathy and feeling towards the others as well as pragmatic actions to assist and support indigent and underprivileged people in the society with a view to take care of, at least their basic needs. To achieve this, Islam establishes the institution of Zakat and where necessary the rich are to make further contribution.

3.3 The Rule of Law

To emphasize the importance and inter-connectivity of the rule of law to economic development, the World Bank has noted that: “Economic growth, political modernization, the protection of human rights, and other worthy objectives are all believed to hinge, at least in part, on “the rule of law” (Alston, 2014).

The rule of law can be described as a system that attempts to protect the rights of citizens from arbitrary and abusive use of government power. As there is no a precise definition of what is the rules of law, it has been argued that its meaning can vary from one country to another and from one legal traditions and jurisdiction to another. However, it can be said that it is a legal-political regime under which the law restrains the government by promoting certain liberties and creating order and predictability regarding how a country functions (Helen, and Guernesey, 2018).

In his ‘The Morality of Law’ American legal icon, Lon Fuller identified eight elements of law that are considered necessary pre-requisites for instituting principles of justice and equality among citizens in any society. He identifies eight elements of the rule of Law.

3.3.1 Rule of Law and Economic Development

Law generally and the rule of law in particular are important ingredients to economic development and specifically to the market economy because they are the common basis on which actors and stakeholders in economic development activities and parties in the market economy can
make agreements. The Supremacy of law and the rule of law provide parties with confidence that all will be treated justly and equally and disputes will be resolved efficiently and fairly.

Experts in market economy maintain that when the government is no longer having monopoly to the ownership of land, capital, and labor, the rule of law guarantees that the crucial elements of the economy will be free from arbitrary governmental policies and actions. This will give assurance to market participants that the government will maintain neutrality and adopt a hands-off approach to investments and production. This will certainly allow those participants to fully exercise their rights in relation to land, labor and capital which will engender economic growth and positive development.

3.3.2 Islam and Rule of Law

From the above analysis the question is to what extent does Islamic law conform to these principles and components of the so-called rule of law? In a comparative sense, both the rule of law as understood in modern time, and Islamic law carry different meanings and connotations to different people, cultures and legal and social backgrounds.

Fundamental Rights

Fundamental human rights principle is general and sacrosanct to every model and every variant of the rule of law. Islamic law is not an exception. Islamic law guarantees personal security and private ownership of property rights (Khadduri, 1984). Property ownership right is inherent in human nature because it has to do with survival and self-preservation. Islam is fundamentally a monotheistic religion. Everything in Islam centered on the over-lordship of God the Author of all creation. Thus, Qur’an puts property ownership rights within the framework of this fundamental belief and thus, everything is owned by God. The Qur’an says: “Unto God belongs the domain of Heaven and Earth and everything in between” It also says that: “O Allah. Master of the Dominion”.

These are similar excerpts of the Qur’an is to the effect that the right of ownership in the absolute sense belongs to God and to Him alone.

However, this does not mean that human beings are not capable of having the right to own property. In other words, this omnibus framework of right is put within the broader context (Isa, 2018). This fact is acknowledged in the purport of Qur’an 9 verse 104. Here there is mention of “their” property confirming that there is no contradiction between the ownership in the absolute sense which is under the control of God and human inherent right to own property within the limits set and to dispose and use them within the restriction that God has provided. There are similar references in the Sunnah of the Holy Prophet Muhammad (PBUH) which is the second basic source of the Islamic Law which stipulate that ownership of property rights are to be acknowledged and respected.

One major objective of the Islamic notion of divine ownership of property which in all intends and purposes is to establish the equal rights of all human to those God-given properties. However, it must be admitted that Islamic history has revealed that that same notion that had been invoked to restrict property ownership privileges and deny peasants the rights to sell, for example, land or pass it onto their heirs (Kuran, 2008).

Islam and Components of Rule of Law

Islam and its legal system also recognize all the other components of the rule of law including ‘Government Accountability’, ‘Equal Access to Justice and Political Process’, ‘Efficiency of the Legal and Political Systems’; Islamic law itself, is certainly known to be ‘Clear and ‘Stable Law’.
These components of the rule of law may not be discussed in this due to lack of space. Suffice to conclude, that the Qur’an and Sunnah which are the primary sources of Islamic law contain principles and criteria for all these that are now being talked about in modern time. Muslim Jurists and Scholars have done extensive work in expatiating those Qur’anic and Sunnah principles and criteria in the course of historical development of Islamic law.

4. Education and Development

“Investment in people, if done right... provides the firmest foundation for lasting development”

Education, is known to be the means for learning, or the acquisition of knowledge, skills, values, beliefs, and habits. Methodology of education varies. It include storytelling, discussion, former and informer teachings, training, and focused research. Education usually is undertaken under the instruction and counselling of teachers or educators, but also, curious individuals may learn or acquire knowledge by themselves (John, 1944). Education is basic and essential for the attainment of growth and development (King, 2011).

Education in every sense is one of the fundamental and indispensable factors for development. This is because, it raises people’s productivity and creativity and promotes entrepreneurship and technological advances. Psychologists and education experts in a series of studies that were recently conducted on the determinants of aggregate economic growth have revealed and stressed the importance of fundamental economic institutions and the role of cognitive skills (Acemoglu, Johnson, and, Robinson, 2001).

4.1 Islam, Education and Development

Islam, right from inception, placed a high value on education and has enjoyed a long and rich intellectual tradition. In demonstrating its importance, there are more than 800 references to education, knowledge (‘ilm), and their derivatives in the Qur’an. Thus, it is repeatedly emphasized with frequent injunctions, for example, in such divine expressions as “God will exalt those of you who believe and those who have knowledge to high degrees”, “O my Lord! Increase me in knowledge”; and “As God has taught him, so let him write”. These and many others are to invigorate community to strive for education and learning.

Education, from Islamic perspective, has been described as a balanced growth of the total personality through training the spirit, intellect, rational self, feelings and bodily senses such that faith is infused into the whole personality (Syed Muhammad, 1991). It is also viewed as a means of preparing humankind for happiness in this life, “its ultimate goal is the abode of permanence and all education points to the permanent world of eternity” (Sayyed Hossein, 1989). Prophet Muhammad (PBUH) is reported to have said, “Verily, Allah will send for this nation at the head of every hundred years [could mean every generation] one who would revive for it (i.e., the nation) its religion” To what extent modern Muslim Countries appreciate this fact especially among Muslim families and the government policies? Answer to this question is nothing to write home about.

5. Modern Muslim Countries and Constituents of Economic Development

To what extent modern Muslim Countries observe and preserve those constituents and to what extent those constituents impact their development agenda? It is pertinent at this stage to quote Abdullah bin Haji Ahmad Badawi former Prime Minister of Malaysia who observed that:
“The Muslim landscape that stretches from Morocco to Mindanao is more diverse than western commentators often suppose. There are peaceful countries where the people are wealthy, healthy and educated. However, these are sadly outnumbered by countries and regions that are underdeveloped, poor and in turmoil. Some 31 of the 57 member-states of the Organization of Islamic Conference are classified among the least developed nations, including the countries that occupy the bottom five places on that list. Unemployment rates are double the global average, nearly one-third of the population is illiterate and women face many disadvantages. This level of backwardness and economic deprivation helps fuel a host of social ills and makes it easier for people to recruit terrorists. Poor governance is a feature of many parts of the Muslim world.

Political oppression, abuse of civil and political rights and corruption trouble many Muslim countries. Extremism and militancy also dot parts of the Muslim landscape due to factors that are largely domestic but are sometimes external. What is needed is a clear and shared commitment to eradicate poverty, illiteracy and unemployment in the Islamic world. These are the real threats to both the Muslim and western worlds. If people have a sense of economic opportunity and purpose, they are far less likely to be seduced into becoming terrorists.”

The modern Muslim Countries do not attach adequate importance to good governance, social justice and the rules of law. Contrary to a misconception that all these are values only developed and promoted by the modern Western world, they are part are parcels of Islamic system right from the inception of Muslim community of Medinah. Muslim Jurists and Scholars have confirmed this from their scholastic efforts. This has been manifested in the ideal of Maqasid al Shari’ah, that is to say, the objectives of the Shari’ah.

Politically most countries of modern Muslim Countries could not claim to have a clearly defined political system. While some claim to be applying Islamic political system, others claim to be applying the modern democracy. Some other claim to be applying a middle-course between the Islamic and democratic systems. However, all indications show that those claims are arguably superficial.

6. Development Aid

Development aid is an assistance provided by governments and other agencies in support of the economic, environmental, social, and political development of developing countries. It is known and referred to in different names. For example, it is called development cooperation, development assistance, technical assistance, international aid, overseas aid, official development assistance (ODA), or foreign aid. It is distinguished from humanitarian aid by focusing on alleviating poverty in the long term, rather than a short term response (Bräutigam, and Botchwey,1999).

Traditionally, development aid was known to be the response of richer countries to the imbalance of economic development prevalent in most part of the world and particularly the developing nations. It has hitherto remained in that traditional regime as relatively non-intrusive.

However, in the recent past, it has been ‘re-branded and intensified to the point where aid today is arguably used as a strategic force in increasingly interventionist global development policy.’ (Senge, 2015)

6.1 Development Aid: Donors

It was reported that almost two-thirds of the U.S. proposed assistance for 2012, was earmarked for Muslim nations and one-third goes to Arab countries. A report revealed that in 2012 Western
countries had continued to be the biggest suppliers of Foreign Aid, with the United States providing nearly double the investment than the next largest donor. This is graphically explained in this table:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Economic Aid – Donor (Billion $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>United States</td>
<td>23.53</td>
</tr>
<tr>
<td>2.</td>
<td>United Kingdom</td>
<td>12.46</td>
</tr>
<tr>
<td>3.</td>
<td>Japan</td>
<td>11.19</td>
</tr>
<tr>
<td>4.</td>
<td>France</td>
<td>10.60</td>
</tr>
<tr>
<td>5.</td>
<td>Germany</td>
<td>10.44</td>
</tr>
<tr>
<td>6.</td>
<td>Netherlands</td>
<td>5.45</td>
</tr>
<tr>
<td>7.</td>
<td>United Arab Emirates</td>
<td>5.20</td>
</tr>
<tr>
<td>8.</td>
<td>Sweden</td>
<td>3.95</td>
</tr>
<tr>
<td>9.</td>
<td>Canada</td>
<td>3.90</td>
</tr>
<tr>
<td>10.</td>
<td>Spain</td>
<td>3.81</td>
</tr>
</tbody>
</table>

A 2015 report showed that the US was the largest single donor country of foreign aid in the world. The Security Assistance Economic Aid dashboard showed that the US spent $18.25 billion in economic aid to 92 recipients, and $18.23 billion in security aid to 143 recipients.

Meanwhile, United Arab Emirates (UAE) a supposed Muslim developing country topped donor list of development aid in 2017. Relative to its national income, according to a report released by the Organization for Economic Co-operation and Development (OECD), UAE with a total contribution of Dh19.32 billion of developmental aid in 2017, the UAE spent 1.31 per cent of its gross national income on foreign developmental aid – almost twice the global target of 0.7 per cent set by the United Nations.

6.2 Development Aid Recipients

Beneficiaries of development aid are mostly and usually developing nations and particularly Muslim Countries. These countries receive the aid essentially to finance a number of development programs which include economic, health-care, environmental, social, security and political development agenda. The table below is illustrative. It shows top 10 countries that received US foreign aid in 2016.
World Bank reports revealed that Iraq and Nigeria, two Muslim majority population countries were the top recipients of development aid in 2005. It was stated that this is due to the significant debt relief deals that were granted to these countries that year – when donor countries write off a portion of a recipient country’s debt, it is regarded as official development assistance from the donor country. OECD report also showed that in 2009 Africa received the largest amount of ODA, at $28 billion. Of that, $25 billion went to countries south of the Sahara, with Sudan receiving approximately $1.9 billion and Ethiopia getting $1.8 billion. Asia received the second largest amount at $24 billion. The top ODA receiving countries in order were Afghanistan ($5.1 billion), Iraq ($2.6 billion) and Vietnam ($2.1 billion).

Another report showed that in terms of regions, the Middle East and North Africa receive the most of the economic assistance from the US development aid budget. The Sub-Saharan Africa region receives $US 1.2 billion – 25.32 per cent of the budget (Hayne, 2017). In terms of individual countries, the following receive the most in economic [not security] aid: Afghanistan ($US 650,000,000); Jordan ($US 635,800,000); Kenya ($US 632,500,000); Tanzania ($US 534,500,000); Uganda ($US 435,500,000); Zambia ($US 428,525,000); and, Nigeria ($US 413,300,000). In terms of security aid, the countries receiving the most help are: Afghanistan ($US 5 billion); Israel ($US 3.2 billion); Iraq ($US 1.3 billion); Egypt ($US 1.3 billion); Syria ($US 541,500,000); and, Jordan ($US 364,200,000). These figures show that why few of the Muslim Countries are on the list of development aid donor countries, many of those on the list of the aid recipient countries are from Muslim Countries.

6.3 Development Aid: Negative Tendencies

For a number of reasons, stakeholders in development matters are expressing doubt about favorable consequences of aid. To what extent aid contributes to development of recipient countries? Some have questioned the claim that aid really bring development to the recipient countries and argue that they rather distort local institutions and thus acts as a potential obstacle to progress (Vernon, P. 2017). They note, for example, that large sums of money given as aid have not enabled Zimbabweans to achieve a better life; nor enabled ‘people in Sri Lanka or the DRC to live in peace; nor prevented political violence and mass displacement in Kenya or Georgia.’ Where there are some development indications, there also concomitant negative tendencies which include conflict of interests; and, dependency syndrome. Aid dependency is a reference to the degree or proportion of government spending that is given by foreign donors. Where the proportion is high, the tendency is also high in promoting a culture of dependency. It is noted that aid is though, not fundamentally linked to dependency, it is rather influenced by many factors, mostly length and intensity of the donation period, and 15-20% has been identified as the tipping point where aid begins to have negative effects (Clemence, 2011). Dependency is usually the result when aid is used, either intentionally or otherwise, as a long-term strategy which as a result prevents or slows down development, or even makes progress, or reform completely impossible.

Other Effects of Development Aid:

Other negative effects of development aid that may not be expatiated on include misappropriation and misapplication of development aid; interference in the internal affairs of recipient country; division among political and community leaders; fueling conflicts among different groups in the community; and, inhibiting development of intellectual potentials and capacity building.
It is on account of these effects that development policies of most of the developing Muslim Countries have not been result oriented. As shown in the above graph, aid donated by US in this case, are, apart from development agenda of the recipient countries are also to achieve certain agendas set by the donor country.

7. Visions for Change and Sustainable Development

For the Muslim Countries to face these challenges of sustainable development squarely, they have to review their steps and embark on implementing development blue-prints that have been recommended by the experts and opinion leaders. It is humbly recommended that the following steps should be taken:

1. In abiding by the teachings of Islam, the Muslim Countries must be conscious of the need to deal with the sectarian thought, doctrinal and ethnic radicalism. Individuals and groups should be allowed to express their views within the limit of the law.
2. The Muslim Countries should endeavor to implement various plans and development blue-prints that have been produced by researchers, experts and opinion leaders.
3. Develop educational system that is practical and scientific oriented. The education system of Muslim Countries must be capable of bridging the gap between the past and the present such that it will be relevant to the modern age of information technologies and thus, prepare them for future. Specific attention should be paid to modernizing curricular of education system that promote sustainable development through scientific research, creativity in sciences and technology.
4. Good governance, social justice (equitable distribution of resources), and the rule of law must be duly observed. People should be carried along in the implementation of state policy.
5. The principle of social justice must be properly rooted in the countries of the contemporary Muslim World. Citizens must be given what they deserve in terms of distribution of social, economic and political benefits in the society as well as equality in the distribution of basic needs and opportunities.
6. Efforts must be made to protect the rights of the citizens from arbitrary and abusive use of government power. Governments must be accountable. Citizens must have equal access to justice and the political process, and there must be efficient judicial and political systems, clear and stable laws, legal system, and the protection of fundamental human rights.

7. Corruption must be fought in all its ramifications in the Muslim society.

8. Efforts must be made in promoting culture of productive, scientific and critical thinking in education and labor sectors of the society.

Conclusion

Development aid is part of human society. People are interdependent. However, development aid can be blessing and curse. If it is properly utilized it can bring benefit to the recipient country. However, if it is not properly managed, it can have a spill-over effects on the society like dependency syndrome and other negative tendencies associated with it. Therefore, for the Muslim Countries, to be free from dependence on development aid and achieve sustainable development and self-sufficiency, it needs to go back to the drawing-board and abide by the golden teaching of Islam, its faith and way of life. In doing this, attention should be paid on practical education. This Countries must imbibe the culture of sincerity, hard-work, observance of the rule of law, fundamental rights and respect for others which are parts and parcel of the Islamic heritage. The overall result will be a global peace, security, mutual love and harmonious co-existence.

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The Effects of Digital Transformations and the Impact on Employment in Europe and in the Republic of Croatia

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Abstract

Digital transformation involves changing and transforming the business model and adapting the company to market changes using different digital technologies. For companies to survive in the market and become competitive, it is necessary to adapt to the process of digital transformation that can be viewed as a change in all aspects of human life caused by digital technology. Nowadays, in the context of digital transformation, we can talk about the application of robots, artificial intelligence, 3D printing, drones, or so-called “industry 4.0”. The concept of Industry 4.0 requires digital transformation and networking of all functions inside and outside of the factory, where robots are used instead of workers in production lines. The development of robotization comes in all spheres of human life and is increasingly paying attention to their development, research and appliance. Robotization has an increasing impact on employment, so accordingly there is a need for new jobs, while today’s professions go to oblivion. Robots use sensory and control systems and artificial intelligence that leads them to independence in decision-making and work. Replacing workers in jobs that don’t seek creativity, other than routine work. Considering that the labor market will be significantly altered, the impact and automatization will be significantly different from sector to sector.

Keywords: digital transformation, industry 4.0, robotization, labor market

1. Introduction

In this time of universal data connectivity new elements of business are emerging, leading to exact data and field application, which introduces a new dimension to data processing and analysis, as well as a rapid response to the collected information. The global business environment dictates adaptation to new ways of business by introducing new techniques and technologies into business which lead to digital transformation. More and more business transactions are taking place via the internet and products and services are purchased through different platforms. In this way, the added value of the business is being developed and more efficient customer relationship management is achieved, with two-way interaction leading to customer satisfaction. Products are created by integrating resources from around the world and are developed to meet the desires and needs of customers and Internet users. Traditional products are taking on a new communication and distribution channel.

Depending on the changes brought by digital transformation, which have a significant impact on employment, research has been conducted. The subjects of research are the effects of digital transformation on the labor market in Europe and the Republic of Croatia. The analysis was conducted based of scientific articles, previous communications, and other professional literature.
The aim of this research is to analyze and determine the impact of digital transformation on employment. Research questions were asked: What does digital transformation bring into labor force market? Which are new and which are old preferred occupations? Which worker skills will be valued?

2. Digital Transformation

The global business environment brings different changes and adjustments to the existing market. In order to remain competitive, companies must adapt to current market changes. With the introduction of new processes into the business, digital transformation is coming. Digital transformation, as a transformation of business based on digital technology, is an inevitable part of the company’s business cycle. It indicates changes and transformation the business model of the enterprise by using different digital technologies. It began by using technologies such as Cloud computing, Big Data, Internet of Things (IoT), while in the context of digital transformation we can talk about the application of robots, artificial intelligence (AI), 3D printing, drones, so called “industry 4.0.” [1].

Companies are directing digital transformation to meet the wishes and needs of customers and to strive for closer relationships with them in order to survive in the market and become competitive. From that comes the concept of Industry 4.0, which involves the digital transformation and networking of all functions inside and outside of the factory, where robots are used instead of workers in production lines. That is the creation of a “smart” factory that uses information and communication technology to manage production and business processes. The main goal is to achieve ascendancy the market by achieving improved quality, lower costs and more flexible production [2]. Information technology and digital transformation has become an inevitable tool for reaching users in terms of providing products and services. For that reason, companies must be receptive to changes in networking, digital transformation and industry 4.0, in order to be ready to respond to them and adapt to change. Many countries around the world provide support to companies for digitalization, networking and for using applications of industry 4.0.

Nowadays, buyers expect their future desires and needs to be foreseen and created before they determine what they are. With the development of digital technology and high availability of information, a new dimension of user expectations has emerged from existing brands and businesses, making them vulnerable in consumer preference of substitution. The characteristic of today’s world and national market is the presence of a highly emphasized competitive spirit which seeks to achieve a rival advantage [3].

2.1 Positive effects of digital transformation

Enterprises are expected to develop toughness to changes in digital transformation, networking and industry 4.0., keep up with trends and reactions to them. Digital transformation brings plenty of business-related changes that are manifested as the positive effects of digital transformation.

Companies direct their business toward the end user while providing them a fully customized product or service. Digital transformation enables businesses a new marketing approach by providing products and services to customers in order to fulfill their existing and future wishes and needs. Enterprises exploit the potential of digital transformation to transform their management to achieve competitiveness and survival in local and in global markets. With the possession of technology in business, it is essential for companies to ensure the right mix of information and communication technologies through which personalized marketing is promoted [1].
Traditional marketing activities are slowly dropping out of use since they do not provide market success, instead the focus is on a more financially and technologically acceptable solution-digital marketing. Products and services offered by companies through various connected devices are very easily accessible and omnipresent in society. Digital transformation reduces business costs and increases the efficiency of sales of small and medium-sized enterprises through integration of intelligent and autonomous systems and the improvement of logistics processes [1]. By using different marketing strategies and tools, companies are presenting and offering their products, and by using two-way communication they collect feedback on user reactions. Two-way communication enables foresight of customer and user behavior through information that companies collect and possess by conducting analysis from their databases. Enterprises over a certain time period follow the reactions and actions of users and by that only offer products and services of their interest, those they really want, or those that will trigger positive reactions and encourage buyers to buy.

2.2 Negative effects of digital transformation

The risks arising from resisting globalization arise from the view that social global life is solely based on trade with the ultimate goal of consumption, that the foundation of globalization is a material gain and representation of basic motivation for action [4]. By developing digital technology and introducing it into business, information becomes easily accessible to a large number of users in different environments. Considering the above, a new environment has been created in which users have great expectations from existing companies and market brands. Thus, they become vulnerable to substitution of consumer preference. Significant generational differences were detected in user attitudes towards new communication technology because they are more technologically exposed and use more information-communication technology than older generations. The Internet is used in all spheres of life and perceives it as a source of information that can be very negative if obtained information is incomplete or inaccurate [3].

With the appearance of new technologies, present jobs are being replaced by new jobs that are needed in digital business and which require training of the workers to be skilled in performing out jobs of that kind. One of the negative effects of digital transformation is also the danger of intensifying work, from increased levels of stress and work time. New forms of employment threaten that workers will have to be available all the time and anywhere because new technologies blur or erase the traditional boundaries of professional time and space [5]. The increase of worker stress level can be affected by increased employee tracking, assumption of workers availability 24 hours a day, frequent job change and managing work by using algorithms [6]. Possible outcomes of the increasing digital transformation in the workplace include the increased ergonomic risks caused by human-machine interfaces and increasing mobile work online. Online markets often contain different information about the products being sold, as well as the people involved in the process of sale itself. The mentioned affects the promotion of discrimination based on seller’s race, age, gender, or other aspects of appearance.

3. Development of Robotization and Impact on Employment

Nowadays, in the increasing presence of digital transformation and robotization, we can talk about a new era for humanity that will significantly change the everyday way of life both in business and in private. By developing electronics, sensors, artificial intelligence and other technologies, robots are no longer just machines. They become more and more accepted “partners”
in everyday life. In previous industrial revolutions, it could not be imagined that robots would significantly change and facilitate everyday life. Robots are becoming more and more present.

Their role in medicine, army, service industry and households are becoming inevitable and increasingly important. At the Fraunhofer German Institute, a prototype of the Care-O-Bot robot was developed. His primary task is to prepare food and drinks, reminding people of their medication intake or a favorite television program. This kind of robot has its application in nursing homes. The need for its development started with the fact that the population lives longer and the labor force are less and less concerned about the elderly. Miniature robots have a significant role in the military for signaling the attack better, defense and/or scouting. In medicine, robots are being incorporated into the human body, and are also considered to play a significant role in performing individual operative procedures [7]. Generally, we are not even aware of omnipresence of robots.

Today, without thinking, it’s normal for airplanes to have autopilots; the automotive industry is developing cars without drivers, and self-parking cars with the help of digitized systems. Just as we quickly accepted the Internet, mobile devices and other gadgets, it is considered that we will be able to accept further advancements in the field of modern technologies in an even easier and in conspicuously way.

Robotization will make a significant mark in the 21st century. The development of robotization enters in all spheres of human life and is increasingly paying attention to their development, research and appliance. Robot development in the future will also change the social spheres. The development of a humanoid robot that looks more and more like a human, behaves like a man, and is accompanied by emotions and feelings, will be totally shocking if we look at today’s aspect of morality and social relationships. Such robotic development will affect changes in social relationships, and interpersonal relations will be reduced to a new form of friendship, socializing, perhaps partnership. Given a series of ethical and moral dilemmas, rules and practices for upcoming times should be set up today; all in order to protect the rights of human life, and robots remain under the control of people.

Robotization will have an increasing impact on employment. Some research point to the disappearance of 47% of current jobs and is considered as high risk. Namely, there will be a reduction in the need for the middle working layer, i.e. The need for skilled and highly skilled workers will be reduced, and the need for unskilled and highly educated workforce will increase.

Automatization and growing robotization in the business world will most certainly affect and change jobs. It is assumed that regardless of the abolishment of individual jobs, there will be a need for new jobs that at this time we may not be aware of and we do not pay enough attention to.

Currently we can only assume which jobs that might be. Research suggests a reduction in workplaces requiring primarily repetitive jobs, which will easily be replaced by robots. In general, jobs that are at greatest risk for digital transformation are administrative jobs, sales, trade, logistics, construction, manufacturing, some types of services, such as translation, tax consultancy, etc.

Robots will not be able to replace jobs for 40-50 years, primarily those professions that require innovation, creativity, talent, imagination, scientific approach, etc. The emphasis will surely be on the professions relating to construction, robot maintenance, programming applications, that is the need for computer workers, scientists and engineers. The need for soldiers, cops, judges, attorneys, brokers, educators, and service workers (hairstyling, beauty care, social workers) will continue to exist. Doctors will still be required, but part of the operation and diagnosis will be set up by robotized devices. In previous industrial revolutions there were also problems with the introduction of new technologies. Removing existing jobs for new devices and machines is not a novelty. As an
example, there is the first industrial revolution when many jobs were revoked due to the appearance of steam engines. Also, at the beginning of the 20th century large changes were made in agriculture.

Even 70% of the population was involved in food production. Nowadays, if we look at developed countries, only 3% of the workforce is involved in the creation of food and its products.

Robots are just one part of the new technology, and the need to replace human work has always been present. This role used to belong to an animal, a slave, machines, and in the future will be automatized machines and robots that will increasingly have a dose of independency in decision-making and offer solutions to emerging problems [7].

Fear and concern for the job and overall employment is quite normal and is in human nature. As already mentioned, computerization and robot application will affect a large part of the workplace. In research conducted by experts who are in touch with new technologies, 48% of them predicted that the effect of robotization would be significant and that changes in the types of occupations would be significantly affected and would have an impact on a sudden drop in employment. Social differences will be more pronounced, and the gap between the poor and the rich will be even greater. Other 52% of experts believe that new technologies will not have a negative impact on employment. Occupations will naturally change, but employment will be on the rise. There will be a need for new experts, new knowledge and skills. An example is the beginning of this industrial revolution in which million robots created three million new jobs [8].

Robots will be more prominent, but the need for human control will be inevitable. Ivan Cifrić, in his 21st Century Expectations of the Early 21st Century Examination, conducted at a student sample at the University of Zagreb, concludes that 25% of respondents are not sure what future to expect, 70% expect that technology dependency will be significant, pollution will increase the environment, and the poor countries will become dependent on rich and developed countries. Less than 35% of respondents believe that genetically modified food will be more significant, “superhuman” will be created, and human creativity will be reduced [9]. Every research leads to some new insights and opinions, but in general, computerization and all automated representations will significantly change the daily life style we are already slowly seeing looking back ten years. Even then we were not aware of the present time, and who knows what the next twenty, thirty or more years is waiting for us.

Given that the labor market will be significantly altered, the impact of digital transformation and automation will be significantly different from sector to sector. Although it is difficult to predict changes in workplaces, it is assumed that there will be a need for new jobs, new sectors, and the emergence of new services. Digital transformation will not only change the labor market, it will also change the social position of individuals, their salaries, the quality of new and changed jobs, etc. Computers become more sophisticated and powerful, and the opportunities they provide become countless. The problem is accelerated computerization, and the question is whether the human mind can keep up with the process of doing so. Many organizations, their knowledge and skills are set back in time. For this reason, it is necessary to elaborate the future strategy further and to wait for the sudden changes that would cost organization survival on the market. We can’t say that there is a period before us that we have no influence on. What follows is a major restructuring process whose direction of motion will largely depend on political decisions. For example, will it be acceptable that in the upcoming time trucks will be able to transport goods without a driver?! The question is about safety and what regulations will meet such form of transport.

Some authors believe that the labor market will become flexible, and the labor contract will not be defined. By doing so, the regulations on working time, salary, work place, trade union etc., will
not exist. The employee will be a “participant/partner” in virtual business. Taking care of your insurance, sickness, retirement will have to be done by individual. Being self-employed in such circumstances is not so positive if we look better at all the circumstances. The beginning as well as the termination of employment is established through different platforms. Let us hope that the legal and legitimate norms on this issue will be better defined in the future in order to protect the worker and his position in the virtual business world. The problem will also arise in blur of the border between private and business life. The dependence on the devices needed to perform a job will greatly change the everyday, primarily private lifestyle. Reading and answering mails at any time of the day or night including the weekend will create addiction and everyday routine without rest and job breaks. However, such situations are unfortunately already present today. Also, some employers point out that private life partly infiltrate into business by reading private mails, communicating with friends through social networks and the situations like that. It is difficult to determine the boundary between the private and the business world nowadays. Who knows what direction it will take place in the coming period? Working time and workplace will most certainly gain new features, and the need for legal regulation will be inevitable. Given that new technologies will “throw” the middle tier of labor from the labor market, more and more payment inequality is also assumed. Lower skilled labor will receive minimal wages, primarily because of small complexity of the job, while the pay of highly educated experts and scientists will be growing. A gap in the wealth of the work layer will not only be affected by income. Impact will also have tax benefits for the richest, reduced investment in education, healthcare etc. Depending on the type of job and private life (e.g., mothers who care for children) technology will increasingly contribute to the flexibility of the job. Depending on the circumstances, flexibility and autonomy may have advantages and disadvantages. For example, mothers who care for young children will easily arrange and organize their work, which will contribute to greater efficiency in carrying out work tasks. On the other hand, workers are at risk of intensifying work, the level of stress will increase, which will undermine the health of people. New forms of employment point the need for constant presence of workers, and traditional boundaries on working time and space will gradually be erased.

Christophe Degryse, in his work “Digitizing Economics and Its Impact on the Labor Market”, Table 1., highlights the abstract of the main issues through the SWOT analysis and thus more clearly presents categories – strengths, weaknesses, opportunities and threats in the era of digital transformation. Strengths that stand out are the connected world through open systems led by the knowledge economy. Automatization will overcome and the machines will learn by themselves and over time offer themselves the solution for newly emerging problems. New products and services will characterize innovation and adaptability to the user in everyday life. Opportunities will create new jobs that will primarily be focused on digital transformation and informatization.

Flexibility and independence in work are just some of the benefits in the workplace. Repetitive and routine jobs will be phased out, and robots will be taken over. The author also lists some of the weaknesses of the new era. The future will be characterized by economic growth without jobs.

Consumer habits of individuals will be clear and specified. The problem will arise in non-compliance with regulatory, administrative and working standards, and the protection of personal data will be minimal. Some of the threats are the revoking of mid-term jobs, the boundary between the private and business world will be unclear, and the distrust between the worker and the employer will be expressed to a greater extent. These are just some of the examples and assumptions that the future and its technology will look and impact the everyday life [5].
Table 1. SWOT analysis of the impact of digital transformation on employment

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Connected world, open systems, knowledge economy</td>
<td>1. New Jobs (Computer Engineers, Scientists, Network Experts)</td>
</tr>
<tr>
<td>2. Automatization, Learning Machines, Robotics</td>
<td>2. Flexibility and independence in work</td>
</tr>
<tr>
<td>3. Innovative products and services, mobile applications that make everyday life easier</td>
<td>3. Abolition of repetitive and routine tasks</td>
</tr>
<tr>
<td>4. Micro-factory</td>
<td>4. New way to distribute productivity gains (shortening working hours)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WEAKNESSES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Growth and the future without jobs</td>
<td>1. Extermination the middle working layer</td>
</tr>
<tr>
<td>2. “Algorithmizing” of behavior, work and consumer habits of individuals</td>
<td>2. Blurring the boundaries between the private and business worlds</td>
</tr>
<tr>
<td>3. Non-compliance with regulatory, administrative, labor standards, less protection of personal data</td>
<td>3. Digital management, worker supervision, loss of trust between worker and employer, wage stagnation</td>
</tr>
<tr>
<td>4. Fewer workers at the top of the scale, more workers at the bottom of the scale</td>
<td>4. Erosion of the tax base and social security financing</td>
</tr>
</tbody>
</table>


4. Situation in Europe

Machine connectivity, availability of big quantity of data, production flexibility, product customization, and automated production are just a part of the new era. The need to change business ideas, investing in employee training, improving internal processes, and investing in management tools and activities is an inescapable part of modern business, all in order to progress and keep up with time [10].

The European Union has noted that investment in research and development (R&D) are falling behind leading world countries like America and Asia. The first ten world countries invest about 80% of all the world’s R&D investments. The United States, which invests US $ 476.5 billion in IR, China is in second place, investing 370.6 billion US dollars, and Japan ranked third with 170.5 billion US dollars [11]. Due to the great lagging in investment, the European Union has adopted several key development strategies by 2020. One of the goals is to invest 3% of GDP in R&D. The plan is implementing new strategies which will create about 3.5 million new jobs [8]. According to available data, in 2017, the EU invested 2.07% of GDP. Only three European countries are investing more than 3% of GDP. Sweden is in the first place (3.33% of GDP), while Austria, Denmark and Germany are following [12]. In Europe, the country’s top investment in R&D, by the total investment amount, is Germany with an amount of 109.8 billion US dollars [11].

The robotics development strategy in the European Union is carried out in co-operation with EUROP (European Robotics Technology Platform) and CARE (Coordination Action for Robotics in Europe), involving leading European manufacturers and institutes. The European Commission has decided to fund research projects in the field of digital transformation and robotics with about 100,000,000 euros annually. In addition, the European Commission has established a project called SPARC for the application of digital transformation and robotics in the fields of agriculture, medicine, households, production and so on. The primary goal of the project is to increase the number of jobs for 240,000 and to take Europe’s share of global level in the amount of 42%. It is
concluded that Europe should primarily be a manufacturer, not just a consumer in the field of digital transformation and automatization [7].

Based on OECD data in mathematics, natural sciences, and digital competences and lifelong learning the workforce skills were assessed. Also based on the cluster analysis and LCC (Latent Class Cluster Analysis) of European countries we can reduce to three clusters that indicate the speed of adaptation in future digital times. High performance clusters are the countries of Northern and Western Europe, middle-successful countries are the countries of Central Europe and the Baltic countries, while the poor performance of the cluster of countries is entering the South and South-Eastern Europe. The adaptability of the workforce in an automatized and digital environment in times that are yet to come is an important indicator of future growth and survival of leading organizations in a certain country [13].

5. Situation in the Republic of Croatia

Can Croatia be in step with the European Union?! Croatia aims to allocate 1.4% of GDP for research and investment in technology development by 2020, which is lower than the European average. In 2015, the share of funding was 0.7% of total GDP. The reason for the lower level of the goal set lies in the fact that there is a bad situation in the country and a small source of funding for research and development (R&D) [8]. In 2017, 0.86% of GDP was invested in R&D. Of the total funds in R&D, the largest share was invested in the business sector with a share of 48.4%.

High education follows 29.3%, while the least amount of funds was spent in the state and private non-profit sector, 22.3% [14]. Investments in Croatia are much smaller compared to investments in Europe and the world. Unfortunately, Croatia is not in the top 60 countries of the world by investing in R&D, so some of the neighboring states, as well as some African countries, are better off. While Croatia invests 737 million US dollars, Slovenia invests twice as much, 1.5 billion US dollars. Bulgaria and Romania invest over one billion US dollars. Serbia invests 20 million US dollars more than us, and Kenya and Ethiopia even 50 million US dollars more. However, some countries invest less than Croatia. As examples there are Macedonia and Bosnia and Herzegovina, which invest about 100 million US dollars, and Albania and Montenegro two thirds less [11]. In this way, there is less development of innovative products and technologies that could improve the state of the country.

According to the 2018 report for Croatia, the Digital Economy and Society Index (DESI) warns of increasing challenges in terms of digitization. The DESI Index serves to monitor Member States’ progress in digitization. According to DESI, Croatia belongs to a group of less successful countries.

Although Croatia was in 2018, has made good progress in digitization, it is still not significant to a great extent. Croatia occupies 22nd place, out of a total of 28 member states of the European Union. The research suggests the readiness for digital technology to be introduced by companies, and the use of the internet by the public to a great extent. A targeted digitalization strategy for the Croatian economy would greatly assist the Croatian economy. Namely, Croatian companies are characterized by the willingness to introduce technology, but the issues point to the lack of national digitization policies. Digital technologies are the key to connectivity, collaboration and business in all segments of the economy [15].

The unfavorable situation that accompanies Croatia is, unfortunately, a matter of historical legacy and a result of the global economic crisis. The crisis that came about in 2008, Croatia was hit hardest by all the European Union countries. The key economic problems that accompany Croatia are the low level of GDP per capita and the high unemployment rate. Nowadays, investing
in R&D is the foundation for realizing the country’s economic growth. Croatia is undoubtedly lagging and is not in step with European and national strategies [16].

In order to evolve economic improvement, there is a need for new technologies, new innovative products, investment in education, and opportunities for skilled and highly educated people to develop their ideas. Many countries in the recession period invest more in research and development. It turned out to be so easy to get out of the economic crisis. However, this is not the case in Croatia. It is a sad fact that we are one of the few countries where it’s hard to find jobs for highly educated people towards people with lower education. In Croatia, the solution to the problem is systematic restructuring. It does not mean shuffling the same dice, but instead adding and connecting new ones to a better whole [17].

6. Conclusion

Given the questions from the beginning of this work, it can be concluded that digital transformation is bringing a new era that is not that far from us. Namely, new technologies and machines are being introduced today, interconnected, involved in the creation of new solutions, customers create their products, and smart factories are characterized by new technological processes. All work processes are automatized, from communications to production, with the aim of maximizing profits. New technologies will create a need for new jobs related to robot construction, maintenance, and application programming. Some of the skills that workers will appreciate are creativity, imagination, socio-emotional skills, and technical skills related to the use of digital technologies.

The increasing development of digital transformation and automatization will contribute to greater dependency on technologies. Automatized systems represent better solutions, cheaper production, and faster marketing. Robotic systems will dominate the world, and everyday life, both private and business, will not be able to function without modern technologies. Robotic systems will take over much of human labor. Initially, they will take on repetitive and routine tasks until they have feelings and awareness of their existence. Only then will they take on jobs that require creativity and intellectual ability. This will result in major changes in society, and for this reason, legislation should already define the rights and obligations in society. All in order to prevent robotic systems from taking over and manipulating people’s daily lives.

Investing in education and research is an inevitable part of economic progress. The more investment in technological development, the greater are chance of getting the country out of crisis. America, some countries in Asia, Western Europe, and the countries of Scandinavia, are examples of countries that have recognized this and their investment in R&D is significant.

Looking at the development of America and some Asian countries, the European Union has realized its disadvantage in investing in R&D. For this reason, a strategy has been adopted that plans to invest 3% of GDP in R&D by 2020. Unfortunately, due to the unfavorable situation in the country and lack of investment, the countries of South and Southeast Europe cannot compete with the Western countries. Doing so will create dependence on them, and technological progress and growth will not be able to track them. Croatia is also at a disadvantage regarding such forms of investment. Insufficient funds are allocated in many institutions and research projects, and the importance attached to their development is insignificant.
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Influence of Ethical Business Practices of Islam on the Formation of Turkish Social Business Networks

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Abstract

This paper is composed of a short discussion on the influence of Islamic business practices on the Islamically oriented emerging business groups that challenged the oligarchic secular business framework in Turkey. The paper addresses conceptual/theoretical aspects of Islamic Business practices, the main characteristics of conservative business groups, and formation of Islamically conservative non-governmental business organizations. Turkish business organizations are effective in establishing social business networks that open a wide area to do business for their members, mainly small and medium-sized company owners. Discussing the historical development of these business groups, the study argues that Islamic moral values, work ethics, morality, solidarity, and networking are very influential in Turkish business life.

Keywords: Islamic business practices, Islamic work ethics, Social capital formation, Turkish conservative business organizations, social business networking

Introduction

1990s of the Turkish business worlds witnessed the rise of Islamically oriented business groups that challenged the oligarchic secular business framework. These companies without having any access to state incentives had to pursue their own growth and export strategies, and therefore, established their own social and business networks in the central Anatolian provinces (Karadag, 2010). The main motive for these mainly small and medium-size enterprises’ participation in Islamic oriented networks is to develop commercial relations. Islamic values and ethical system towards business is prominent in the literature on Islamic business practices. Besides, several publications have appeared in recent years documenting the role of Islamic business practices and Islamic ethical values on rapid development of Turkish Anatolian enterprises. This review paper analyzes the theoretical framework of Islamic Business values and practices and their influence on the Islamic oriented conservative Turkish business groups and organizations.

Islamic Business practices

With the development of Anatolian conservative business groups and organizations after 1990s, Islamic business practices and ethical values became influential in Turkish business life. Islamic values and ethical system towards business is prominent in the literature on Islamic business practices (Arslan, 2001; Çemrek, 2002; Karadag, 2010; Özcan & Turunç, 2011; Özçetin, 2011;
The issue of Islamic business ethics from the perspective of small and medium-sized enterprises is scarce to be found in the literature, only some discussions are done over the issue Muhammad et al., (2013). Badawi (2000) argues that “trustworthiness is one of the most important principles of ethical discipline and … Islam encourages truthfulness in commercial transactions”. Along similar lines, Mohammed (2013) argues that “the distinctive value-based ethical system of Islam prescribes certain specific guidelines governing business ethics, which are dictated primarily by the notions of halal (lawful or permitted) and haram (unlawful or prohibited) as per Islamic jurisprudence”.

Entrepreneurship, which has a significant role in quick widespread of Islamic civilization in 7th and 8th centuries, is an important part of Islamic culture, traditions and lifestyle (Sulaiman et al., 2014). During these centuries, Islam spread through the Eastern Asian regions by the early Islamic traders adopting and representing Islamic values in their daily business lives.

Islam provides clear cut instructions for a practical example of Islamic business activities through its two main sources of guidelines, the Holy Quran and Sunnah (sayings and actions of the Prophet), which promote practical implications and provide instructions about fairness and justice (Zaman et al., 2015). These concepts, fairness and justice, are highly appreciated by Islam and are important values, conducting the fair business. As indicated in many verses of Ouran and Sunnah, Islam clearly expresses its main objective of eliminating inequality, injustice, and unfairness from the society. (Zaman et al., 2015)

Several publications have appeared in recent years documenting the role of Islamic business practices and Islamic ethical values on rapid development of Turkish Anatolian enterprises.

Kirkbesoglu and Sargut (2015) argue that the Turkish business system is a significant example of the efficiency of conservative networks, and this networking system, which is a traditional trading model of Muslim traders, is used today by many business practices in Muslim countries.

Thus, the development of Anatolian SMEs is given as justification of the significance of social cooperation which refers important Islamic values such as work ethics, collaboration, morality, and responsibility of pursuing a common interest. (Kirkbesoglu & Sargut, 2015). The comparative study of Arslan (2000) reveals that conservative business groups became more influential in Turkish business life, bringing their own work ethic which is very similar to the Protestant work ethics.

The empirical study of Arslan (2001), which examines the work ethic characteristics of particular practicing Protestant, Catholic and Muslim managers in Britain, Ireland and Turkey, suggest that Muslim and other groups differ in terms of the Protestant work ethics (PWE) characteristics. The findings of his study propose that the Muslim group has the highest PWE level, while the Protestant group and the Catholic group were placed second and third. He suggests that the possible reasons for the higher level of the PWE values of Muslim managers should be discussed taking into account of historical, socioeconomic and political developments in Turkey, mainly of the transformation of traditional Sufism into the current entrepreneurial ideology.

In a more recent study in the US, Zulfikar (2012) examines the work ethic characteristics of Protestant, Catholic, and Muslim people, including people originally from Turkey, who are living in the US, and finds the similar results. The findings of the study indicate that Muslim Turks reported the highest scores on four of the five Protestant work ethic (PWE) characteristics while Protestants scored higher than Catholics in all categories.

Wahab and Rafiki (2014) argue that networking is an important factor in Islamic Business practices, and taking part in a network develops entrepreneurs’ social skills and enables them to
access to more business opportunities. Islam is a significant factor in the constitution of this embedded relation and organizational networks of conservative business associations. Ulgener (2006, in Kirkbesoglu & Sargut, 2015) argues that in Sufism, individuals should aim to work a lot to deserve God’s love through sharing, communicating and supporting the people in need.

Conservative organizations use Islamic ideology as a vital part of their economic development strategies, and therefore, they approach and cooperate with other conservative organizations. An empirical study of Kirkbesoglu & Sargut (2015) indicates that Islamic networks commit themselves to a hardworking economy, forming unity and cooperation within organizations. The findings of their study propose that Weber’ Protestant work ethic has attained a similar place through the Islamic organizational networks.

Social environment and influence of presence in this environment is significant in formation of Islamic organizational networks as social structures. The new realities of widespread social interaction in the form of social networks facilitate integration of information from individuals in the set of integrated reciprocal relationship (Cornejo, 2006). Islamic elements in social interactions are significant determinants of network relations of Islamically conservation business groups since as Mohd-Taib et al., (2011) propose faith governs the social cognition, and therefore, religiously based social behaviors. Being a good Muslim and practitioner who is a trustworthy person having good personal relations with others is a sign of strong faith and highly promoted by two main sources of Islamic guidelines, the Quran and Sunnah.

Trust is one of the basic principles that govern Islamic business ethics (Sulaiman et al., 2014). Paxton (2002) describes social capital as a potential energy based on trust and social relationships. The trust, in this sense is vital to develop the social capital that hold the people together through promoting the sense of shared identity (Catts and Ozga, 2005). The trust in business relations “reduce the transaction costs associated with formal co-ordination mechanisms such as contracts, hierarchies, bureaucratic rules (Fukuyama, 2001). The Jewish diamond traders in New York is given as a typical example of trust since the level of trust within them is so high that they do not even need contracts” (Guiso et al., 2001).

Historical Development of Conservative Business Groups in Turkey

The formation of voluntary business associations began in the 1960s, but they became significant mainly in the 1980s which was the turning point of Turkish economic and political life (Buğra, 1994). After the 1980 coup d’état years, the Motherland Party won the majority in the 1983 elections and formed the government.

During the Motherland Party governments of 1980s, under the leadership of Prime Minister Ozal, economic liberalization and reforms opened the country to the world. This liberalization period created new market opportunities for Turkish SMEs within local markets that were under the pressure of big business. Therefore, many SMEs grew in accordance with exportation-oriented operations (Kirkbesoglu & Sargut, 2015).

However, during the early 1980s SMEs had no sufficient access to financial capital, technologies and export markets, and therefore, their engagement with export-oriented growth was peripheral (Özcan and Turunç, 2011). In this setting, export potential of small Anatolian businesses was neglected (Bugra, 1998), and therefore, new formations representing these conservative business people’s interests emerged in several cities (Tok, 2015). Furthermore, as Arslan (2000) notes “the political struggle against the secularist establishment encouraged practicing Muslims to adopt the modernist idea of economic progress and minority psychology possibly helped to develop
a work ethic”. Consequently, these companies had to pursue their own growth and export strategies without having any access to state incentive and they established their network in the central Anatolian provinces (Karadag, 2010). The main motive for these Islamic oriented small and medium-size enterprises in participation in Islamic networks was to develop commercial relations.

Islam was an important factor for PM Ozal in the transformation process of Turkey. Moreover, praising the moral principles of Islam, Ozal saw the socioeconomic problems of the country as a consequence of being estranged from the Islamic ethical system (Çemrek, 2002). Consequently, 1990s witnessed the rise of the rise of new pro-Islamic business elite, which are called as Anatolian tigers, that challenged the oligarchic framework. The synthesis of modernization and Islam, proposed by Ozal, was welcomed by this rising Islamic oriented elite. PM Özal interpreted Islam from the liberal point of view, the main focus of which was individualism and the minimization of the state. His freedom emphasis was about the freedom of thought and speech, freedom of faith and freedom of enterprise (Çemrek, 2002). This contemporary Islamic understanding not only criticized traditional interpretations of Islam, but also challenged the traditional interpretations of modernism to redefine Muslim identity (Göle, 1997).

This contemporary interpretation was supported and shaped by conservative Anatolian business people affected by socioeconomic and political problems of Turkey, and Islamic traditions and business ethics could be solution to overcome these problems. Consequently, as (Kirkbesoglu & Sargut, 2015) posit, the religion provided a suitable environment for conservative entrepreneurs to collaborate, and Sufist Islamic work ethics provided a common ground for this collaboration.

In this setting, during the liberalization years of the 1980s and the early 1990s, these conservative business organizations built successful alliances with SME owners through employing Islam as a cultural basis in their network formation and expanded their socioeconomic influence forming Islamic business networks (Özcan & Turunç, 2011). Along similar lines, Tok (2015) argues that the economic, political and social transformations that occurred in Anatolia should be analyzed within the dynamics of neoliberal growth of socially embedded economic relations.

Onis (2006) notes that economic transformation, in this period, enabled to produce a new middle-class of small business owners and educated professionals. He further argues that the emergence of this Islamically conservative class consisted of intellectuals, businessmen, and highly educated professionals who benefited from the opportunities brought by globalization and neoliberal economic establishment. However, the enterprises in these newly emerging industrial centers had to rely mostly on their limited financial resources and informal network relations since they were mainly small and medium-sized enterprises with limited resources and abilities (Pamuk, 2008). Therefore, the conservative business organizations, stressing the importance of cooperation and ethical values, provided an opportunity for Turkish entrepreneurs to gather and collaborate.

This civil society and business collaboration were vital for small businesses since it was providing the unique option to overcome the constrains caused mainly by their limited inabilities and that times’ economic and business establishment of the country.

The studies on these business groups mainly focus on the conservative characteristics of Turkish SMEs. Since these characteristics best describe the main dynamics and Turkish entrepreneurs’ business relations, shaped by social networking and mutual trust, and as Tok (2015) argues the role of religion is obvious in the unprecedented growth of Anatolian business centers. The main focus in these centers was to create a synergy between Islam and capitalism including the dynamics of free market economy and Islamic work ethics. Onis (2006) argues that this economic establishment and setting created a new religiously conservative middle class or bourgeoisie.
Turkish Conservative Non-governmental Business Associations

There is scarcity of studies and researches on Turkish nongovernmental business organizations. The reason of this is that the formation of voluntary business associations began in the 1960s, but they became significant mainly in the 1980s (Buğra, 1994). The first serious discussions and analyses of business associations emerged after 1990s. The vast majority of these organizations were conservative groups whose members were newly emerging Islamic oriented Anatolian small and medium-sized enterprises. Thus, these conservative groups and Anatolian SMEs are prominent in the literature on business organizations (Buğra, 1994, 1998; Çemrek, 2002; Karadag, 2010; Özcand and Turunç, 2011; Özçetin, 2011; Kirkbesoglu and Sargut, 2015). However, much of the research up to now has been descriptive in nature and most studies in this field have only focused on social and political aspects of this relationship.

The main motive for these Islamic oriented small and medium-sized enterprises in participation in Islamic networks is given as to develop commercial relations. These relations have been improved through networks of conservative business organizations that have the same ideologies (Kirkbesoglu & Sargut, 2015). Özcand and Turunç (2011) note that during the liberalization years of the 1980s and the early 1990s, conservative business organizations built successful alliances with SME owners through employing Islam as a cultural basis in their network formation and expanded their socioeconomic influence.

MUSIAD, Independent Industrialists’ and Businessmen’s Association, was predominantly analyzed organization in the literature (Buğra, 1994, 1998; Çemrek, 2002; Karadag, 2010; Özcand & Turunç, 2011; Özçetin, 2011; Buğra & Savaşkan, 2012; Kirkbesoglu & Sargut, 2015) since it was the first and largest organization till the establishment of TUSKON, and was in the center of Islamic politics and political economy during the noticeable transformation of the country (Çemrek, 2002). Bugra (1998) argues that the underlying factor of the collaboration between the association and the large group of small business owners was the minority psychology of small-sized conservative enterprises that they were being discriminated and excluded from economic life controlled by a large secular business community supported by the secular state and that they were isolated from state resources.

Çemrek (2002) argues that the development of MUSIAD is a result of the rising civil society organizations and their activities as well as the conflict between small and larger businesses.

Similarly, Karadag (2010) notes that the establishment of MUSIAD enabled the Islamic oriented movement to more focused on the pending issues such as the rural and urban poverty in the name of a just and Islamic order. The association is effective in articulating political and cultural whims, and it associated Islamic economy with informal employer-employee relations based on mutual trust, Islamic brotherhood and conscience (Özçetin, 2011).

When the current ruling party, AKP, came into power in 2002, it was supported by the new industrialists and business associations to have more moderate, outward looking, pro-Europe, pro-globalization position (Pamuk, 2008). Uygur (2007) argues that the moral and ethical values of these conservative entrepreneurs and their business practices are unique, especially in the Muslim world.

Networking Activities of MUSIAD

MUSIAD was founded by the newly emerged Islamically conservative generation of industrialists in several cities of Anatolia (Pamuk, 2008) as a non-profit businessmen NGO which
represents 45,000 companies and 1.600,000 people in the labor force. Now the association reached 85 branch offices in Turkey and 159 liaison offices in 63 countries1.

Being a religiously conservative business association, MUSIAD is usually studied within the context of both the civil society initiatives and the Islamic movements in Turkey since it is an Islamic oriented group and its members are mainly conservative entrepreneurs (Yankaya, 2009; Çemrek, 2002). The networking activities of the MUSIAD are significant for cultivating sentiments of solidarity, particularly on the grounds that they all occur in a cultural frame of reference where Islam fundamentally bolster the foundation of a mutual comprehension concerning business morals, collaboration, and shared trait of interest. Islam, in this sense, can bring people together and Islamic solidarity is instrumental for conservative entrepreneurs struggling to survive in that time’s hostile socio-political environment (Bugra, 1998).

During these economic transition years, the association stressed on the social justice notion which involves more allocation of public resources to small and medium-sized enterprises (Önis and Türem, 2001). The association employed Islam as an ideological factor which binds its mostly small and medium-sized member enterprises in a coherent community (Çemrek, 2002) and associated Islamic economy with informal employer-employee relations based on mutual trust, Islamic brotherhood and conscience (Özçetin, 2011).

The association, as Çemrek (2002) notes, “benefited from Islamic morality and the reinterpretation of Sufism with its market-oriented comment on Islam to develop group identity”.

Social identities, based on Islamic ideology and norms, were the basis of Turkish conservative organizations, and therefore, the reference to Islamic moral values was an important determinant in the identity formation of MUSIAD (Çemrek, 2002).

With its institutional public identity and mainly religiously conservative small and medium-sized entrepreneur members, the association is located in a particular place in Turkish business life (Yankaya, 2009). The social roles of MUSIAD were much broader than the representation of sectional interests, and consequently, the association challenged the Turkish socio-political order (Bugra, 1998) while preserving its own traditional and religious values. During this period, the association emphasized the issues of democratization, the extension of civil and human rights, and integration with Europe. (Onis, 2006). MUSIAD referred the East Asian model, whose success is often attributed to the strategic fit between the traditional institutions that regulate social relations and the requirements of global markets (Bugra, 1998). The association employed Islam business values as a form of cooperation and solidarity between entrepreneurs that facilitate domestic and international business and secure sources of investment finance (Bugra, 1998). Furthermore, referring Islam was quite instrumental for the association to bring its members together and encourage them to gain the markets in the Islamic world (Çemrek, 2002).

The activities of MUSIAD brought these enterprises together in a coherent community and provided them with a considerable advantage. This functional Islamist identity of the association established a network organization transforming traditional economic mentality of small and medium-sized member enterprises to globally integrated export-oriented business (Çemrek, 2002).

By forming a wide domestic network in Turkey and producing weak ties in the international field, the association enables and encourages its members to contact potential customers and partners and do business both in domestic and oversea markets. Engaging in a domestic and international network is crucial for its members who used to live entirely under the group control and mostly tackle their issues through clientelist ties, now try to take care of their issues through

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1 See official webpage of the association http://www.musiad.us/about-us/
alternative ways – by relying upon their twofold edged financial and social capital of the periphery and the center (Ozdemir, 2005).

The organization emphasizes Islamic ethics in the business life and the importance of religiosity in society and the individual’s life (Yankaya, 2009). Thus, the members of this association are the conservative business people who lead a life shaped by Islamic ethics and business values (Yurdakok, 2008). Ozdemir (2005) finds similarities between these conservative businessmen and Weber’s Protestant businessmen in terms of their business etiquettes and manners which contains traditional and contemporary aspects.

Conclusion

Islamically conservative Anatolian SMEs have become more influential in Turkish business life in recent years. This rising class in Turkey brought its own work ethic which includes most of the Protestant work ethic characteristics. The role of Islamic business practices and ethical values on rapid development of Turkish Anatolian enterprises is prominent. Furthermore, the development of Anatolian SMEs is given as justification of the significance of social cooperation within the interpretational system of Islam.

Networking as an important factor in Islamic Business practices, provides Turkish conservative entrepreneurs, social skills and business contacts which enable them do business in unfamiliar markets. The main motive for these business groups’ participation in Islamic networks is to develop commercial relations. This relationship has been improved through networks of business organizations that have the similar ideologies. Islamic business ethics and values are significant factors in the constitution of this embedded relation and organizational networks of conservative business associations. As several studies propose Weber’s Protestant work ethic attain a similar place through these organizational networks of conservative groups.

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Terrorism, Wahhabism and Islam (East)-West Dialogues: A Reflection from Indonesia

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Abstract

This article explains that the religion ideology has potential power to ignite fanaticism and radicalization that unquestionably can erupt violence and destruction. The emergence of ISIS (Islamic State of Iraq and Syria), Jamaah Islamiyah, Majelis Mujahiddin Indonesia, for instance, is a reflection of the rise of religionized politics and radicalization of Islamists. And in this context, religion (Islam) in this position will have two functions; building better integrity among its followers while creating conflict and violation.

The tragedy of Bali bombs, Australian Embassy bomb in Jakarta, suicide bomb in Solo and other brutal acts done by anarchists like those from Jamaah Islamiyah, ISIS, and even Islamic Defender Front (FPI) – where they use violence and destructive acts to close down businesses that they think is not in accordance of sharia like bar and café since they sell alcoholic beverages – are examples where fundamentalists have shown intolerant exclusiveness and belligerent sense of supremacy in facing minority communities.

Keyword: Iraq, Syria, ISIS, Jemaah Islamiyah, religion, terrorism, radicalism

Introduction

The terrorist attacks of September 11, 2001, Bali Bombing 2002 and London 2005, Madrid bomb, and so on, has encouraged the need for the significance of cultural and civilizational dialogues between Islam and the West. The cultural-civilizational dialogues between the West and Islamic societies has gained growing importance after the tragedy of Black September 2001.

In this regard, development cooperation is imperative for the West and Islamic World, and it is largely equal to politics beyond cultural borders and depends upon building bridges between cultures-civilizations of the West and Islamic world, and finding ways of cultural and civilizational understanding in order to enter into a dialogue about ethical, religious, and political differences and similarities with others cultures-civilizations. and in response to the criticism which since then has been expressed in Islamic societies about Western politics towards developing countries.

As it is known, the history of homegrown radical Islamic groups dates back to the late 1940s, when Kartosuwiryo led the Islamic State of Indonesia (NII) movement, a radical group that led to

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the formation of the al-Qaeda affiliated Jamaah Islamiyah (JI) in 1993, a group responsible for the deadly 2002 Bali bombings.

In October 2002, the US has made JI as an organization of international terrorists. It happened after the UN Security Council added JI as a terrorist group, so that all countries that are members UN organizations are required to freeze the assets of, and deny access to funds of JI.

In UN Resolution 1390/2002 JI has been blamed as a terrorist organization international along with 25 other terrorist organizations. JI is considered as an arm of Al-Qaeda in Southeast Asia. JI is based in Indonesia is believed to have links with other terrorist organizations active in Malaysia, Singapore and the Philippines.²

JI as a terrorist network is the largest in Southeast Asia. And it has a network of southern Thailand region to the Australian territory. The terrorist group is increasingly considered to be a serious threat to security regionally in the Southeast Asian region and even internationally, because the brain of perpetrators of acts of terrorism in Southeast Asia is a member of JI.

Indonesian Muslim and ISIS

As it is known, the history of homegrown radical Islamic groups dates back to the late 1940s, when Kartosuwiryo led the Islamic State of Indonesia (NII) movement, a radical group that led to the formation of the al-Qaeda affiliated Jamaah Islamiyah (JI) in 1993, a group responsible for the deadly 2002 Bali bombings.

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One of JI member, Mas Selamat who masterminded the plan to crash the plane into Changi Airport, could be handled. He was arrested in Malaysia and handed over to Singapore. This news is accessible via tail action that occurred in Indonesia culprit is the JI group. The various action has been carried out by JI members as the brains of various acts of terror in Indonesia between the years 2000-2005 such as the Christmas bombings in 2000, 81 bombs and 29 explosions in Jakarta in 2001, the first Bali bombing in 2002, Bom Marriot 2003, Australian Embassy bombing in 2004 and the Bali II 2005.⁴

In 2015, at least 518 Indonesian citizens suspected of joining with ISIS (Islamic State of Iraq and Syria). According to Sidney Jones of the Institute for Policy Analysis of Conflict (IPAC), already more than 200 Indonesian citizens who had left and joined the movement of “terrorist” in Syria two years ago. While, according to The Intercept (July 8, 2015), two pilots Indonesia (Ridwan

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² Bruce Vaughn, et al., Terrorism in South East Asia, CRS Report for Congress, February 7, 2005.
³ Bruce Vaughn, et al., Terrorism in South East Asia, CRS Report for Congress, February 7, 2005.
Agustin or Ridwan Ahmad al-Indunesiy and captain Tommy Hendratno or Tommy Abu Al Fatih Hendratno) that was once the state security apparatus and then to pilot an airline multinational, joined by ISIS last year.

This essay attempts to answer a puzzle that arose over what the underlying motives seediness affluent professionals, such as Ridwan Agustin and Tommy Hendratno, who are tempted to become soldiers of the Islamic State of Iraq and Syria or better known as ISIS?

Many then worried about the choice of life two professionals who are still very productive. Not a few others who were questioned about the motives both joined the army ISIS, defending something that might be considered ideal, somewhere that is far away outside Indonesia. Even among politicians in the Western world concerned with the track record of those who previously joined the state security forces are highly respected in the region.

Earlier, a police officer active in Jambi, Syahputra (Abu Azzayn al Indunesiy) left his wife and children and depart via Medan to Syria for jihad against what they perceived as “anti-Islamic” (enemy), namely the regime of Bashir al-Asad. His status as a member of the state police’s paying-off would invite a big question mark: what’s behind all this? His actions leave his wife and kids for jihad there, throw themselves into the arena of war, certainly not an ordinary rational decision.

There is something unidentifiable from the social reality of this problematic action.

All the worries and anxieties of various circles in Indonesian society are very rational.

Remember that, the above professionals on the basis of socio-economic status of the middle class and they have the background of relatively moderate and pious Muslim family are certainly expecting a real answer to this puzzling question: what’s behind all this? Syahputra actions divorced his wife and went to a foreign land to fight certainly cannot be explained from the perspective of psycho-social generic. Surely, there are theological reasons or even eschatological of his unusual action to joined ISIS in Syria.

Money and Sexual Motives?

From a modern and academic perspective, a lot of analysis explained about the financial attractiveness of ISIS offered to anyone who is pleased to join a multi-national army there. This opportunity was welcomed by many people who, according to the calculations of various experts, coming from the marginalized who seek a more viable economic livelihood. In fact, there is also observers who mention of sexual motives underlying the desire of a small part of Indonesian citizens to participate in a war or conflict in Syria and Iraq.

When there is widespread ban against people who allegedly want to depart for Syria in various airports in Indonesia and Malaysia since 2013 and 2014, the analysis of economic interest as a motive is dominating explanation of the background of these marginal groups. Almost no one else analysis linking him to the ideological consciousness of the ISIS supporting actor.

Even, to borrow Daniel Bell’s thesis (1960) and Francis Fukuyama’s perspective (1996) that the ideology is dead and cannot affect the rise of the East World. However, analysis of economic interests, or any material motive, be able to explain why the professionals involved in a conflict that was terrible for many people.5

It takes one other explanation academically accountable to provide answers to the phenomenon that is shocking the world. Anthropologically, D’Andrade and Strauss (1992) has filed a cultural

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motif ideological nature of the phenomenon of the rise of armed resistance and communal conflicts in various parts of the world.\textsuperscript{6}

Gupta and Ferguson (1992) tried to explain the motives of cultural models such as “a sense of loss of territorial root” in which the values of nationalism and patriotism has begun to fade or is the occurrence of “an erosion of the cultural distinctiveness of place” which then produces a byproduct of globalization which is referred to as “deterioralization of identity” where identity is no longer attached to the place where one was born or brought up in a period crucial formative age.\textsuperscript{7}

Identity-based locality replaced by what has since long been known as an ideology. The Islamic ideology has become an option for two pilots and one policeman from Indonesia which must have the state doctrine under the ideology of Pancasila and the results of the tax paid by the citizens who live in a democracy.

Ridwan Agustin and Tommy Hendratno and Syahputra who have experienced this secular ideological indoctrination and then replace it with a new ideology embraced. Where nationalism and patriotism that was taught by the country?

Nationalism and patriotism are ideology-based place and will be easily lost when memories of the place were fading amid cosmopolitanism of secular and materialistic world.

Edward Said (1979) describes the situation of the ideology that permeates the boundaries of nationality and other localities as “a generalized condition of Homelessness”.\textsuperscript{8} This is what we may call a transnational religious ideology that has been spreading since the end of cold war between the Capitalist Bloc and the Bloc Communist/Socialist. Both of these ideological blocs, by the transnational Islamic movement, including ISIS, is considered to have spread mental pollution and threatens the sanctity of religion. The concept of “pollution and purity” (Louis Dumont, 1970) is then developed academically to explain why ideological choice be rational in the choices of materials and more economical.

Ideological analysis becomes important when the explanations of economic motives, socio-psychological and politics became paralyzed in the face of this problematic social reality (Talal Asad, 1979; Louis Althusser, 1977; George Marcus, 1986; Maurice Bloch, 1983 and 1986). Renato Rosaldo (1988) shows how ideology no longer know where the boundaries and permeates into various groups he describes as “people without culture” is.

The ideology of jihadism that is considered responsible, or at least are behind all bloody insurgency with all its messiness sociological, could at least provide an explanation of the phenomenon of the return of ideology in the analysis of the social sciences and humanities.

Social Awareness of Radicalisms and The New Revival of Radical Ideology

The tendency of the more material and social analysis on the various symptoms of the emergence of resistance movements and religious conflicts must be balanced with adequate cultural analysis. The return of radical Islam ideology (radical Islamism) for many people from different socioeconomic backgrounds showed that the non-material factors far more powerful in influencing motives of a person or group of people to commit acts of resistance.

\textsuperscript{6} Roy G. D’Andrade, Claudia Strauss, Human Motives and Cultural Models, Cambridge University Press, 21 Mei 1992


Geertz (1973) states that ideology is part of a cultural system that maps the social realities problematic and becomes a matrix for the creation of social awareness.\footnote{Clifford Geertz, *The interpretation of Cultures: Selected Essays*, Basic Books, Inc, 1973.}

Ideology is the underlying Ridwan Agustin, Tommy Hendratno, Syahputra and also Heri Kustiyanto renounced all worldly adequacy and dispose of all spirits in the material world they profess ever before. They head to a new hope which still unclear materially, yet very clear ideological: the promise of heaven for the martyrs and intercession for the nuclear family and relatives.

The matrix of social awareness is built by people who feel the moral injury (moral torment) caused by the attack of other ideologies (Joel Robbins, 2004). Social awareness of the feeling of oppression is then moved them to avenge the wounds are still gaping moral them. Social awareness is not built on the basis of nationalism or ethnicity, but stood as transnational as a new consciousness called by Michael Francis Laffan (2003) as the Islamic nationhood. This is where the concept of ummah built as a social consciousness that affects a wide range of people to participate in the establishment of an Islamic state in Syria and Iraq.\footnote{Michael Laffan, *Islamic Nationhood and Colonial. Indonesia, the Umma below the Wind*, London: Routledge, 2003.}

The Laffan’s concept (2003) on the spirit of defending the country in the Islamic community is so booming and at least be a political interest for other movements. Islamic ideology of nationhood is affecting many radical movements and terrorism in various parts of the world. The radical Mujahidin Indonesia Timur (East Indonesia Mujahideen-MIT) led Santoso in Poso immediately declared the oath of allegiance (allegiance) to the caliph Al Baghdadi, who led ISIS (2013), as well as Boko Haram in Negeria drained with a demonstration of force shown ISIS (2014). Some of the Mujahideen factions in Syria, Afghanistan, Palestine, Lebanon, and other regions expressed solidarity to support and join the movement which is considered as a representation of their subconscious to deter the enemies of religion that have carved moral torment against Muslims during centuries.

Even recently Fakhruddin bin Kasem Din alias Robot, former commander of the Free Aceh Movement (GAM) in Julok, East Aceh (09.07.2015) expressed his desire to join ISIS. Despite the stalled political passion is regarded by many as a step sensational, at least problematic social reality is influenced by widespread nationalistic ideology of Islam that is exhaled by ISIS. The image of an Islamic state de facto became the main attraction for many of the resistance movement. Al Qaeda was overwhelmed by the attacks ISIS in the bases they had seized earlier in Syria, Iraq and Afghanistan.

Al Qaeda lost quickly in realizing the ideals of the archaic highly desirable among many radical and fundamentalist Islam, namely the desire to have a tamkin (state) is definitive. Tanzhim position (movement) Al Qaeda is slowly began shifting by ISIS diligent exposing the savagery and violence as glad tidings and warnings to satisfy the old grudges over oppression and colonialism under the system of capitalism and neo-liberalism of the West.

Cultural or ideological motive is what might be being sown by the professionals who have been feeling the affluent life still is not enough theological and eschatological. There is a spiritual drought acute there. There hereafter objectives underlying their actions in joining ISIS far in Syria there. The Syria, far country for Indonesian Muslims, is not considered much and is not seen as providing material wealth for the satisfaction of carnal lust, but the war was a chance for them to reach their theological and eschatological desire to go to heaven and mingle with the angels – that according to their own view – are always virgin.
Among the terrorists and radical Islamists, there is a belief of Islamic State, an ideology that cannot be exchanged for any material reward, and this kind of millenarian ideology that had been sought by the radical Muslims, including the ISIS followers and sympathizers in Indonesia, and when they found it, then any earthly delights will be left with immediately.

Attacks of Terror and Speculation

The attacks of Santoso Group and tragedy of terrorist bomb attacks in Bali, Makassar, Jakarta, Ambon, Poso and other places in Indonesia, have led to a series of speculations of the apologists to the a priori.

The first speculation is about who the perpetrators of terror attacks were very well planned and carried out by people who have advanced the technical knowledge. The culprit is arbitrarily identified as anti-US/Western, anti-Israel, anti-democratic, anti-capitalist economic strength, and global anti-military.

The second is speculation about the motives of the terrorists in carrying out acts of excessive destruction of places where the strength of the economic, political, and military of the West is located.

The third speculation is about what the goals that will be aimed towards the US /West and Israel.

The culprit is allegedly identified as Islamic fundamentalists who today became the mortal enemy of the United States (US)/West, group of Osama bin Laden who used to hide in Afghanistan.

Osama bin Laden in February 1998 had issued a fatwa against the Jews and the Christians and became a role model for almost all suspected terrorists.

In addition to bin Laden, the world community assumes that the culprit is a radical Salafi or the scripturalists/Islamic fundamentalists who have doctrinal relationship with ISIS or Al Qaeda network or its ramifications/fractions thereof.

Because the United States is present everywhere, anywhere in the world, including in Indonesia, as it is known, the terrorists and the Islam scripturalists/fundamentalist in Indonesia was very characteristic anti-US, anti-Israel, anti-democratic, anti-capitalist, and anti-global military.

Their motive, as far as can be analyzed from the character of US foreign policy over the years, is the attitude of hatred toward the US/West – according to them – perception secular, anti-Islamic and too possessive and over-protective of Israel. While speculation about his next target, is the usual response of the loss of a sense of security and fear of the US/Western people requiring an immediate answer to what might happen.

This speculation is reasonable once formed because of this incident was so sudden, massive enough and synchronously with tremendous power destroyed. Speculation is also reasonable because it has caused enormous anger of the people and leaders of the US/West who are comfortable living in modernity, secularism and economic prosperity suddenly have to face an embarrassing nightmare. The US/West People are not the first time the face of the terrorist attacks.

For the Islam fundamentalists and radicalist – which lay better known by the term ‘the terrorist’ – against the US/West is to carrying out personal liability, a global jihad against the Jews and the Christians.

Thus, the US/West also has put Muslim terrorists as enemies since 1979 (which led to the name “Ayatollah Khomeini” as the name for the enemy perceived it) at the time of the Islamic Revolution of Iran and culminated in the events of the gulf crisis of the 1990s (which appears the name “Saddam Hussein” as an enemy).
With the killing or the arrest of the suspects of terrorism in Indonesia and in some Southeast Asian countries and even in America and Europe, increasingly shows us that the terrorist organization’s network is very extensive, aligning globally and mondially. (Seth Mydans, 2001).

Although morally and international diplomacy terrorists attacked the “war discourse” are pushing them as “the coward”, “extremists, the savages”, “the inhuman”, “people are happy at the expense of others”, and “the mental illness”, but the terrorists are constantly emerging in the political map of Indonesia and the world until now to deliver messages that are very difficult to interpret.

Because the so hidden enemy of this one, it has given to the rising impression of mystery and the psychological fear itself. For the people of the US/West, terrorism is a ghost (Specter) others who have faced the US/West after phantom of communism gone, a form of ideological enemy, as well as the new spiritual enemy ever remind magnified by Samuel Huntington in the Clash of Civilization. Douglas E. Streusand even dared to mention “that Specter is Islam”, which was later identified by the public in layman AS/West as “green peril”, the dangerous Green (Leon T. Hadar, 1992).11

And, with the events of the attack on the WTC and Pentagon 11.09.2001, the name of Osama bin Laden emerged as an “enemy” to restore the trust of the public AS/West against his government in dealing with terrorism from Muslims. (Eric Pianin and Bob Woodward, 2002).12

For us, in the context of Indonesia as the largest Muslim country in the world, the problem of terrorism raises many dilemmas: between keeping the feelings of Muslims and law enforcement, the rule of law, which must be enforced.

Moreover, there is a fact that the attack of Santoso group and other brutal terrorist attacks has taken place, so the state enemy must be defined to then take the next steps before executing the terrorists as “criminals”, although they continue to hide behind the religious symbols and reasons.

Terrorism is a crime against humanity, that is an extraordinary crime.

Again, back to Santoso as the subject matter, in which he has been terminated with all of his radical adventures, then the society and state must remain vigilant and anticipatory. Santoso is one of the terrorists’ kingpin that had been targeted in the de-radicalization program, but it is proved that he is even more rampant and with a global network of owned, it appears that he was increasingly confident until his death.

Santoso group along with his tissues and cells are already affiliated with ISIS, and that means terrorism in Indonesia has integrated itself with the world-class, global terrorism. Therefore, surveillance in the area where there is a terrorist, should be tightened to restrict their movements.

The image of Santoso as ex the government guided de-radicalization which proved even became an important figure in the national and global terror networks, should be an important lesson for the country.

Deradicalization should not just be a “project”, because the impact can be fatal and become a boomerang for the government and society.

Vigilance, introspective and alertness of the state (and society) will be needed to scrape and tackle terrorism after the killing of Santoso. Counterattack from the Group of Santoso should be anticipated, and very likely “the new Santoso, the other Santoso” would be popping back here and there. That is the challenge for our society and state in the road ahead, related to trans

nationalization of terrorism and globalization of terror complicating the matters in the political-economic sector, security and law under reform era.

**Wahhabism, Radicalism and Jihadism**

Recently, in Madura there is a song called “Wahhabi” that very straightforward describe what the flow is considered as the Islam scripturalist/radicalist/fundamentalist by many. The song describes the Wahhabi does not like birthday of the prophet, does not want tahlilan, disagree grave pilgrimage, does not recognize prayer qunut, and assume all Muslims outside the group as heretical, heretic and infidel. Stigma often attributed to the extreme Wahhabi and labels are often directed to this group. In many ways this song is true, but not all Wahhabi behave that way.

In the midst of accusations against the Wahhabi thought has humiliated Islam, it must be recognized that there are many services of Wahhabi groups in defense of the oppressed, especially the followers of Islam. Almost certainly mostly defended by Wahhabi are Muslims regardless of their sects and schools of thought. The humanitarian aid was given the Wahhabis spread throughout the world in the form of philanthropy charity, alms, sacrifices and the construction of mosques and educational institutions.

Admittedly, a lot of Wahhabi services in defense of the oppressed of the earth. Aid to Rohingya refugees came from Saudi Arabia, which is considered as a Wahhabi state. We must assess these Wahhabi more fairly before dropping stigma or label radicals, extremists and terrorists to everything that comes out of mainstream Wahhabism. Though there are Wahhabis anti-jihad, anti-uprising, and also can accept the Wahhabi grave pilgrimage, tahlil, maulidan and are still willing to come to the feast-feast to eat the meal.

Today, the phenomenon of widespread clash between the Wahhabi sect and the traditional Islam has made many people wonder about what the Wahhabis, how its history and the danger of the outbreak of flow or sect considered this radicalism?

In the view of Anthropology, religion is a cultural element hardest to change and the influence of the most difficult to control. Clash of civilizations, said Samuel Huntington, occur because of the religious factor. Clash within civilizations or clash within civilization also occur because of the religious factor (Hans Dieter Senghaas, 2002).13

One of the most religious understanding accused contributed much conflict, war, terrorism and communal violence is, understand Wahhabism. So, we need to understand in brief the Wahhabism sociologically, theologically, historically, politically and anthropologically.14

**About the Wahhabism Movement**

The Movement of Wahhabi initiated by Sheikh Muhammad bin Abdul Wahab (1703-1792), a reformer (mujaddid) of Islam of Najd, Saudi Arabia, which comes amid a long-upset Muslims under static four schools (Shafi’i, Maliki, Hanbali and Hanafi).

Abdul Wahab was a mufti from Suudiyah Daulah, the forerunner to the Kingdom of Saudi Arabia that we know today. Muhammad bin Abdul Wahab called on his people to monotheism, just pray to God without intermediaries, not glorify the saints and learned men or scholars or people who are more pious as special and refusing to worship graves.

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14 This article is an executive summary for the layman or some sort of policy briefs for the super busy, the ingredients are collected from the “Wahhabi” itself became the subject of research by the writers over the years.
Wahhabi embrace egalitarian principles in worship. Muhammad bin Abdul Wahab sect is regarded as the fifth after Shafi, Hanbali, Hanafi and Maliki. Muhammad bin Abdul Wahab, many wrote that it is in line with the ideas of Ibn Taymiyyah, Ibn al-Qayyim, and Ahmad ibn Hanbal.

Because influenced by the ideas of Ahmad ibn Hanbal, Wahhabi-ism is somewhat similar to the Hanbali sect. Wahhabi thoughts are then developed by Bin Baz, Utsaymin, Syek Ahmad Khan, Jamaluddin Al-Afghani, Rashid Rida, Muhammad Abuh, HOS Tjokroaminoto, SM Kartosoewirjo.

Later in the period of post-colonialism, Wahhabi ideology developed more systematically again by Sayyid Qutb, Muhammad Qutb, Hassan al-Banna, Abul A’la Al-Mawdudi, Yusuf Qardawi, and Nasir Al Albani. Then during the revolution in Afghanistan this ideology is neatly packaged in books by Abdullah Azzam, Osama Bin Laden, Ayman Al Zawahiry, up to the period of the conflict Iraq and Syria by Abu Mushab As Shuri.

**Wahhabism and Takfirism**

Wahhabism are not monolithic, meaning that this group is also split into several variants of each other unfriendly or even hostile sometimes can also lead to bloody conflicts. Wahhabism is actually a generic term to describe or refer to the Salafi groups. However, due to the traditional Islam also claims itself as Salafis (who carry out the tradition Salafussholeh), then the label Wahhabi been so easily distinguish theologically with groups that are not Wahhabi. The Wahhabi terminology was used as a euphemism because there are certain groups who are very sensitive to the Salafi name.

Anthropologically, there are at least three types of Wahhabism in Indonesia that the writers can observe.

First, The Wahhabi Shururi considered anti birthday, anti adzan twice, anti tahlil, anti-pilgrimage grave and anti-jihad and often assume the public against the government as bughot (rebels).

Second, The Jihadi Wahhabi, namely Wahhabis groups that focus on jihad and tried to resist any government policy, also has a similar rejection in the first group. Wahhabi Jihadists in Indonesia has appeared with the name of Darul Islam (DI) in West Java in 1949 [with the character Sekarmadji Maridjan Kartosoewirjo], Central Java in 1950 [Amir Fatah Widjaja Kusuma], South Sulawesi in 1951 [Kahar Muzakkar], South Kalimantan 1952 [Ibn Hajar] and Aceh in 1953 [Daud Beureu’eh], then Jemaah Islamiyah (JI) 1992 through 2010, which accused Ustadz Abdullah Sungkar and Abubakar Ba’asyir, Dr Azahari, Noordin Mat Top, Amrozi, Imam Samudra, Ali Ghufron and Ali Imron.

Lastly, the groups that appears in the Jihadi Wahhabi ‘Al Qaeda’ that formed Tanzhim Veranda of Mecca (TQSM) and many of its activists were arrested after the discovery of I’dad activities (war preparation/war games) in Bukit Jalin, Aceh Besar in 2010. The Jihadi Wahhabi group is now calmer and choose the path of missionary endeavor with wisdom, peace and sage (dakwah bil hikmah) in their daily activities.

Third, the Takfiri Wahhabi that so often accusing others outside the group as heretics or even pagan. This group is in Aceh, Java, Sulawesi, and other region today, and still faithful to his pledge of allegiance to support the Islamic State of Iraq and the Levant/Syria (Islamic State of Iraq and Syria) or better known as ISIS. This group is radical in word and deed, This Takfiri Wahhabi group appear more frightening, could be more desperate and awful, will not easily be killed, let alone embryos of ISIS (Islamic State of Syria and Iraq) in Indonesia has been growing with its global network, where the Takfirism Paradigm of ISIS is that the Muslims who disagree with them as the
unbelievers, deserve to be killed, while they are ready to attack the government of a state at any time.

Because of the conflict of interest, in their own internal Wahhabi circles also occurs mutual accusations and recriminations, in which many groups of Wahhabis involved in action such as blasphemous and heretical among themselves.

Shururi Wahhabi circles have often accused the Wahhabi Jihadists as the rebels, betrayers (bughot). Jihadi Wahhabi more passive and did not react socially and politically. The Jihadi Wahhabi prefer the worship madhhab (ritual) and avoid friction with any party, is active in various community events monotheism awareness.

While the Takfiri Wahhabi very hyperactive in his message and accused many Jihadi Wahhabi circles as heretical, heretic or infidel to many groups because they do not want to accept the caliphate of Al-Baghdadi in Syria and Iraq. Through social media Takfiri Wahhabi groups is indulgence call-call noisy and full of threats and accusations while showing attitude intolerant assertively.

In the middle of Wahhabi gait in communal conflict in events Cumbok in Aceh (1946), Ambon (1999) Poso (2001) and other places, there is also a gait and movement of Wahhabi groups in political violence in South Sulawesi and gait of Wahhabi terrorism, played by Jemaah Islamiyah, Darul Islam, and so forth from 2000 to 2014.

In public perception, this then makes Wahhabi became the paragon of ugly irrefutable. Here, Wahhabi supposed to be performed as a paragon of beauty and scent of Islam in the eyes of the world. Incidents of violence in Iraq and Syria where ISIS shows the terrible cruelty has made Wahhabism as the party deemed theologically responsible for violence and barbarity.

**Message of Bombing and Khalifa**

Action of suicide bombing by terrorists in Surabaya familial suicide bombing in May 2018, Solo, Central Java in July 2016 and terrorist attack in Thamrin, Jakarta in Janury 2016, were successful in media publicity. In the case of Solo suicide boom, Presiden Joko Widodo has encouraged to launch deradicalization program in Solo with the fund US$ 12 million to eliminate terrorism and seeds of terrorist in Solo (Surakarta) as soon as possible.

David L and C Paletz Danielle Vinson (1992) revealed that to achieve the objectives, terrorists’ action always must have published their action. Publications can be done in various ways.

Terrorists can increase the value of news on their operations, timing and the targets that should be attention-grabbing, issued a statement, giving interviews to the press, and claimed responsibility.  

Publications have been done in such way that is a typical terrorist.

However, Al Qaeda, Jamaah Islamiyah, ISIS and their network that successfully increase the value of the activities, owing to election time and place to attract the target, although they do not always issue a statement. They also do not always claim to be responsible.

In the last ten years, based on experience in Indonesia, nearly no terrorist group that was responsible. So practical, suicide bombing in Solo July 2016, Bali bombing 2002, and in Jakarta July 17, 2009 that shocked the JW Marriot Hotel and the Ritz Carlton Hotel, in the heart of the security of Mega Kuningan, Jakarta, there is no surety answered. It is rather clear to us that the bombing brings this dangerous message that seems to be related to the victory Susilo Bambang Yudhoyono (SBY) and Boediono presidential election in the new few days just passed. These

bombs have strong relationship with the reaction among the radicals and fundamentalists against the Western liberal democracy.

In connection with terrorism, in the year 2007, in Islamaba, Pakistan bomb exploded in a presidential election campaign in that country on July 17. Target JW Marriot is a very soft target, the hotel is attacked twice before, but the explosion on Saturday night is the most formidable in the capital of Pakistan since the country joined the war against terror with the leaders of the United States at the end of 2001.

Terrorism in Indonesia is very strong relationship with resistance of anti-the West/United States and anti-Secular Democracy, and even anything that related to the West/capitalist countries will be targeted. The Ideology of democracy, for example, is a program the United States and allies anywhere, including in Indonesia. In relation to Presiden Susilo Bambang Yuhdyono (SBY), the terrorists actually have a high resistance, not only because the issue of neo-liberalism, but this victory is seen as SBY victory of the United States in Indonesia where the institutions of democracy from the U.S. participated an intervened to the presidential election in Indonesia, such as IFES (International Foundation for Electoral System) and others.

Bomb explosion at hotel JW Marriot and Ritz Carlton as well as political explosion because the issue of security and peace not finished in this republic. The terrorists take advantage of easily from the elite political conflicts in presidential elections, movement between the two versus one lap, between the strength of nationalist versus IFES (United States) intervene the presidential election.

Many people ask whether you want a message delivered with the Bali Bomb 2002, Jakarta bomb 2009, Solo 2016 suicide bomb July 17 bombing and so forth? This bomb is a clear reaction to the victory of SBY pro-US/West as President of Indonesia and he will rule this country until 2014.

But, however, the terrorists do not desire to disrupt the vote counting results of presidential elections by KPU (General Elections Commission). Evidence, no one poll is bombed by terrorists.

For them, timing is important, but it is just simply because of the ease of access to reach the target.

This bomb is also a reaction to the plan of the coming football team Manchester United to Indonesia, not because of their choice to dislike a particular sport, but because the target is used as a foreigner (England), which is considered U.S. ally. This will also make a terrorist attack is not interested in the building if the Jakarta-Senayan sports rivalry football progress. Even the terrorist leader Osama bin Laden is like the Arsenal football club from the UK.

Implications of the Marriot bomb is a terrorist nation that makes this hotel as a permanent target. JW Marriot Islamabad has also twice bombed, so also in Jakarta. This means, the hotel will continue to be the terrorist attacks remain. This hotel may need to change the name to the names of other, more local or names of the other level of small resistance. If it does not change the name, the hotel will continue to be a terror bomb target. This hotel is the symbol of the presence of capitalism and liberalism in the United States anywhere in Pakistan and in Indonesia. Want to terrorist attacked the symbols is capitalism, democracy, neo-liberalism and the United States wherever it is located.16

Indonesia is a soft target for the terrorists and their presence in Indonesia to be very comfortable because this country is a fertile ground for radical movements and fundamentalists. Recognition of the crime of terrorism suspects Bom Bali 12 October 2002, a clearly visible expression of religious emotions.

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Ali Gufron, one of the Bom Bali terror suspects, even states with sikapnya simple and emphatic: “... reply to tyranny and arbitrary rule of the US and allies against the Muslims with the intention that they will stop the oppression”. ¹⁷

There is a value that work and dictate the way they thought. Ali Ghufron, for example, states that the bombardment was the “action devoted to God”. Then Ali Ghufron, Imam Samudra, Amrozi, and the group felt a delusion of grandeur, represent or have any feelings or decree and be part of the elements of greatness that assure themselves have special mission from God. The terrorists always feel themselves as a “warrior of God” is one with a call to act in the name of God and religion, to “hand of God” on earth to realize "his wrath" of the same shape in the resistance on, bombardment.

In fact, the terrorist group is not new in the world of movement and the radical fundamentalists of Indonesia. The terrorist is the combination of the core teachings of radical fundamentalists and that meet in one point of planning the war against tyranny. In Indonesia, this terrorist group was small: (1) Jamaah Islamiyyah, (2) Mujahidin Indonesia Timur led Santoso (East Indonesia Mujahidden) and (3) Darul Islam (limited to follow a course faction a hard line). However, as some found enclave terrorists in cities such as Palembang, and Cilacap, Semarang Central Java, shows that the proliferation of this group with a wide and fast. With anxious hope, we feel that under SBY and even Jokowi presidency, it is very probably the state and society would continue to face this terror situation in Indonesia led to the terrorist front. For civil society, the business community and the state, the shadow of terrorism will still be a source of fear in the middle of vigilance.

In search of a solution to many complex problems in the archipelago, many Indonesians are in the peak of getting tired with the government’s less effort towards combating poverty. Not to mention other issues like injustice, tyranny, corruption, lack of education and significant number of human rights violations. It is quite understood that the prolonged transition in Indonesia has not only given birth but also led to more loud voices of Islamic parties, calling for establishing Khilafah (Islamic state) as a way of building a better moral and prosperous nation. But the ideas to bring back khilafah as an alternative for democracy considered anachronistic.

Sounds like a promise, but for the pluralistic country like Indonesia this is not at all a good idea.

Khilafah means combining Islam and politics in governance, and applying it in the archipelago having high diversities in religions, ethnics, cultures and economic disparity; Khilafah can be very dangerous.

Nonetheless, some Islamic parties and organizations have been inspired by transnational Middle East version of Islam. Prosperous Justice Party (PKS). This party is a real example of an Islamic political party that follows, to some extent, the teaching of Ikhwanul Muslimin (Muslim brothergood) of Egypt.

Having motivated by the al-Qaeda, a notorious terrorist organization led by Osama bin Laden, Jamaah Islamiyyah has been modeled by the style of al-Qaeda’s Islamic Arabism. In addition, both Indonesian Mujahidin Council ( MMI) and Hizbut Tahrir Indonesia also take that Islamic Arabism as their teaching direction. The Islamic Arabism also seems to have been the cloak of Islamic teaching in many pesantren (Islamic boarding), though not all, students at the pesantren are potential to breeding radicals.

And with Hizbut Tahrir Indonesia’s having International Khilafah Conference in Jakarta this month, it is no more than an evidence that the teaching of religions in developing countries like Indonesia can be potential tool to reach a political gain by building practical relationship between

individuals and groups. It is a transformation of religious political system, also known as religio-political system.

This is also what Clifford Geertz claimed to be “religions mindedness,” a process of how the religion ideology comes into existence.\(^\text{18}\)

In this context, the religion ideology has potential power to ignite fanaticism and radicalization that unquestionably can erupt violence and destruction. Any religion in this position will have two functions; building better integrity among its followers while creating conflict and violation.

The tragedy of Bali bombs, Australian Embassy bomb in Jakarta, suicide bomb in Solo and other brutal acts done by anarchists like those from Islamic Defender Front (FPI) – where they use violence and destructive acts to close down businesses that they think is not in accordance of sharia like bar and café since they sell alcoholic beverages – are examples where fundamentalists have shown intolerant exclusiveness and belligerent sense of supremacy in facing minority communities.

While such brutality to some people is no less than a destruction by anarchists, many perceives that the stark terror attitude is a pure motivation by a number of Islamic extremist groups having their hidden agenda.

Facing this worrisome development in a pluralistic country, which the country itself indeed still struggle with many internal affairs, we really think that all Islamic groups should stop using violence in dealing with any contention or disagreement. They should not monopolize the truth of what they believe to indoctrinate others.

The debate khilafah is of a great relevance today, particularly with Hizbut Tahir is preparing an international conference to be held on August 12. The conference will definitely focus on building an Islamic state. However, whether an Islamic state is relevant to the Indonesia’s pluralistic communities should be taken in wise consensus.

Therefore, an open dialog or interfaith discussion between Islam and other religions, whether they are from upper class or middle class of society, or even among grass roots should be what Indonesian government look for and we believe that promoting pluralism will guarantee better harmonious living, togetherness in addition to maintaining the nation sovereignty in the country where pluralistic melting pot has prevailed.

Islam, The West and Challenges

Indonesia, as a muslim country, following the fall of President Soeharto, can be regarged as a champion of democracy or at least democratic transition for Muslim nation, although this must still be tested by the passage of time. It is natural that the West has viewed Indonesian Islam, at least before the Bali bombing, as being Islam with a new face. In 1996, international media called Islam in Indonesia modernist, progressive, and other cultures-civilizations. And as a friend of the West, Indonesia is perceived by the West as an example of succesful harmony between muslim and modernity.

But, after Bali bombing I and the long campaign of Islamic caliphate by radical Islamists, borrowing Anthony Reid’s perspective,\(^\text{19}\) Indonesian Islam still remains a grossly understudied world appears to be true today ever more than before. So, it is very timely to the West state and


societies to strengthen economic and cultural relations, included to research and study on Indonesian Islam that actually is very pluralistic and complicated, so often misunderstood by the Westerners. Of course, issue of terrorism is a real matter, especially after Bali bombing that has shocked Indonesian state and society.

Facing terrorism and Islam fundamentalism, no way out to solve the issues, except with cultural and civilizational dialogues and economic development cooperation between the West and Indonesia. These dialogues and cooperation are very contextual and pivotal to eradicate poverty, social unjust, backwardness, and multidimensional crises in Indonesian society, beside to improve mutual understanding.

So far, Indonesian society has fallen into debt trap amounted to about US$310 billions (state and private loans, according to Bank Indonesia data). That foreign debt, mostly the odious debt, has depleted economic resources of the people. Meanwhile imposition of Washington Consensus to Indonesia in conformity with IMF, World bank and WTO guidelines, has burdened the people economy in which most of them are the poor muslim. From this sensitive point, Islam has been rallying point to youth, students, ulamas and scholars as a basic ideology vis-a-vis the West hegemony that they blame as the new imperialists in Indonesia under global capitalism.

But, is it Islam the only solution for everything, included as problem solver for poverty, social unjust and multidimensional crisis? Is it Islam the solution to everything?

The answer has not clear, even in fact it can be confusing. In reality, Islam has only provided values, ethics, norms and religious guides, not an instant panacea to the real problems that grasped the Indonesian Muslims. So it is imperative for ulamas (Islamic scholars), leaders and muslim intelligensia to make their ummah be aware and conscious that radicalism and violence is wrong answer in the wrong time to crackdown poverty, social unjust and multidimensional crises in Indonesia recent years.

Islam would be useful, beneficial and meaningful if it can provide real contribution such as ideas, thinking, solution and practical means in dealing with the real issues to eliminate poverty and social unjust, realizing the human rights, human security and social welfare. So that the Indonesian Islam is more realistic and pragmatic than radicalistic and fundamentalistic in responding the nowadays and future challenges. Whether or not Indonesian Islam capable and credible in dealing with these worldly challenges, all of that depend upon their leaders, intelligentsia and ulamas in reponse directly, quickly and effectively. But certainly, the Islamic caliphate is not the answer and radical Islamism will only provide further situation that plunged the ummah (Muslims) into disappointment, frustration and violence.

**Toward Cultural and Civilizational Dialogues?**

The terrorist attacks of Surabaya in May 2018, Solo in July 2016, in WTC, New York September 11, 2001, Bali Bombing 2002, JW Marriot bombing 2004 and so on, has encouraged the need for the signficance of cultural and civilizational dialogues between Islam and the West.

The cultural-civilizational dialogues between the West and Islamic societies has gained growing importance after the tragedy of Black September 2001.

In this regard, development cooperation is imperative for the West and Islamic World. It is largely equal to politics beyond cultural borders and depends upon building bridges between cultures-civilizations of the West and Islamic world, and finding ways of cultural and civilizational understanding in order to enter into a dialogue about ethical, religious, and political differences and
similarities with others cultures-civilizations and in response to the criticism which since then has been expressed in Islamic societies about Western politics towards developing countries. The relationship between the West and Islam has been suffering from mutual wrong perception of each other which support anti western and anti Islamic feelings and attitudes. Each other cultures are predominantly interpreted as a monolithic enemy and not, as it should be, an area of cultural diversity. For a long time, said Norbert Eschborn, the neighbor like relationship between Western and Islamic countries has not been maintained resulting in increasing tension on religious and cultural issues, such as the discussion about the ability of Islam to adjust its value system to the modern world. On the other hand, Islamic extremist could be observed for more than a decade doing everything to pursue a course of action of politicizing culture and religion in accordance with their belief that Islam is the solution to everything, therefore, this long running process support the creation of an un-reflected paradigm Islam versus the West.

Given this background the approach of cultural difference must be supplemented with the perspective of cooperative coexistence. Mutual interest in and understanding of each other culture, history, and social relations are a necessary condition for the dialogue of the West with Islamic states and societies. Such a dialogue should not only underline similarities between both cultures but also identify possible areas of conflict in order to mark the positive potential of religious, cultural and political exchange between both regions which are very heterogeneous within them and, at the same time, share a common history.

As tension in the relationship between Western and Islamic civilizations have been growing, any kind of dialogue and cooperation, therefore, has not only to should be intensified and expanded but must take into consideration the changing situation of world politics. This East-West civilizational dialogues would open possibilities to overcome international issues such as terrorism, climate change, crisis of migrant, human trafficking, drugs, corruption, the North-South widening gulf and global conflicts that become concern of the world community.

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Dependencies Occurring Between the Basic Macroeconomic Indicators in Eurozone

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Abstract

The article is of a theoretical and empirical nature. The main purpose of the article was to verify the existence of dependencies between selected basic macroeconomic indicators. The following were adopted for the study: unemployment rate, inflation rate, Gross Domestic Product, interest rate, exchange rate, value of exports and imports. An attempt was made to obtain an answer to the question whether there is a causal relationship between macroeconomic indicators characterizing the economic situation. The hypothesis was adopted that the interest rate is the strongest determinant of basic macroeconomic values. Pearson’s linear correlation coefficient was used to determine the direction and strength of interdependencies between the analysed categories. Using the auto regression vector model, the apparent correlation was eliminated and the influence of delays of explanatory (exogenous) variables on the explained (endogenous) was presented. The final stage of the analysis was the Granger causality test showing cause-and-effect dependencies occurring between the examined indicators. The empirical part uses the World Bank resources on the basic annual average macroeconomic measures characterizing the euro area from 1999-2016.

The most important sources of information in the theoretical part were economic literature, supplementary use of normative documents, publications in serial publications and magazines as well as Internet resources.

Keywords: Causation, connections, GDP, Granger test, macroeconomic indicators

Introduction

The economy is a system built of households, enterprises and all state or private institutions to ensure the needs of a given population [1]. They create markets for particular goods and services that add up to the national market (national economy), the regional market (regional economy) or the international market (international economy) [2]. The economy is constantly subjected to regulation by the state (command economy), self-regulation through the market (market economy) or regulation in an integrated manner (market economy with a country having tools and opportunities to intervene in the economic system-mixed economy) [3]. The economy is an extremely dynamic organism that changes its internal structure through complex long-term processes as well as one-time phenomena-crises, shocks, conflicts and wars, or natural disasters [4].

Each individual country strives to build the strongest economy, because it will ensure the growth of the well-being, security and quality of life of its community, and thus the main purpose of the
existence of state institutions will be met [5]. The situation is similar in the case of currency-economic unions, which consist of different countries, and thus economies forming one in common. It is true that there are specific differences between particular countries, but all of them work together jointly for joint economic success. An example of this is the euro zone, which has been operating successfully since 1999.

The economy, through its characteristics and complexity, is in constant motion. Therefore, it must be under constant control, or surely economic phenomena are what governments would like. Any deviations from the assumptions can be adjusted, among others thanks to state interference, it is extremely important to diagnose problems and deviations at the earliest possible stage in order to use tools to counteract or repair an undesirable condition in a timely manner. Each and every component of macro-environment influences the economy, as well as the relations that take place between them. The current state of each macroeconomic indicator characterizing the given economic phenomenon affects the economy in the same way. Thus, the question arises whether relations and causal relationships exist between the basic macroeconomic measures. In the light of the question posed in this article, an attempt was made to verify whether dependencies exist between selected macroeconomic indicators and what their nature is. There are many measures of economic condition, which, depending on the needs, show its selected fragments. The following average yearly data were used for the analysis:

- GDP (in current USD) – GDP at purchaser’s prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources;
- Unemployment rate (% of total labour force, modelled ILO estimate) – unemployment refers to the share of the labor force that is without work but available for and seeking employment;
- Inflation rate (consumer prices %) – inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly;
- Interest rate (%) – the main tool of central banks to stabilize prices in the economy;
- Exchange rate (EUR/USD) – the price of the currency expressed in another currency, that is the exchange ratio of one currency to another. The place of transaction is the currency market;
- Export value (in current USD) – exports of goods and services represent the value of all goods and other market services provided to the rest of the world;
- Import value (in current USD) – imports of goods and services.

The article verifies the hypothesis that interest rate is the strongest determinant of basic macroeconomic values. In order to determine the direction and strength of the correlation occurring between the studied categories, Pearson’s linear correlation coefficient was used [6]. A more detailed analysis of the connections between macroeconomic factors was based on the analysis of the VAR model according to the equation [7]:

\[
x_t = \alpha_1 + \alpha_{1,1}x_{t-1} + \ldots + \alpha_{1,k}x_{t-k} + \beta_{1,1}y_{t-1} + \ldots + \beta_{1,k}y_{t-k} \\
y_t = \alpha_2 + \alpha_{2,1}x_{t-1} + \ldots + \alpha_{2,k}x_{t-k} + \beta_{2,1}y_{t-1} + \ldots + \beta_{2,k}y_{t-k}
\] (1)
The model, according to the criteria of Akaike [8], Schwarz-Beusian [9] and Hannah-Quinn [10], was created with one delay. Both the residual autocorrelation test [11] and the normality test of the distribution of residues [12] confirmed the correctness of the selection of delays. The VAR model was also used to perform the Granger causality test [13]. His results showed whether any of the analyzed macroeconomic factors was the cause of another in the Granger sense. The subject of the study was the euro area, while information about its macroeconomic factors came from the World Bank’s online resources.

The Eurozone 1999-2016

The eurozone (euro area) is a monetary union, which involves coordinating a common fiscal, economic and monetary policy and the use of the single currency – the euro (€). It was introduced on January 1, 1999 in non-cash form, whereas in cash form it exists from January 1, 2002.

Currently, around 340 million citizens of 19 countries live in the zone. The central bank of the zone is the European Central Bank (ECB), which is responsible for setting and implementing the economic and monetary policy framework. The ECB’s main priorities are to maintain price stability and to support economic growth, and hence employment growth [14], [15]. The euro is the second most important currency in the FOREX market after the US dollar, which indicates the relatively high stability and significance of the zone on the international market [16]. It is worth noting that the euro area has changed over the period considered due to the accession of new countries to it.

However, due to the requirement to meet the convergence and fiscal unification criteria, it is assumed that each successive country did not negatively affect the macroeconomic indicators of the euro area (did not create disturbances in the economic situation).

In the analyzed time series, a positive trend of GDP and the unemployment rate was observed (Fig. 1). The GDP grew the most dynamically in 2001-2008. The global crisis caused a drop in the index by less than USD 2 trillion in 2010 compared to 2008. In 2011, the euro area economy recorded the first post-crisis GDP growth, however it did not meet the challenges and by 2016 it was negative trend of the indicator. The unemployment rate reached minimum values in 2007-2008. The outbreak of the crisis triggered a strong rise in unemployment, which reacted much stronger than GDP to the recession. Since 2013, the unemployment rate has a relatively strong negative trend. It is worth noting that until 2008 there was a negative correlation between GDP and the unemployment rate. This fact is a natural phenomenon, because the consequence of economic growth is the decline in unemployment. The situation changed after the outbreak of the crisis, because despite maintaining GDP at a relatively similar level, there was a significant increase in the unemployment rate. This is related to the problems of countries such as Spain and Portugal, which are unable to cope with the consequences of the recession.

![Fig. 1. GDP and unemployment rate in euro area in 1999-2016 (World Bank’s online resources)](image)
The global crisis 2008-2009 significantly affected the euro area. Its effect was also a relatively strong reduction in imports and exports (Fig. 2). However, in the entire analyzed period there was a significant positive trend of both measures. It is worth noting that since 2011 the trade surplus started to increase significantly, to exceed 10% y/y in 2015-2016. When analyzing the EUR/USD exchange rate, particular attention should be paid to the year 2012, in which the EUR/USD rate exceeded 1. Since 2009, there has been a negative relation between import and export and the exchange rate. It is assumed that the determinant of this phenomenon was the export causing an increase in foreign currency transfer to the market.

![Fig. 2. Imports, exports and exchange rate in euro area in 1999-2016 (World Bank’s online resources)](image)

One of the ECB’s basic missions is to maintain a stable price level, because deflation or excessive inflation causes many adverse consequences, which include a drop in the purchasing power of money. The central bank’s influence on this phenomenon is the interest rate, whose growth is caused by a drop-in demand in the economy, which results in a fall in prices. In the analyzed period, one can notice a correlation between the inflation rate and interest rates (Fig. 3).

There is a noticeable attempt to lower the inflation rate by the ECB in 2000, 2005-2007 and 2011. In the first case, the increase in interest rates was in almost perfect correlation with the increase in the rate of inflation. In the second situation, we can see a slightly belated reaction of the ECB, which until 2007 significantly increased the level of interest rates and it is assumed that the inflation growth trend was stopped. In order to minimize the effects of the economic crisis, it was decided to drastically reduce interest rates. There was only one correction in 2011, which effectively stopped the increase in the level of prices. The years 2014-2016 were, thanks to the minimum inflation and at record low interest rates, an ideal environment for the economic growth of the euro area.

![Fig. 3. Interest rate and inflation in euro area in 1999-2016 (World Bank’s online resources)](image)

The analysis of the basic indicators of the euro area in the examined period of time showed some negative and positive relations, which can be expected in the further part. According to the theory
of economics there are relations between the indicators that were not observed using charts. The rest of the analysis should display any doubts.

Analysis of Dependencies Between Basic Macroeconomic Indicators in Eurozone

In the first stage of the analysis, the correlation between the examined categories was examined (Tab. 1). Pearson’s linear correlation coefficient showed positive relations (highlighted): export values with the value of import, exchange rate with the value of import and the value of exports, interest rate inflation rate, GDP with import value, export value and exchange rate.

| Table 1. Correlation relationships between the analyzed basic macro indicators in euro area |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Imports         | 1               |                |                |                |                |                |                |
| Exports         | 0.9958          | 1              |                |                |                |                |                |
| Exchange rate   | 0.6446          | 0.6032         | 1              |                |                |                |                |
| Interest rate   | -0.5775         | -0.6324        | -0.1744        | 1              |                |                |                |
| Unemployment rate| 0.3051          | 0.3568         | -0.0764        | -0.8029        | 1              |                |                |
| Inflation rate  | -0.1586         | -0.2263        | 0.1186         | 0.7238         | -0.5982        | 1              |                |
| GDP             | 0.9738          | 0.9592         | 0.7747         | -0.5313        | 0.2167         | -0.1431        | 1              |

Source: own calculations based on World Bank data

The vector auto regression model with one delay was used for further analysis. This allowed to create equations describing each macroeconomic factor using the remaining ones (Tab. 2). As a result, the apparent correlation was eliminated and the impact of delays of the tested categories on endogenous variables was estimated. The VAR model also allowed to examine the significance of equations as well as exogenous variables. Based on the study, the apparent correlation was rejected and significant causal relationships between variables (highlighted) were estimated. An influence on the export value (Y explained by X in 98%) was found: positive – EUR/USD exchange rate; negative – GDP, unemployment and interest rates. The change in the interest rate by unit caused the reverse of the export value by 16 units (the strongest relation). The import value was influenced by (Y explained by 97%): positive – EUR/USD exchange rate; negative – GDP, unemployment and interest rate. The direction of dependence and their strength were at a similar level as in the case of explaining the value of exports. In this case, a change in the interest rate per unit resulted in a negative change in the value of exports by almost 16 units. The reverse effect of the unemployment rate on the EUR/USD exchange rate (Y explained by X in 84%) was observed. The change in the unemployment rate by unit affected the reduction of the exchange rate by less than 10 units. The analysis showed the impact on GDP (Y explained by X in 98%): positive-exchange rate y/y; negative – GDP lag 1, unemployment rate and interest rate. A change in the interest rate per unit resulted in a GDP decrease by over 12 units (the strongest ratio). The unemployment rate was determined positively (Y explained by X in 83%) by: the inflation rate and the interest rate. In both cases, the change of exogenous factors by unit did not cause a change in the unemployment rate exceeding the unit. It is worth noting the fact that the equation describing a given Y did not contain significant explanatory variables in two cases: while explaining the inflation rate and the interest rate. In the first situation, no macroeconomic indicator was statistically significant, but also the entire equation was devoid of significance (the equation described Y in only 62%). In turn, in the second case, the situation is all the more interesting because despite the lack of significance of
individual explanatory variables, the equation itself is important, so you can use it to describe the interest rate in 81%. In the last step of the research, the Granger causality test was carried out (Tab. 3). The following dependences were distinguished in color in the Granger sense: the value of exports is the cause of the inflation rate; the value of imports is the cause of export value and inflation rate; the inflation rate is the cause of the unemployment rate; the EUR/USD exchange rate is the reason for the value of exports, imports and GDP; GDP is the cause of the value of exports and imports; the unemployment rate is the cause of the value of exports, imports, EUR/USD and GDP; the interest rate is the cause of the value of exports, imports and GDP.

It is worth nothing that the test results of the Granger Causality test were not completely in line with the results of the VAR model analysis.

Table 2. Causal relationships in the Granger sense between the analyzed basic macro indicators in euro area

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
<th>Inflation</th>
<th>Exchange rate</th>
<th>GDP</th>
<th>Unemployment rate</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>0,1582</td>
<td>0,0312</td>
<td>0,8811</td>
<td>0,6681</td>
<td>0,6384</td>
<td>0,2441</td>
<td></td>
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<tr>
<td>Imports</td>
<td>0,0324</td>
<td>0,0394</td>
<td>0,8862</td>
<td>0,1825</td>
<td>0,4839</td>
<td>0,2869</td>
<td></td>
</tr>
<tr>
<td>Inflation rate</td>
<td>0,2331</td>
<td>0,2169</td>
<td>0,6063</td>
<td>0,9448</td>
<td>0,0215</td>
<td>0,1464</td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td>0,0005</td>
<td>0,0011</td>
<td>0,1648</td>
<td>0,0042</td>
<td>0,4821</td>
<td>0,4224</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>0,0023</td>
<td>0,0094</td>
<td>0,2153</td>
<td>0,8724</td>
<td>0,2711</td>
<td>0,5706</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>0,0019</td>
<td>0,0051</td>
<td>0,2721</td>
<td>0,0223</td>
<td>0,0147</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>0,0008</td>
<td>0,0032</td>
<td>0,3079</td>
<td>0,0677</td>
<td>0,0004</td>
<td>0,6831</td>
<td></td>
</tr>
</tbody>
</table>

Source: own calculations based on World Bank data

Conclusion

The studies carried out clearly indicate the existence of dependencies between the basic macroeconomic indicators, and thus between the phenomena characterizing the economic situation in eurozone in years 1999-2016. The VAR model presented that the increase in the inflation rate caused a relatively weak increase in the unemployment rate. The phenomenon is in line with the theory of economics, because an unfavorable level of inflation can affect the reduction of employment. VAR showed a small positive relation between the EUR/USD exchange rate and the value of imports, exports and GDP. The increase in the exchange rate in accordance with the theory of economics stimulates imports and increases GDP, while it inhibits exports – in this case the study indicated the opposite. In addition, the exchange rate was related to the future exchange rate in the negative relationship, which is difficult to explain. VAR pointed out that GDP growth affected the decline in the value of exports, imports and the future GDP. This is an interesting situation, because according to the theory of economics, increased income (production) affects: the increase in imports through initiated demand for production factors and foreign consumer goods; increase in exports through the increased value of exported goods and services; increasing future GDP. The VAR model pointed out that the growing unemployment rate had a significant impact on reducing the value of imports, exports, the exchange rate and GDP. This phenomenon is strongly felt in the euro area, as countries such as Spain and Portugal are struggling with rising unemployment and declining imports, exports and GDP. In the case of these countries, the exchange rate is somehow stabilized by other countries in the euro area, but if they had their own currency, one can assume that its exchange rate would decrease as strongly as other measures.

VAR also presented a significant impact of the interest rate increase on the reduction in the value of exports, imports, GDP and an increase in the unemployment rate. The theory of economics
confirms these phenomena, because the increase in interest rates causes an increase in interest rates on the money and credit-deposit market. This means that enterprises and households decide to save money at a higher interest rate, instead of taking out unattractive consumer or investment loans.

The increase in interest rates simultaneously reduces the supply of bank loans due to the increased risk of the problem with repayment of liabilities, more expensive obtaining of external financing by banks, but also by transferring bank funds into, for example, more attractive state bonds. The reduction of investment and consumption reduces demand within the economy in relation to supply. This, in turn, may be the reason for the price pressure. As a consequence of the increase in interest rates, the unemployment rate will increase, export and import decrease, as well as GDP. The Granger causality test did not confirm all the dependencies of the VAR model, but additionally indicated those which the model considered irrelevant. The differences indicated by the test include the causality in the Granger sense of the value of exports on the inflation rate and the value of imports on the value of exports and the inflation rate. In turn, the lack of causality in the Granger sense occurred in the case of the impact of the interest rate on the unemployment rate.

The analysis made it possible to recognize the validity of the hypothesis that the interest rate has the strongest impact on basic macroeconomic values. Its increase is assumed to be responsible for the reduction of the inflation rate (which the study did not confirm), but it carries very unfavorable results for other macroeconomic indicators, and thus for the whole economy. It is also worth noting that the strong negative impact on the basic measures was caused by increases in the unemployment rate. This fact is easily linked to the policy of governments that strive for the lowest unemployment rate, while remembering that its level should not threaten economic growth.

REFERENCES

| Source: own calculations based on World Bank data |

Table 3. Relations between basic macro indicators using the VAR model in euro area

<table>
<thead>
<tr>
<th>Y = exports</th>
<th>( \alpha = 41.7287 )</th>
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</thead>
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<tr>
<td>( \beta_1 = 3.5276 )</td>
<td>( \beta_2 = 1.4746 )</td>
</tr>
<tr>
<td>( \beta_3 = 3.3821 )</td>
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<td>( p = 0.0032 )</td>
<td>( p = 0.0611 )</td>
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<table>
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<td>( \beta_7 = -15.6000 )</td>
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<td>( p = 0.0122 )</td>
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<table>
<thead>
<tr>
<th>Y = inflation</th>
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<td>( \beta_1 = -0.4106 )</td>
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<tr>
<td>( \beta_3 = 0.4665 )</td>
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<td>( \beta_7 = -0.6761 )</td>
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<table>
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<tr>
<td>( \beta_1 = -0.2677 )</td>
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<td>( p = 0.0844 )</td>
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<table>
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<tr>
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<td>( \beta_1 = -0.443 )</td>
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<td>( p = 0.0009 )</td>
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<table>
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