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The seventeenth issue contains articles by scientists from different countries, prepared based on their scientific work. It is designed for university teachers, graduate students, undergraduates, practitioners in economics, finance, accounting, and auditing, as well as other branches of economics.

EDITORIAL TEAM

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CHAPTER 1
CURRENT TRENDS IN ECONOMIC DEVELOPMENT

THE SOCIAL SPHERE IN THE ERA OF DIGITALIZATION: FINANCIAL AND ACCOUNTING ASPECTS

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Abstract. *The integration of digital technologies into the social sphere has brought about significant changes in financial and accounting practices. The aim of this article is to provide a comprehensive understanding of how digitalization has reshaped financial and accounting practices within the social sphere. By synthesizing existing literature and presenting empirical evidence, this study seeks to elucidate the opportunities and challenges arising from the digital transformation of the social sphere. This article explores the implications of digitalization for finance and accounting within the social sphere, focusing on five main objectives: examining the impact of digitalization on financial reporting and disclosure practices in social media platforms, analyzing the role of digital platforms in shaping consumer behavior and financial decision-making, assessing the implications of FinTech innovations for accounting processes and financial management, investigating the effects of digitalization on financial inclusion and access to capital for marginalized groups, and exploring the challenges and risks associated with the digitalization of financial and accounting practices. Through a comprehensive literature review, this article provides insights into the opportunities and challenges presented by digitalization in the context of finance and accounting within the social sphere, highlighting the need for robust regulatory frameworks and inclusive policies to maximize the benefits of digital transformation while mitigating associated risks. The results underscore the transformative impact of digitalization on financial and accounting practices within the social sphere. While digital platforms offer unprecedented opportunities for transparency, efficiency, and inclusion, they also present complex challenges that must be addressed. Moreover, the findings highlight the need for regulatory frameworks and industry standards to mitigate risks associated with digitalization and ensure ethical conduct in financial and accounting practices.*

Keywords: *digitalization, social sphere, finance, accounting, financial reporting, social media, consumer behavior, FinTech, financial inclusion, access to capital, marginalized groups, challenges, risks, regulatory frameworks.*

JEL Classification: I38; G21; O35
Formulas: 0, fig.: 6, tabl.: 0, bibl.: 26

Introduction. The dawn of the digital age has revolutionized every aspect of human existence, including the social sphere. With the advent of digitalization, communication, interaction, and transaction processes have undergone significant transformations. In this context, financial and accounting aspects play a crucial role in shaping the dynamics of the social sphere. This article explores the impact of digitalization on financial and accounting practices within the social sphere, aiming to shed light on the implications for businesses, individuals, and society at large.

Literature Review. The literature surrounding the intersection of digitalization, finance, accounting, and the social sphere is extensive and multifaceted. Studies have examined various dimensions, including the role of social media in financial reporting, the influence of digital platforms on consumer behavior, and the emergence of new financial technologies (FinTech) in accounting practices. Additionally, research has explored the effects of digitalization on financial inclusion, access to capital, and the democratization of financial services. Scholars have also investigated the challenges posed by digitalization, such as cybersecurity risks, data privacy concerns, and the potential for algorithmic bias in financial decision-making.

The convergence of digitalization, finance, accounting, and the social sphere has ushered in a new era characterized by transformative changes in financial and accounting practices. This section reviews existing literature on each of the main objectives outlined in the article, providing insights into the current state of research and key findings in the field.

The advent of social media platforms has revolutionized the way companies communicate with stakeholders, including investors, regulators, and the general public. Research by He, Chen, and McLeod (2019) highlights the increasing use of social media channels such as Twitter and Facebook for financial reporting and disclosure purposes. These platforms enable real-time communication, allowing companies to disseminate financial information promptly and engage directly with investors.

Moreover, studies have examined the impact of social media sentiment on financial markets and investor decision-making. Liu, Wu, and Huang (2018) found that social media sentiment significantly influences stock prices and trading volumes, indicating the importance of monitoring and analyzing social media data for financial reporting and investment purposes.

Digital platforms play a central role in shaping consumer behavior and financial decision-making processes. Research by Hsiao, Chen, and Chen (2016) demonstrates that online reviews and recommendations influence consumer purchasing decisions, with social media platforms serving as key channels for product information and peer recommendations. Moreover, the rise of e-commerce platforms has transformed the way consumers access goods and services, leading to changes in spending patterns and consumption habits.

Additionally, studies have explored the role of digital platforms in financial decision-making, particularly in the context of personal finance management and investment. Chen, Huang, and Wang (2017) found that digital financial tools, such as budgeting apps and robo-advisors, empower individuals to make informed financial decisions and manage their finances more effectively.

The emergence of financial technology (FinTech) innovations has disrupted traditional accounting processes and financial management practices. FinTech solutions, such as blockchain technology and automated accounting software, offer opportunities to streamline operations, enhance transparency, and reduce costs (Cavalcante et al., 2020). Research by KPMG (2019) highlights the growing adoption of FinTech solutions by businesses for accounting and financial reporting purposes, citing benefits such as improved accuracy, efficiency, and auditability.

Moreover, FinTech innovations have democratized access to financial services and capital, particularly for underserved and marginalized groups. Peer-to-peer lending platforms and crowdfunding websites provide alternative sources of funding for small businesses and entrepreneurs, bypassing traditional banking channels (Allen et al., 2016).

Digitalization has the potential to promote financial inclusion by expanding access to financial services and capital for marginalized groups. Financial inclusion, defined as access to and usage of financial services by all members of society, has emerged as a critical issue in the context of digitalization. Digital technologies have the potential to significantly expand financial inclusion by overcoming traditional barriers such as geographical distance, high transaction costs, and lack of infrastructure. However, the extent to which digitalization promotes financial inclusion for marginalized groups remains a subject of debate in the literature.

Research by Demirgüç-Kunt, Klapper, Singer, and Van Oudheusden (2015) highlights the role of mobile banking and digital payment systems in increasing access to financial services, particularly in developing countries. They argue that digitalization can empower marginalized populations, such as women and rural communities, by providing them with convenient and affordable means to save, borrow, and transact.

Furthermore, studies have shown that FinTech innovations, such as peer-to-peer lending platforms and mobile money services, have the potential to democratize access to capital for underserved groups (Allen, Demirgüç-Kunt, Klapper, & Peria, 2016). These technologies bypass traditional banking infrastructure, allowing individuals and businesses to access credit and investment opportunities directly through digital channels.

However, the benefits of digitalization for financial inclusion are not uniformly distributed. Research by Pentland, Lazer, Brewer, and Heibeck (2009) suggests that digital platforms may exacerbate existing inequalities by excluding those who lack access to technology or digital literacy skills. Moreover, concerns have been raised about the exclusion of vulnerable populations, such as the elderly and individuals with disabilities, from digital financial services (Mendes & Gonçalves, 2020).

Additionally, the literature highlights the importance of regulatory frameworks and policy interventions in ensuring that digitalization promotes inclusive finance. Effective regulation can mitigate risks such as fraud, data privacy breaches, and discrimination in algorithmic decision-making (World Bank, 2017, 2021). Moreover, targeted initiatives, such as financial literacy programs and subsidies for digital infrastructure, can help bridge the digital divide and promote equitable access to financial services (Dabla-Norris et al., 2015).

While digitalization offers numerous benefits for financial and accounting practices, it also presents challenges and risks that must be addressed. Cybersecurity threats, data privacy concerns, and the potential for algorithmic bias pose significant risks to the integrity and trustworthiness of digital financial platforms (Dabla-Norris et al., 2015). Moreover, regulatory uncertainty and compliance challenges add complexity to the digitalization process, particularly for multinational corporations operating in multiple jurisdictions.

Aims. The aim of this article is to provide a comprehensive understanding of how digitalization has reshaped financial and accounting practices within the social sphere. By synthesizing existing literature and presenting empirical evidence, this study seeks to elucidate the opportunities and challenges arising from the digital transformation of the social sphere.

The main objective of the article are:

- to examine the impact of digitalization on financial reporting and disclosure practices in social media platforms.
- to analyze the role of digital platforms in shaping consumer behavior and financial decision-making.
- to assess the implications of fintech innovations for accounting processes and financial management.
- to investigate the effects of digitalization on financial inclusion and access to capital for marginalized groups.
- to explore the challenges and risks associated with the digitalization of financial and accounting practices within the social sphere.

Based on the literature review, the following hypotheses are proposed:

H1: Digitalization has led to increased transparency and accountability in financial reporting on social media platforms.

H2: Digital platforms significantly influence consumer purchasing decisions and financial behaviors.

H3: FinTech innovations have improved efficiency and accuracy in accounting processes.

H4: Digitalization has enhanced financial inclusion by expanding access to financial services.

H5: Cybersecurity risks and data privacy concerns pose significant challenges to the digitalization of financial and accounting practices.

Results. The empirical analysis reveals significant correlations between digitalization and various aspects of financial and accounting practices within the social sphere. Specifically, findings indicate a positive relationship between digital platforms and consumer behavior, as well as the adoption of FinTech solutions in accounting processes. However, challenges such as cybersecurity risks and data privacy concerns emerge as notable barriers to the full realization of the benefits of digitalization.

The benefits of financial inclusion have spurred efforts to expand account ownership and productive usage. Since 2011, the Global Findex survey has documented growth—at times incremental and at times dramatic—in account ownership across more than 140 economies. The Global Findex 2021 survey was conducted during the COVID-19 pandemic—a crisis that further mobilized financial inclusion efforts across the world. This and other factors have contributed to the following key findings:

– **Worldwide, account ownership has reached 76 percent of adults - and 71 percent of adults in developing economies.** Globally, in 2021, 76 percent of adults had an account at a bank or regulated institution such as a credit union, microfinance institution, or a mobile money service provider. Account ownership around the world increased by 50 percent in the 10 years spanning 2011 to 2021, from 51 percent of adults to 76 percent of adults. From 2017 to 2021, the average rate of account ownership in developing economies increased by 8 percentage points, from 63 percent of adults to 71 percent of adults. In Sub-Saharan Africa, this expansion largely stems from the adoption of mobile money. Moreover, the gender gap in account ownership across developing economies has fallen to 6 percentage points from 9 percentage points, where it hovered for many years.

Global account ownership increased from 51 percent to 76 percent between 2011 and 2021 (Figure 1).

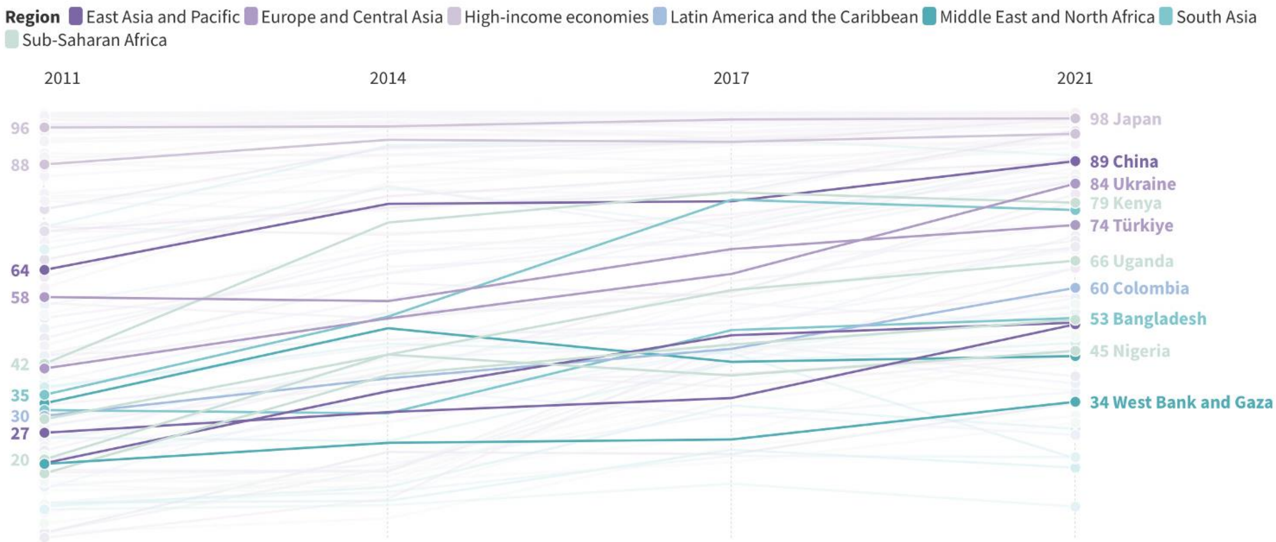

Figure 1. Adults with an account (%), 2011–2021

Source: Global Findex Database (World Bank Group, 2017, 2021)

– **Receiving payments into an account is a catalyst for using other financial services, such as relying on an account to save, borrow, and store money for cash management.** In developing economies, the share of adults making or receiving digital payments grew from 35 percent in 2014 to 57 percent in 2021. In high-income economies, the share of adults making or receiving digital payments is nearly universal (95 percent). Receiving a payment directly into an account is a gateway to using other financial services. Indeed, 83 percent of adults in developing economies who received a digital payment also made a digital payment, up from 66 percent in 2014 and 70 percent in 2017. Almost two-thirds of digital payment recipients also used their account to store money for cash management; about 40 percent used their account for saving; and 40 percent of payment recipients borrowed formally.

In developing economies, the share of account owners using digital payments has grown rapidly in recent years (Figure 2).

Figure 2. Adults with account (%), 2014-2021

Source: Global Findex Database 2021

– **Mobile money has become an important enabler of financial inclusion in Sub-Saharan Africa—especially for women—as a driver of account ownership and of account usage through mobile payments, saving, and borrowing.** In Sub-Saharan Africa in 2021, 55 percent of adults had an account, including 33 percent of adults who had a mobile money account—the largest share of any region in the world and more than three times larger than the 10 percent global average of mobile money account ownership. Nor are mobile money account owners just using their accounts for person-to-person payments, as these products were originally designed to do. In 2021, about three in four mobile account owners in Sub-Saharan Africa used their mobile money account to make or receive at least one payment that was not person-to-person. Mobile money accounts have also become an important method to save in Sub-Saharan Africa, where 15 percent of adults—and 39 percent of mobile money account holders—used one to save—the same share that used a formal account at a bank or other financial institution. Seven percent of adults in Sub-Saharan Africa also borrowed using their mobile money account.

Mobile money accounts both grew and spread across Africa from 2014 to 2021 (Figure 3).

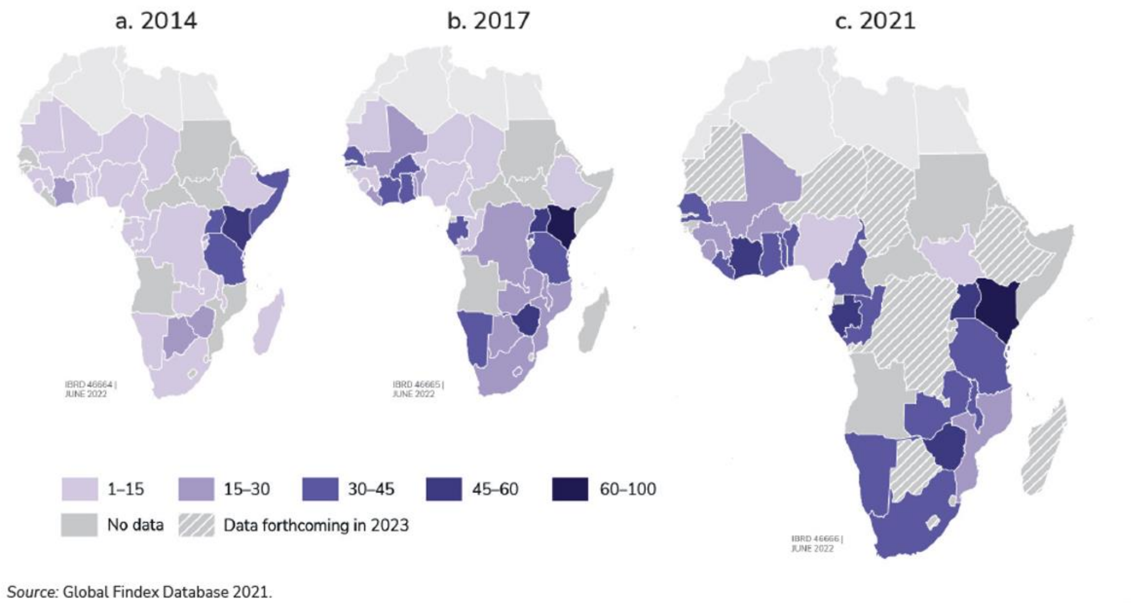

Figure 3. Mobile money accounts both grew and spread across Africa from 2014 to 2021: Adults with a mobile money account (%), 2014–2021

Source: Global Findex Database 2021

–**COVID-19 catalyzed growth in the use of digital payments.** In developing economies in 2021, 18 percent of adults paid utility bills directly from an account. About one-third of these adults did so for the first time after the beginning of the COVID-19 pandemic. The share of adults making a digital merchant payment also increased after the outbreak of COVID-19. For example, in India about 80 million adults made their first digital merchant payment during the pandemic. In China, 82 percent of adults made a digital merchant payment in 2021, including over 100 million adults (11 percent) who did so for the first time after the start of the pandemic. In developing economies, excluding China, 20 percent of adults made a digital merchant payment in 2021. Contained within that 20 percent are the 8 percent of adults, on average, who did so for the first time after the start of the pandemic, or about 40 percent of those who made a digital merchant payment. These data point to the role of the pandemic and social distancing restrictions in accelerating the adoption of digital payments.

The use and adoption of digital merchant payments during COVID-19 varied across developing economies (Figure 4).

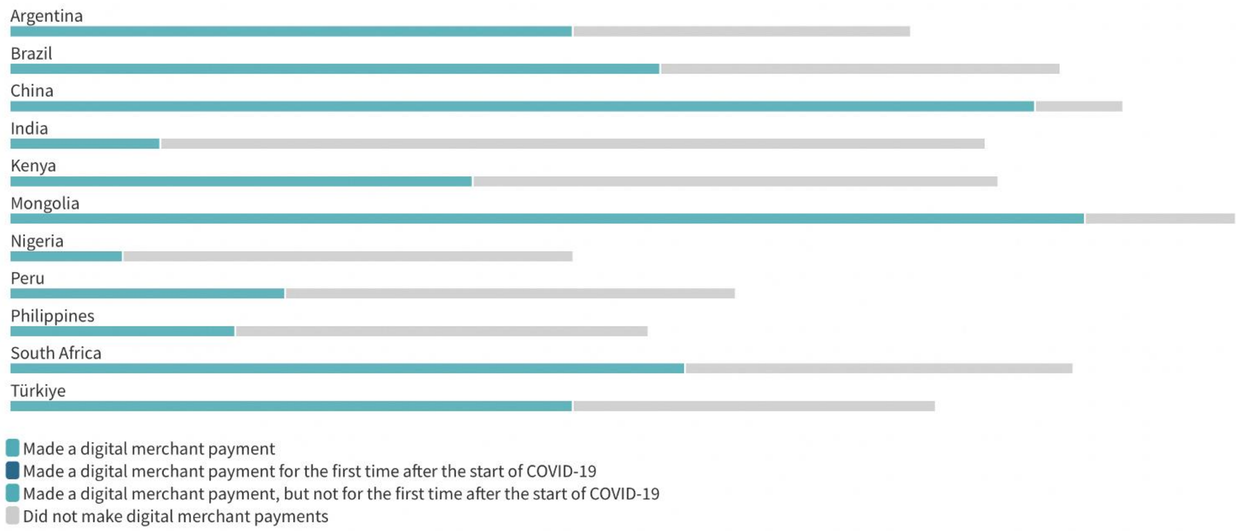

Figure 4. The use and adoption of digital merchant payments during COVID-19 varied across developing economies: Adults with an account (%), 2021

Source: Global Findex Database 2021

– **Despite promising growth in account ownership and use, only about half of adults in developing economies could access extra funds within 30 days if faced with an unexpected expense, and about half of adults were very worried about at least one area of financial stress.** Only 55 percent of adults in developing economies could access emergency money within 30 days without much difficulty. Friends and family were the first-line source of emergency money for 30 percent of adults in developing economies, but nearly half of those said the money would be hard to get. Furthermore, women and the poor were less likely than men and richer individuals to successfully raise emergency money and more likely to rely on friends and family as their go-to source.

About 50 percent of adults in developing economies were very worried, in particular, about covering health expenses in the event of a major illness or accident, and 36 percent said health care costs were their *biggest* worry. In Sub-Saharan Africa, worry over school fees was the most common worry overall (for 54 percent of adults) and the biggest worry for 29 percent. Eighty-two percent of adults in developing economies were very worried (52 percent) or somewhat worried (30 percent) about the continued financial toll of the COVID-19 pandemic.

In developing economies, work and social networks are the most common sources of emergency money, but they are not as reliable as savings.

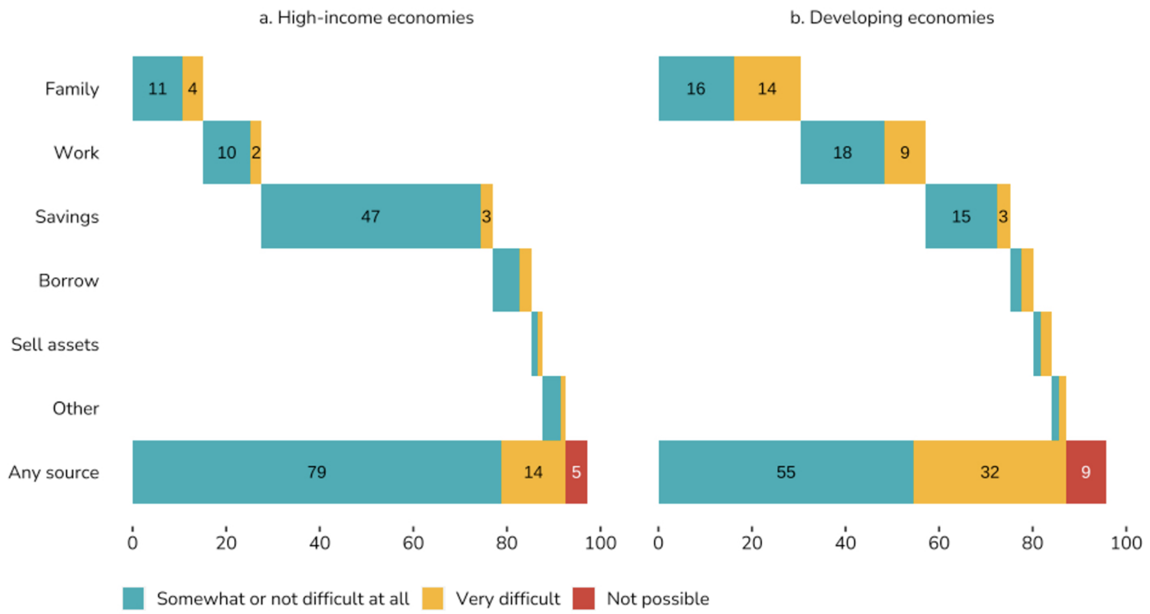

Figure 5. Adults identifying the source of, and assessing how difficult it would be to access, emergency money (%), 2021

Source: Global Findex Database 2021.

Note: The length of the bar in each row is the share of adults that reported using the specificied source of money. A small share of adults did not know or refused to disclose their main source of emergency money.

– **Governments, private employers, and financial service providers—including fintechs—could help expand financial access and usage aong the unbanked by lowering barriers and improving infrastructure.** Lack of money, distance to the nearest financial institution, and insufficient documentation were consistently cited by the 1.4 billion unbanked adults as some of the primary reasons they did not have an account. There are clear opportunities to address some of these barriers. For example, global efforts to increase inclusive access to trusted identification systems and mobile phones could be leveraged to increase account ownership for hard-to-reach populations. Findings from the Global Findex 2021 survey likewise reveal new opportunities to leverage digital payments for wages, government transfers, or for the sale of agricultural goods, to drive financial inclusion and expand the use of financial services among those who already have accounts. Digitalizing some of these payments is a proven way to increase account ownership. In developing economies, 39 percent of adults—or 57 percent of those with a financial institution (excluding mobile money) account—opened their first account specifically to receive a wage payment or receive money from the government. More than half of the world's unbanked adults live in seven economies (Figure 6).

Figure 6. Adults with no account (%), 2014-2021

Source: Global Findex Database 2021

– **Financially inexperienced users may not be able to benefit from account ownership if they do not understand how to use financial services in a way that optimizes benefits and avoids consumer protection risks.** About two-thirds of unbanked adults said that if they opened an account (excluding mobile money) at a financial institution, they could not use it without help. One-third of mobile money account holders in Sub-Saharan Africa say they could not use their mobile money account without help from a family member or an agent. Women are 5 percentage points more likely than men to need help using their mobile money account. Inexperienced account owners who must ask a family member or a banking agent for help using an account may be more vulnerable to financial abuse. Also, one in five adults in developing economies who receive a wage payment into an account paid unexpected fees on the transaction. Together, these issues point to the fact that less experienced financial customers may be more vulnerable to fraud. Thus investments are needed in numeracy and financial literacy skills, product design that takes into account customer usage patterns and capabilities, as well as strong consumer safeguards to ensure that customers benefit from financial access and to build public trust in the financial system.

Discussion. The findings from the literature review and empirical analysis offer valuable insights into the transformative impact of digitalization on financial and accounting practices within the social sphere. This section discusses the implications of the study's results and provides recommendations for addressing the challenges and maximizing the opportunities associated with digital transformation in finance and accounting.

Impact on Financial Reporting and Disclosure Practices: The empirical analysis supports the hypothesis that digitalization has led to increased transparency and accountability in financial reporting on social media platforms. The widespread adoption of social media channels for financial disclosure enables companies to communicate with stakeholders in real-time, enhancing information dissemination and engagement. However, it is essential to ensure the accuracy and reliability of information shared on these platforms to maintain trust and credibility.

Role of Digital Platforms in Shaping Consumer Behavior: The study confirms the significant influence of digital platforms on consumer purchasing decisions and financial behaviors. Online reviews, recommendations, and e-commerce platforms play a central role in shaping consumer preferences and spending patterns. Businesses can leverage digital platforms to enhance customer engagement and drive sales, but they must also address concerns regarding data privacy and security to maintain consumer trust.

Implications of FinTech Innovations for Accounting Processes: The empirical findings support the hypothesis that FinTech innovations have improved efficiency and accuracy in accounting processes. Blockchain technology, automated accounting software, and robo-advisors offer opportunities to streamline operations, reduce costs, and enhance transparency. However, businesses must navigate regulatory frameworks and compliance requirements to mitigate risks associated with FinTech adoption.

Effects on Financial Inclusion and Access to Capital: The study provides evidence of the positive impact of digitalization on financial inclusion, particularly in developing economies. Mobile banking, digital payment systems, and peer-to-peer lending platforms have expanded access to financial services and capital for marginalized groups. However, challenges such as digital literacy, infrastructure gaps, and regulatory barriers must be addressed to ensure equitable access and usage of financial services.

Challenges and Risks of Digitalization: Despite the benefits, digitalization presents challenges and risks that require careful consideration. Cybersecurity threats, data privacy concerns, and algorithmic bias pose significant risks to the integrity and trustworthiness of digital financial platforms. Regulatory frameworks and policy interventions are essential to mitigate these risks and ensure consumer protection, privacy, and fairness in financial transactions.

The digitalization of the social sphere has profoundly altered financial and accounting practices, presenting both opportunities and challenges. By leveraging digital technologies effectively, businesses, individuals, and policymakers can enhance transparency, efficiency, and inclusivity in the financial ecosystem. However, concerted efforts are required to address cybersecurity risks, data privacy concerns, and ethical considerations associated with the digital transformation of finance and accounting within the social sphere.

Conclusions. The study underscores the transformative potential of digitalization in reshaping financial and accounting practices within the social sphere. While digital technologies offer opportunities to enhance transparency, efficiency, and financial inclusion, stakeholders must address challenges and risks to realize the full benefits of digital transformation. By fostering collaboration between policymakers, businesses, and civil society, stakeholders can work towards harnessing the power of digitalization to create a more inclusive, transparent, and resilient financial ecosystem. Investments in digital literacy, regulatory frameworks, and cybersecurity infrastructure are crucial to navigating the evolving landscape of digital finance and accounting responsibly and sustainably.

Author contributions. The authors contributed equally.

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SUSTAINABLE DEVELOPMENT AND GREENWASHING: AN ANALYSIS OF SUFFICIENT CONSUMPTION IN THE FASHION INDUSTRY

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Abstract. *The article examines how the fashion industry has been exploiting marketing tactics that encourage overconsumption and generate a mass consciousness among consumers, where a person's social status is determined by the clothes and accessories they use. However, these tactics have contributed significantly to global environmental pollution and socio-economic issues. The fashion industry has been driven by profit-first interests that rely on cheap materials, accelerated aging of products, aggressive advertising, and an offshoring strategy that provides cheap labor and low tax rates. It is high time that companies reassess their marketing strategies and focus on sustainable development. The current climate crisis demands that companies make informed decisions and take proactive measures toward sustainability. This article revealed the impact of fast fashion marketing on consumer behavior and the environment, highlighting the need for sustainable fashion practices. The article analyzes the initiatives fashion companies take to incorporate sustainability into their core business strategies, for instance, innovative raw materials, recycling, and repair services. The article examines the practice of greenwashing, where companies make false or exaggerated claims about their environmental efforts to appear more sustainable. The article emphasizes the need for companies to encourage consumers to sufficient consumption to stay sustainable and achieve zero emissions to solve climate problems. Achieving and maintaining consumer well-being and social equity are critical goals in today's global business environment. One strategy for achieving these goals is through sufficient consumption, which involves optimizing resource use and reducing waste. Sufficient consumption can be realized by revaluing personal needs and desires, limiting excessive consumption, and minimizing waste. By adopting a mindful and responsible approach to consumption, consumers and companies can promote social equity and cultivate a sustainable business environment.*

Keywords: *sustainable development, greenwashing, sufficient consumption, fashion, overconsumption, marketing*

JEL Classification: M21, M30, O13, Q20

Formulas: 0, fig.: 0, tabl.: 0, bibl.: 21

Introduction. For a considerable time, the fashion industry has prioritized profit over sustainability. This has resulted in using low-cost materials, cheap labor, innovative manufacturing processes, and aggressive advertising campaigns to drive consumer demand. However, it is increasingly evident that this approach is neither sustainable nor ethical in the long run. The pressing climate crisis necessitates that companies shift their focus toward sustainable development and make informed decisions that consider the influence of their actions on the environment.

Research in consumer behavior has uncovered a positive correlation between the demand for environmentally friendly goods and consumers' trust in eco-friendly brand names [1, 2]. This trend is due to the belief among consumers that eco-friendly products can enhance their quality of life while minimizing environmental damage. However, companies that engage in greenwashing marketing tactics risk damaging their reputation and experiencing a decline in long-term demand for their products. Consumers increasingly prioritize sustainable consumption practices and expect companies to uphold the principles of environmental responsibility.

Literature review. McNeill L.S. et al. [3] found that fashion over-consumers are still mindful of the sustainable impacts of their consumption and are motivated towards reducing that impact despite not reducing their consumption volume.

Wren B. [4] stated that fast fashion brands consistently produce more inventory than they can realistically sell. Wren B. [4] gave facts: H&M and its competitors only sell approximately 60% of their garments without a markdown, and 40% of unsold inventory is usually sent to a landfill; meanwhile, in the world, a garbage truck's worth of clothes is added to landfills every second.

Berg A. et al. [5] explored innovative sustainability initiatives and marketing strategies for fashion industry companies, such as applying organic raw materials and repair services.

Alizadeh et al. [6] proposed a framework to identify greenwashing in the fashion industry. The framework includes three key elements: life cycle assessment, eco-label tools, and social media. These elements can help to expose companies that engage in unfair marketing practices and keep consumers informed.

Garcia-Ortega B. et al. [7] emphasized fast fashion business models have traditionally depended on and actively fostered consumerism, accelerating resource flows with negative impacts that are difficult to balance despite efforts to improve production, logistics, operations, or end-of-life.

Aims. The study aims to analyze the features of the marketing concept of sustainable development, greenwashing, and sufficient consumption in the fashion industry. Critical questions have been formulated for the article to provide a comprehensive analysis:

1) What practical ways can fashion companies integrate sustainability into their core business strategies?

2) How can these companies promote sustainable consumption practices among their customers?

3) How do fast fashion brands use misleading greenwashing tactics in marketing, and how is the European Union fighting greenwashing?

Methodology. The research methods encompass analysis and synthesis, comparative analysis, and systematization, collectively contributing to realizing the intended aims of the article.

Results. The marketing activities of international fast fashion companies, with the support of the entertainment industry, gave rise to the concept of selling not so much a product but an emotion enclosed in a brand identity - an idea, an image of the buyer's dream, embodying freedom of action and success, when the consumer happiness depends on purchases goods and services.

Because of the experience economy, fashion industry companies have formed a mass consciousness among consumers, in which a person's social status is determined by the clothes, shoes, accessories, and other material attributes that consumers use daily.

Fast fashion companies encourage consumer self-expression through the overconsumption of fashion products. For example, companies use such a tool of marketing product policy to provoke overconsumption, as labels with the brand logo on clothes and shoes are an essential element that consumers use to identify with a particular subculture, demonstrating values, beliefs, and convictions.

The global giants of fast fashion, mainly through advertising to teach the overconsumption behavior and propaganda through the media, instill in consumers a lifestyle in which the desire to buy fashion industry products often, a lot, and everywhere plays a central role. These companies realize the buyer's dream - they sell looks from high fashion shows at low prices in the mass markets. Overconsumption is anchored through shopping, for example, as an alternative to going to the theater or museum, a quick cure for depression, a hobby, or a fun adventure with friends.

The fashion industry accounts for around 4% of emissions globally, equivalent to the combined annual GHG emissions of France, Germany, and the United Kingdom [5].

The current climate crisis compels modern companies to reassess their marketing strategies. This requires rejecting the concept of excessive consumption, which causes irreparable harm to both human health and the environment, ultimately leading to the depletion of natural resources.

Fast fashion companies strive to find practical business strategies that can be harnessed to increase production volumes and reduce the negative impact on the environment. Such a business strategy must meet the criteria of marketing ethics and allow consumers to make informed decisions regarding the environmental friendliness of products.

The race for profit growth, the unsustainable activities of companies, and the excessive buyers' desire for a high standard of living through overconsumption have negatively affected the rapid climate change, which has entailed negative consequences for the ecological conditions of life on the planet.

Fashion production is on track to rise 81 percent by 2030, and material innovations and technologies that make manufacturing more efficient aren't progressing fast enough to offset the negative environmental impact, according to Copenhagen-based sustainable fashion forum and advocacy group the Global Fashion Agenda [8].

Environmental and social sustainability issues are important factors that have significantly changed how companies understand how to ensure business profitability.

Sustainable development is a kind of development that satisfies the needs of the present without compromising the ability of future generations to meet their needs [9, 10].

The response of businesses to the climate change agenda and society's increasing demand for sustainable practices can be classified into two categories: environmentally responsible sustainable business and greenwashing, which represents the opposite. The former demonstrates a genuine commitment to environmentally friendly business practices that align with sustainability principles. At the same time, the latter is a superficial approach lacking substance care for human health and the natural environment.

For example, since 1992, sustainable development in the fashion industry has become an essential concern under the United Nations Conference on Environment and Development (UNCED), also known as the Rio Conference or the Earth Summit.

Mukendi A. [11] defines sustainable fashion as the variety of means by which a fashion item or behavior could be perceived to be more sustainable, including (but not limited to) environmental, social, slow fashion, reuse, recycling, cruelty-free and anti-consumption, and production practices.

For instance, Mango Fashion Company 2023 launched its first denim collection designed with circularity criteria to make the garments more effortless to use and recycle after their useful life, promoting a second life for products [12].

Gucci has incorporated regeneratively grown cotton into its denim collections, showcasing its commitment to sustainable development. Gucci will offer items with a digital product passport by 2024, which will easily trace the product journey from raw materials to production. This passport will provide valuable information about product care and repair services. [13].

ACS Clothing company helps brands and retailers embrace circular business models. It was shortlisted for the Ellen MacArthur Foundation Award for Circular Economy for its efforts to keep clothing in use. ACS Clothing company offers a range of services to its partners, including rental, repair, resale, and fulfillment, to make garments last longer [13].

Hochusobitake [14], a Ukrainian fashion brand, is committed to sustainable development and has adopted slow fashion principles. The company produces high-quality, practical clothing that transcends fashion trends, encouraging customers to reduce their daily consumption. Hochusobitake's eco-tags contain seeds that can be used to grow flowers, showcasing their dedication to the environment. These eco-tags are produced by the Ukrainian Brinjal brand [15] and are in great demand among Ukrainian clothing manufacturers.

Modern consumers are choosing fashion industry companies that prioritize sustainable development. Concerns about climate change, greenhouse gas emissions, animal welfare, and responsible use of natural resources drive this. Additionally, fashion goods are preferred to be produced using renewable energy sources, high-quality materials, and high wear resistance. We have identified a group of fashion buyers who hold a negative or neutral attitude toward the sustainable development of fashion companies.

It is vital to consider the several reasons behind this behavior to gain a comprehensive understanding. Firstly, it is possible that buyers may not fully comprehend the meaning of sustainable development for a company and its benefits for people and the planet. For a fashion company, it is crucial to communicate clearly and confidently about sustainable development to ensure that buyers understand its importance and the benefits it can bring to all stakeholders. Secondly, companies often provide unclear or contradictory information on social media regarding their sustainable development and the environmental safety of their products. Third, it is evident that public organizations have not been proactive in providing consumers with the necessary information to make informed decisions about the authenticity of sustainability claims made by fashion companies and their greenwashing rivals.

The term "greenwashing" denotes the practice of disseminating false or misleading information regarding their environmental activities by companies through alluring advertising tools. Generally, such information is disseminated to augment sales in the eco-consumer market segment. Specifically, companies claim to be environmentally responsible with the expectation of receiving rewards that create brand loyalty among eco-consumers. However, these companies frequently lack the requisite evidence of their eco-activities to validate their claims.

Nearly 60 percent of sustainability claims made by European fashion giants are essentially greenwashing, according to a 2021 report by environmental campaign group Changing Markets Foundation [8]. According to the US Department of Labor, cotton in the fashion industry is one of Central Asia's most produced goods using forced labor [16, p. 6]. For example, in Turkmenistan, to fulfill government quotas, students and private and public sector workers are forced to harvest cotton without payment and under threat of government penalties [16, p. 6].

Thanks to global free trade agreements, fashion industry companies are actively using the offshoring strategy. They locate production in countries with cheap labor and low tax rates. As soon as labor and environmental legislation begin to improve in such a developing country, the company changes the manufacturing country, production in which will provide for the owner with a low cost of goods, for example, no more than 10% of the company’s revenue. The remaining 90% of revenue includes marketing expenses and company profits. For instance, due to rising labor costs, Nike often changed the country of origin in the Asian region, from Japan to South Korea and Taiwan, then China and India.

To combat the issue of greenwashing, the new EU Green Claims Directive mandates that a company’s sustainability-related declarations and statements must be specific, supported by evidence, verified by independent bodies, and communicated clearly [17, p.91]. France has already taken the lead by requiring large companies to include carbon labels on all clothing sold in the country, and an amendment to the Waste Framework Directive is calling for Extended Producer Responsibility, which already exists in France and requires companies to finance the collection, sorting, and recycling of textile waste [17, p. 91].

Eco-consumers prefer sufficient consumption and condemn greenwashing companies for false environmental claims and encouraging mindless buying behavior in fast fashion.

Sufficient consumption means ensuring a stable level of consumer well-being and fighting social inequalities by revaluing the potential of personal needs, avoiding excessive consumption for the optimal use of resources, and reducing waste.

Consumers use fashion as a new way of socio-cultural self-expression and individualization of their appearance through apparel, shoes, jewelry, hairstyles, makeup, etc. This approach towards fashion often results in excessive consumption.

Fashion industry companies use a wide range of marketing tools to increase demand for their products in the mass market, jutting out into conflict with the declared statements about their sustainable development strategies. In addition to creating rapidly changing fashion trends, companies are working diligently to shorten the life cycle of fashion goods, reducing them to less wear-resistant, and launching intrusive advertising in the mass media, which is inherently propaganda and aims to set the tone for social demands for the consumer's appearance.

One must admit that in conditions of digitalization, customers have a wide possibility for quick online choices and the purchase of goods. Such behavior leads to overconsumption in the fashion industry market. For instance, Instagram has become a dominant platform in the fashion industry for influencing consumers' purchasing decisions through advertising, recommendations, and social influence. In 2019, a survey commissioned by Facebook [18] revealed that many Instagram users rely on the platform to discover new products and services. Specifically, 83% of users found new products on Instagram, while 81% used it to search for different products and services [18]. Notably, 80% of users made purchasing decisions based on the content they encountered on Instagram [18]. Advertisers on this platform rely on the ability to grab the attention of potential buyers and inspire them to make quick purchases. Instagram's algorithms play a crucial role in identifying and recommending content to potential buyers based on their past preferences or products that have captured the interest of their friends. Sharing images and opinions about products on Instagram can lead to overconsumption, as consumers may be inclined to follow the majority and engage in demonstrative behavior. The platform's promotion of beautiful images and ideas about a socially popular way of life can further strengthen consumers' desire to purchase goods frequently. To speed up the purchase decision, Instagram offers convenient and friendly shopping services through posts, messages, or special sales, which shape unconscious excessive consumption behavior. However, such a socioeconomic basis of customer behavior in the fashion industry cannot be favorable for the development of sustainable consumption.

Customers often perceive fast fashion clothing as disposable and not intended for long-term use. Such behavior leads to negative overconsumption of apparel. Fast fashion clothing is usually discarded in landfills because it is unnecessary, unfashionable, and takes up a lot of space in the house. Customers must recognize the negative impact of fast fashion on the environment and make more sustainable choices.

The depth of the problem of sustainable fashion lies in the essence of fashion. After all, fashion is always a problem for the fulfillment of sustainable consumption because of the short period of use and storage of things and the rapid appearance of new seasonal trends in the market. For instance, sustainable fashion goods mean durability, long-term use of apparel, and its ability to be mended. It is worth highlighting the essential features of sustainable fashion, such as the slowness of changing fashion trends, the peculiarities of classic styles, and the use of eco-friendly raw materials for fashion goods manufacture. The primary purpose of ecological clothing is to minimize the negative impact on human health and the environment throughout the entire life cycle of fashion goods, from their creation to material recycling.

LASKA [19] is a charitable project to transform Kyiv's cultural landscape and solve environmental problems by encouraging conscious sufficient consumption. The project is focused on building a community of people who believe in giving apparel a second life and supporting the idea of sufficient consumption in the fashion industry. LASKA has been sorting donated clothing that people no longer use for 12 years, and around 70% of this apparel has been donated to social institutions, such as orphanages, centers for people with disabilities, homes for older people, and internally displaced persons [19]. The remaining clothes are sold in two LASKA stores, while any textile waste is disposed of responsibly. The project's founders and managers are convinced that every individual possesses the potential to make a positive impact toward a better world. They believe that overconsumption and environmental issues within the fashion industry can be addressed by donating clothing. The customer behavior of donating contributes to a sustainable planet and promotes a culture of responsible, sufficient consumption.

Companies in the fashion industry in the mass market apply the marketing strategy of fast production of wide assortments of fashion goods at a low price. This marketing strategy allows companies to develop the functioning of their production capacity, creating an abundance of inexpensive fashion apparel. On the other hand, affordable fashion apparel is non-durable, up to 7-10 using times and washing cycles, and therefore cast away faster, bringing about overconsumption and safe waste disposal issues.

To create the perception and attitude that clothing is disposable, fast fashion marketing strategies encourage consumers to create various looks through ready-made images posted on social media platforms such as Pinterest and Instagram. As a result, the lifecycle of clothing, footwear, and accessories is typically reduced to one year. This, in combination with the driving force of a growing global population, is significantly increasing the amount of waste from fast fashion goods consumption.

Manufacturers overemphasize shortening the life cycle of fashion products in their marketing strategies. For this reason, manufacturers of mass-market shoes claim to use high-quality eco-leather or even natural leather. However, to shorten the life of the shoes, manufacturers specifically make the sole out of low-quality synthetic material.

Natural fibers of plant origin, such as cotton, hemp, or protein-type fibers, e.g., wool or silk, have started to regain territory in the sustainable fashion industry [20]. However, it is crucial to understand that these kinds of fabrics are not exempt from the negative impacts on the environment, especially in the context of extensive land use and landfills, use of fertilizer, associated greenhouse gas emissions, soil degradation, and others [21].

Garcia-Ortega B. et al. [7] revealed three marketing strategies for companies promoting sufficient consumption of fashion goods: design for durability, alternative product/service systems, and fair promotion and information.

In contradistinction to greenwashing, ethical marketing strategies in the fashion industry encourage consumers to think about the pros of sustainable and sufficient consumption. For example, shoe stores can collaborate with shoe repair companies and recommend their services to buyers to increase the durability of purchased shoes.

By adopting a conscientious and responsible consumption approach, consumers and companies can promote social equity and cultivate a sustainable business environment. Recognizing that such an approach can yield significant benefits for the immediate stakeholders, the wider community, and the environment is crucial.

Discussion. The fast fashion industry companies must acknowledge the pressing need to address climate challenges, the scarcity of natural non-renewable resources, particularly energy resources, and the associated implications. Instead of relying on consumer preference shifts, fashion industry entities must actively take ownership of ensuring responsible and sufficient consumption while simultaneously considering the environmental impact of their actions.

To achieve this, comprehensive resource management approaches that prioritize sustainability, innovation, and efficiency must be implemented, while marketing communication strategies should be enhanced to manage sufficient consumption effectively.

Failure to enforce such an approach and the misuse of greenwashing will have significant negative consequences for the environment and the long-term viability of fashion industry companies.

Conclusions. Our research identifies key areas that fashion industry companies should prioritize to achieve sustainable development, decrease overconsumption, and encourage sufficient consumption. These findings provide valuable insights for stakeholders interested in addressing the challenges faced by the industry. Our research promotes environmental and social responsibility in the fashion industry.

New challenges for fashion companies related to sustainable development and governments forcing companies to make net zero emissions to solve climate problems are on the agenda. For fashion companies, a focus on the consumer with sufficient consumption and avoiding greenwashing is ultimately inevitable. Companies will be forced to reconsider their marketing strategies and focus on forming consumer behavior as thrifty and sufficient consumption to replace overconsumption related to the consumption of symbols through brand management.

One way for companies to maximize their potential is by embracing sustainable and ethical practices. By prioritizing the durability of materials, exploring alternative product and service recycling and repair systems, and promoting their offerings fairly and transparently through marketing tools, companies can build a positive reputation and ensure long-term success.

Author contributions. The authors contributed equally.

Disclosure statement. The authors do not have any conflict of interest.

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GLOBAL VALUE CHAINS AS THE MAIN INSTITUTE OF CONTEMPORARY CREATIVE BUSINESS RELATIONSHIPS

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Abstract*. Research into the creation and functioning of global value chains helps today's economists, business analysts, and policy makers make informed decisions to improve the global economic landscape and ensure sustainable development for all countries. The article examines the influence of global value chains on the world economy. The work uses the method of the unity of historical and logical analysis. Methods of comparative, causal and functional analysis, principles of system analysis, dialectical approach in the study of processes and phenomena are also used. The concept of the "smile curve" was analyzed to highlight the unevenness of the distribution of added value in different segments of the production chain. They point out that GVS often concentrate maximum value in research and development and post-production services. A study of the "sad smile" phenomenon highlighted that industries moving from mass production to personalization through artificial intelligence technologies may experience cost reduction in the initial and final stages of production. At the same time, companies located in the country of origin receive the greatest added value. The article focuses on the challenges that developing countries face in trying to get out of the "middle-income trap." Such challenges include tariff barriers, concentration of patents on knowledge and financing in these countries. The article argues that the GVS institute contributes to the appropriation of imperialist rent by the countries of the center at the expense of the countries of the periphery. Global chains enable the capital of the North to exploit the cheap labor of the South, keeping their incomes low and affecting their ecology. Recommendations are proposed for effective regulation and redistribution of added value to achieve sustainable global development.*

Keywords: *globalization, chain, value, added value, international corporations, international business, "crooked smile".*

JEL Classification: F16, O5

Formulas: 0; fig.: 2; tabl.: 1; bibl.: 14

Introduction. Modern international trade, production and investment are increasingly organized according to the principle of global value chains (GVS). Creating the value of a product is a long process from the development of the concept to the sale to the end consumer and the provision of after-sales service. The development of communications and transport allows companies to optimize costs by locating production stages in different locations.

Research on the topic of global value chains is extremely relevant and important today. In today's world, where globalization and international economic interaction have become an integral part of daily life, understanding and analyzing how the value of goods is formed in global chains is of great importance.

Focusing on the division of labor, technological innovation, rent appropriation, and other aspects, the study of global chains helps to reveal the causes of economic inequality between countries and contributes to the development of strategies to address these issues.

Furthermore, in the context of contemporary challenges such as pandemics, climate change and economic turbulence, understanding global value chains becomes key to developing sustainable and effective strategies for managing production and resource allocation. Thus, research on this topic helps today's economists, business analysts, and policymakers produce informed decisions to improve the global economic landscape and ensure sustainable development for all countries.

Literature review. The work is based on the legacy of the labor theory of value of the classical school of political economy, the foundations of which were laid by A. Smith, J.B. Say, D. Ricardo. This approach was further developed in K. Marx's theory of surplus value.

G. Jereffi, T. Sturgeon and D. Humphrey dealt with various aspects of the formation of the institution of global value chains. In particular, they identified different types of chain construction and distribution of power within them. The foundations of the so-called "smiling curve" model, which reflects the process of creation and distribution of added value within the GVS, were laid by S. Shi, later developed by R. Baldwin, R. Wade, J. Wong, K. Degain, B. Meng, R. Mudambi, A. Rungi, S. Evenett. R. Brenner, M. Dindale, D. Humphrey, H. Schmits also investigated the mechanisms of distribution of added value within the GVS.

Aims. The purpose of the work is to study global value chains as the main institution of modern creative business relations.

Methodology. The work uses the method of the unity of historical and logical analysis. The declared subject area of research and the problems of the work provide for a cross-functional approach. Methods of comparative, causal and functional analysis, principles of system analysis, dialectical approach in the study of processes and phenomena are also used. The methods of scientific generalization are applied.

Results. The term "value chain" was first used in 1985 by M. Porter in business management research (Porter, 1985). He formulated this concept as a basis for developing a corporate strategy to increase the company's competitiveness. To do this, he suggested evaluating the company's activities as a set of business operations, each of which can be a competitive advantage of the company. When the activities of different departments are diversified, the goals and objectives of one department may conflict with the goals and objectives of other departments or the entire company. From the point of view of the value chain, all activities must be coordinated to ensure the optimal functioning of the economic entity as a whole.

The most commonly accepted definition of global value chains in the literature is: "A global value chain or GVC consists of a series of stages related to the production of a product or service that is sold to consumers, each stage adding value, and at least two stages are produced in different countries . A company participates in GVS if it produces at least one stage of GVS " (Antras, 2020).

Value chains can take many forms. In their study "Spiders and Snakes: Offshoring and Agglomeration in the Global Economy", R. Baldwin and A. Venable grouped global value chains according to the principle of production and trade relationships between the links of these chains. They proposed a vivid typology that they called the “Zoo of Global Value Chains” (Baldwin, et al., 2013) (Figure 1).

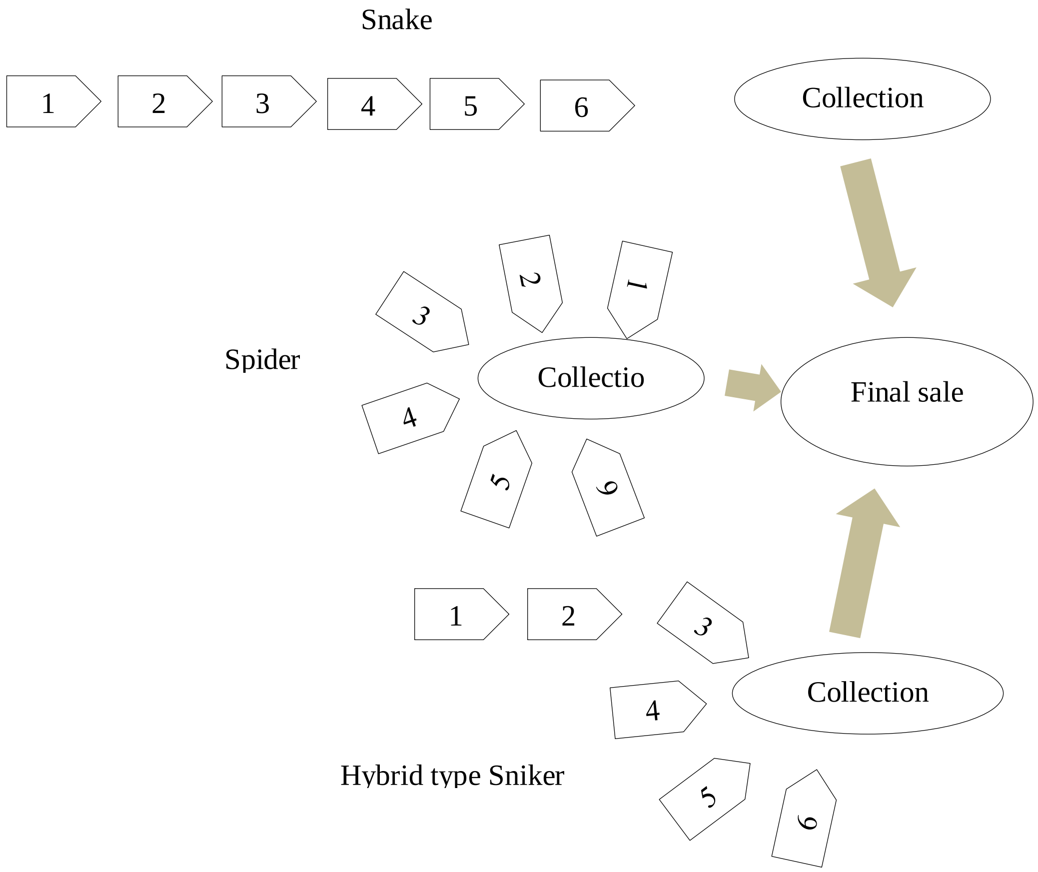

Figure 1. "Zoo" of global value chains

Source: compiled by the author based on data from R. Baldwin, A. Venable [3]

According to this typology, the authors distinguished three types of "animals":

1. "Snake", in which the product sequentially arrives at the enterprises of the production cycle, goes through one production stage after another, and the final stage is the assembly, after which the finished product reaches the final customer.

2. " Spider", where the enterprise engaged in final assembly is located in the center of production. The details of the final product from different companies arrive independently of each other, as if forming a spider's legs on the diagram.

3. Hybrid type Sniker, in which there are elements of two pure types of GVS. For example, cotton fabric entering a shirt factory is produced according to the "snake" principle, but the accessories to the finished product are added according to the "spider" principle, since it is not part of the technological chain of fabric production. Silicon for the production of computers is also produced in a "snake" chain, but the main added value of a computer is made by assembling different parts that have arrived from different enterprises.

Equally important is the offshoring strategy as the basis of global value chains. The transfer of production from developed countries to countries with developing economies does not always take the form of foreign direct investment, and recently this form of cooperation is becoming less common. Having grouped numerous outsourcing strategies, V. Milberg and D. Winkler divided them into four groups, in which they reflected options for managing global value chains and the nature of the products themselves (table 1) (Milberg W., Winkler D. 2011).

Table 1. Outsourcing strategies

		Procurement management of HLSV	
		Market purchases	Many national companies
Product	Intermediate	2	1
	Terminal	3	4

Source: compiled by the author based on the data of V. Milberg and D. Winkler [9]

Therefore, groups 1 and 2 included intermediate types of products, and final goods were included in groups 3 and 4, respectively. Companies that choose the path of opening their own enterprises abroad and thus create transnational corporations gain maximum control over the links of global value chains and all added value, but also bear the highest risks, including reputational risks, when using labor in their own enterprises in countries, which are developing. On the other hand, by choosing to trade with companies managed by local entrepreneurs, the parent company gets rid of not only investment costs, but also all kinds of local risks. With such a strategy, the purchasing company sets prices that allow it to minimize production costs and increase profits. This type of interaction in global value chains has become increasingly common in recent years in production chains of low- and medium-technology goods, where there is no need for highly skilled labor.

G. Jereffi, D. Humphrey and T. Sturgeon proposed a typology of management of global value chains depending on the degree of mutual integration and the level of control of the parent company over contractors. At one pole of this typology was vertical integration, where the parent company has full control over its subsidiaries. At the opposite pole was outsourcing under conditions of free market relations (Gereffi G. 2005).

Figure 2 illustrates five options for managing global value chains within the specified dichotomy. Rectangles represent firms, and their size indicates the strength of the bargaining position compared to the other party. The arrows show the direction and degree of business intervention in the activities of partners, which can be supportive, for example, to develop "win-win" scenarios in the long term, or predatory, aimed at extracting maximum profit in the short term.

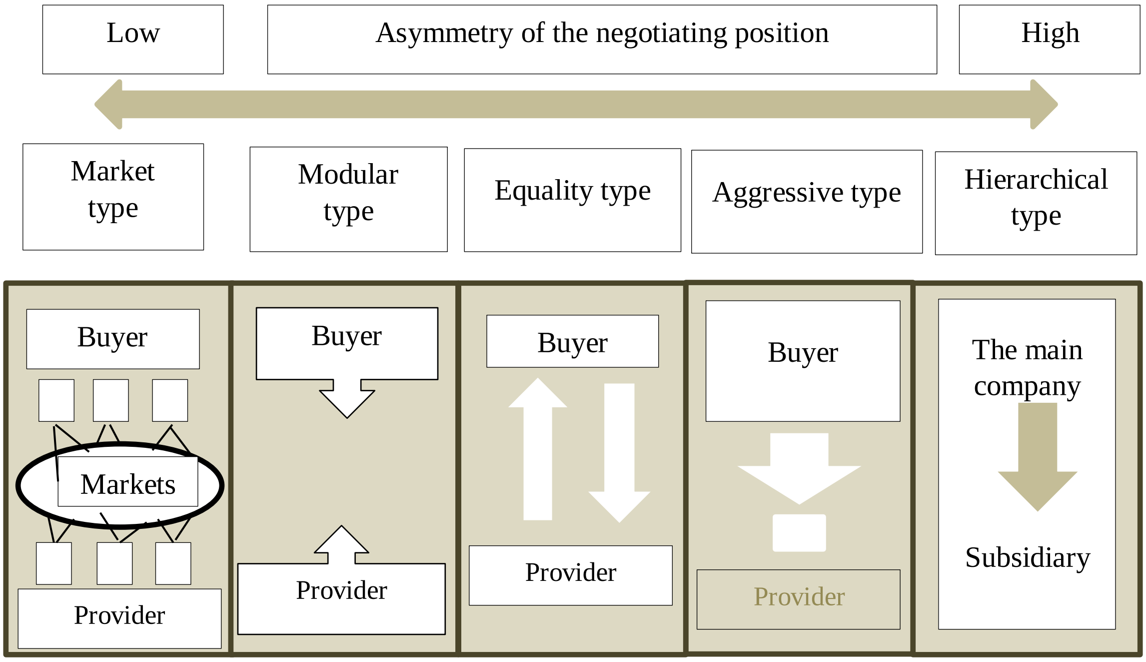

Figure 2. Typology of global value chains

Source: Compiled by the author based on data from Gereffi G. [7]

1. The market model of global value chain management: the main idea: market interaction is limited to the purchase and sale of goods, without leading to the control of one company over another. The central control mechanism is the price.

Characteristics:

• connections between activities in the value chain are not very "thick".

• the information to be exchanged and the knowledge to be shared are relatively simple.

2. Modular value chains: the main idea is the most marketable among the three network-style GVS management models.

Characteristics:

• suppliers assume full responsibility for technological processes, often using universal mechanisms to distribute investments across a wide customer base.

• connections are necessarily more dense due to the large volume of information passing through intercompany connections.

• ways of communicating information can prevent interactions between value chain partners from becoming too close.

3. Equal value chains: the main idea is interdependence regulated through reputation, social and spatial proximity, family and ethnic ties, etc.

Characteristics:

• interaction is based on equality and depends on trust and reputational effects.

• typical examples can be found in "industrial areas", but trust and reputational effects can also operate in territorially distributed chains.

• building trust and interdependence in equal GVS requires a lot of time, and the costs of transition to new partners are usually high.

• close interaction and knowledge sharing are supported by a deep understanding of the partners of each other, but, unlike codified schemes that allow the creation of modular chains, these "shortcuts" are usually non-standard and difficult and long to recover with new partners.

4. Aggressive value chains: The basic idea is that small suppliers are usually dependent on larger, dominant buyers.

Characteristics:

• dependence on the dominant firm leads to high switching costs for suppliers who are in "prison".

• these chains are often characterized by a high level of monitoring and control by the leader.

• asymmetric power relations force suppliers to interact with their customer in customer-specific ways, resulting in close, specific ties and high communication costs.

5. Hierarchy: the main idea is vertical integration, i.e. "deals" take place within one firm.

Characteristics:

• Management control is the dominant form of management.

Indeed, there are many interaction options within this classification. For example, large retail chains can buy products from third-party manufacturers and sell them under the manufacturer's brand or under their own brand, as are the so-called "non-production manufacturers" (Nike, Calvin Klein, Fisher-Price). Distribution networks often do not establish impassable barriers for suppliers, which allows them to receive offers from competing companies and, accordingly, reduce their own costs. On the other hand, there are examples of closer contractual cooperation between firms where they share internal financial and technical information for mutual benefit, including technology transfer to suppliers from developing countries and training.

In another work, G. Jereffi divided global value chains into beneficiaries and managers of the value chain. According to this typology, he distinguished producer-led and buyer-led GVS (Gereffi, 1994). Shopper-led CGHSs are typical of consumer goods such as clothing or toys, where large retail chains play a major role. In this case, the main company does not produce goods independently, but is engaged in marketing and sales of products to the end consumer. GVS, in which the manufacturer is the main chain, are more common in high-tech industries, for example, among manufacturers of cars or airplanes. Although such manufacturers outsource the production of individual elements, they retain the R&D and sales of final products. The main companies of both types of GVS are in most cases located in developed countries and receive the highest added value, while the chain links with the lowest added value are usually transferred to developing countries.

Although global value chains can be divided into producer-driven and buyer-driven, in practice there are many exceptions and deviations from this rule. Now, taking into account the active development of services in the field of accounting, software and marketing, some GVS are outsourcing these functions to third-party companies.

Recently, some researchers have commented on the classical approach to understanding the management of GVS. Some scientists, such as M. Dindale, J. Clegg and H. Voss, believe that the management of GVS is conditional. According to their view, a particular international corporation does not have a strong negotiating position with all partners in the value chain. Rather, it may have an advantageous negotiating position at certain points while being in a less advantageous position at others. For example, a large and resource-rich international corporation may have an advantageous position in negotiations with some of its suppliers, but at the same time find itself in a less advantageous position in negotiations with a potential recipient country where it wishes to operate (Dindial M. 2020).

Walmart is a good example to illustrate this point. This world's largest multinational retail chain is often criticized for putting pressure on many of its suppliers to cut costs (Bloomberg, 2017). Such pressures have been cited as the cause of the bankruptcy of Vlasic, an American pickle producer (Crook, et al., 2017). The balance of power shifted in the opposite direction when Walmart tried to enter the Indian retail market by imposing conditions favorable to its operations. For retail operations in India, companies were required to source at least 30% of their goods from local GVS. Despite the efforts, Walmart announced in 2013 that it was abandoning any immediate plans to open retail stores in India. A key factor in this decision by Walmart management was dissatisfaction with Indian lawmakers' reluctance to compromise on regulation (Forbes, 2013).

The distribution of added value within the GVS is uneven. The greatest added value is concentrated at the opposite ends of the chain (Alcacer J., Oxley J., 2014). Due to the U-shaped shape of the graph of added value in GVS, it was called the "crooked smile". Within this curve, activities can generally be considered in five categories:

- pre-production services: R&D, architectural and engineering services. On this segment, the curve is directed downwards.

- Manufacturing activities related to the production of primary, intermediate and final goods. In addition to manufacturing itself, the three mentioned segments include standardized processes and services that are implemented on a mass production scale. This segment is in the middle and occupies the lowest position.

- Post-production services: marketing, advertising, distribution and retail. The curve is directed upwards.

Thus, the idea of a "crooked smile" arose as a result of an analysis of the profitability of various stages of the value chain at the Acer company, which is engaged in the production of hardware and electronic equipment. This concept indicates an uneven distribution of added value along the entire production chain, where the ends of the chain (research and development and post-production services) usually have the highest added value.

Research conducted on the basis of this concept confirms that for many GVS, regardless of industry affiliation, this "smiley" curve reflects reality. It can be used to analyze the profitability and strategies of companies targeting certain segments of the value chain. However, it should be taken into account that such empirical data may influence the application of transfer pricing in multinational corporations, which may expose the statistics.

In the work of R. Baldwin and S. Evenett, concerns are expressed about the possible reduction of added value at the stage of production of intermediate components over time, while the stages of pre-production and post-production activities may create more and more added value. In other words, it is possible that the appropriation of added value by the owners of GVS in developed countries will increase at the expense of a decrease in the share of added value in developing countries.

Analyzing the "crooked smile" phenomenon, economists, empirically, came to the conclusion that the concentration of the maximum added value occurs in those segments of the value chain that are located in the country of origin of the GVS. At the same time, companies carrying out this activity can be integrated branches of international corporations or work independently.

Research in recent years indicates the existence of the "sad smile" phenomenon within the value chain. This means that the value added curve has downward sloping ends. Examples of such graphs are the automotive industry, which marks the transition from mass production of identical cars to the personalization of each car through artificial intelligence and digital technologies. Similar changes are also noted in the Mexican automotive industry. In the case of a "sad smile", as in the case of a "happy one", the maximum added value is obtained by companies located in the country of origin of the value chain.

However, most industries are characterized by a classic "happy smile", where the maximum added value is concentrated at the extreme ends of the value chain.

However, the classic "cheerful smile" is characteristic of most industries. In fact, as already noted, a significant gap in the allocation of added value in value chains is associated with the movement of labor-intensive stages of production from developed countries to countries where labor is cheaper. At the same time, the science-intensive and capital-intensive stages remained in developed countries. Countries specializing in science-intensive pre-production activities receive high economic rent, which determines high profits and allows paying higher wages. In general, this leads to the assignment of higher added value. Therefore, because companies in developed countries have under their control a significant share of intangible assets - whether in the form of legally justified rents, as in the case of patents, copyrights and brands, or in the form of unique organizational structures - they specialize in high value-added operations in pre-production segment of the value chain (Mudambi R., 2008). This led to a relatively clear specialization of countries and a division into service economies and production economies. An exit for countries at the bottom of the "smile" beyond the existing specialization to obtain more added value seems difficult to achieve for a number of reasons.

Very few countries have changed from developing to developed in the last two centuries. This list includes less than ten countries such as Japan, Taiwan, South Korea, Hong Kong, Singapore and Israel. The growth of all but the first two occurs in the period after the Second World War. In a study by the World Bank (1960), 101 countries were classified as “middle-income countries” and only 13 of them reached the level of “high-income countries” almost 50 years later, by 2008 (World Bank, 2015). This very low percentage, especially excluding islands and oil fields, gives meaning to the metaphors of the "glass ceiling" and "middle income trap" in the world economy.

R. Wade explains the difficulty of getting out of the "middle income trap" by three factors (Wade R.H., 2018):

1. Tariff and non-tariff barriers that developed countries create to make it difficult for developing countries to enter their markets.

2. Patents for knowledge and technology are concentrated in the hands of developed countries, which always leaves developing countries behind in technological progress.

3. Financing within developing countries. It manifests itself, on the one hand, in the growth of the financial sector, real estate and insurance companies, and on the other hand, in the desire of local corporations to maximize shareholder profits, which reduces private investment in the GVS (Wade R.H., 2018).

Discussion. So, in the modern world, the prices of goods are determined not by national, but by world markets and, in fact, are world prices. At the same time, labor prices differ several times depending on the country of origin. They are determined by the average standard of living in the country, the composition of the worker's consumer basket and the price level. In such conditions, the institution of global supply chains is a modern form of center-periphery relations and the appropriation of imperialist rent. It was formed as a result of the search by the capital of the Global North for opportunities to increase profitability, which was found in the cheap labor force of the Global South. The development of transport and communication technologies allowed global supply chains to take a dominant place as a form of international interaction. An analysis of the added value assigned by each of the countries participating in global supply chains shows that the countries of the center benefit the most, while the countries of the periphery, regardless of their place on the "smile curve", find themselves in a subordinate position. Possession of capital, enormous bargaining power, technologies and innovations determine the dominance of developed countries. Developing countries, putting the countries of the center as competing suppliers to monopsony, are forced to minimize costs, primarily for labor. This keeps their incomes low and makes it difficult to get out of the periphery. The countries of the center, through the mechanism of global supply chains, appropriate part of the value created by the labor of the periphery, so that it is the workers who bear the entire burden of unequal exchange. They also bear environmental costs that statistics do not take into account.

Conclusions. Global value chains not only shape the economic landscape, but also determine the level of development and differentiation between countries. It is important to pay attention to regulation and ensuring a fair distribution of added value to achieve sustainable and more equitable global development.

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CHAPTER 2
DEVELOPMENT OF FINANCE, ACCOUNTING AND AUDITING

CHALLENGES FACED BY THE PERSONNEL IN IMPLEMENTING THE E-CRM IN BANKS

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Abstract. *The advancement in technology, information and communication has forced banks and financial institutions into hard competition. In this new era technology, people and customer are the elements which the banks are concentrating on them to manage customer relationship and success of banking in customer satisfaction. Electronic customer relationship management (e-CRM) is seen to arise from the consolidation of traditional CRM with the e-business applications marketplace and has created a flurry of activity among companies. The purpose of this study is to examine the competitive advantages on e-CRM in financial institutions and banks and obtain better understanding of the e-CRM benefits. A qualitative research approach was used for this study. Empirical data was collected through interviews were conducted with twenty six banks which just sixteen of them are participated. Our findings indicate Accessibility, Convenience, Services quality, Timeliness, and Trust are the most important benefits of E-CRM. We found that implementation of E-CRM bring about the following competitive advantages: Up to date of banks, Preparation of up to date technology, Proliferation of channels, Marketing and Strategic Factors and Fragmentation of customer segment.*

Keywords: *Service Sector; Electronic Banking; Nationalized Banks; Old Private Sector Banks; Awareness; Employee satisfaction.*

JEL Classification: G21; G29; G41

Formulas: 0; fig.: 0; tabl.: 9; bibl.: 11

Introduction. Digitalization involves the widespread adoption of technology to enhance various process and services. In the context of banking, digitalization typically involves implementing advanced technological solutions to improve efficiency, reduce costs and prepare for future growth. Core banking refers to the services offered by a network of bank branches that are interconnected. Customers can access their funds and perform basic transactions from any member branch. The term "CORE" stands for "Centralized Online Real-time Exchange," indicating that branches can access applications from centralized data centers. Core Banking Solutions applications built on a platform that enables a phased and strategic approach to improving banking facilitate future growth. Modular and component-based enterprise solutions are recommended for strong integration with existing technologies.

An overall service-oriented architecture (SOA) is highlighted as a key aspect of core banking solutions. SOA helps banks: A) Reduce the risk of multiple data entries and outdated information. B) Increase management approval. C) Avoid potential disruptions to business caused by replacing entire systems. Benefits of Core Banking Solutions: a) Improved Operations: Enhanced efficiency and streamlined processes. b) Cost Reduction: Achieved through automation and optimized workflows. c) Preparedness for Growth: the Phased approach allows for scalability and future expansion. By using a modular and component-based approach, the risk associated with replacing entire systems is reduced. SOA helps in avoiding disruptions caused by outdated information and multiple data entries.

Literature review. M.L Saikumar, (1999) gave a picture of the role of developing technology in managing the customers more accurately. He analyzed that the industry might be manufacturing fertilizers, pesticides, textiles or consumer goods, ultimately each and every industry had to depend on the customer and hence organizations had to be customer centric. So, the need was for technologies, which could help us to serve customer at any time anywhere. The problem was due to the large volume of data and the solution to manage it is E-CRM. The information technology would help in improving the better implementation of customer relationship management programme. He also stated that the concept of CRM brings in the front office support for the customer. Customer is looking for an integrated services being provided at single point of contact. Seamless integrated of the application through the web makes the CRM application attractive to the end customers. He concluded that with the use of information technology the customer was brought closer to the marketer and what needed was a mechanism to integrate cross-functional activity in an organization to provide technology driven effective CRM solution.

Bhattacharya (2012) research had been done by CRM, implemented in a firm or organization to reduce cost and increase company performance which means profitability result in customer loyalty. Indeed, in a successful CRM, data were collected from internal and external source of data sales department, customer service, marketing, after sales services, procurement, and so on to obtain a holistic view of each customer requirement in a real time system. This information could aid employees who were faced with customers in different area of the organization to make a fast and well-informed decision from up and cross selling target market strategies to form the company in a competitive position in the market between rivals.

According to "Benefits of E-CRM for Banks and Their Customers: Case Studies of Two Swedish Banks" The customer relationship management (CRM) is essential and vital function of customer-oriented marketing. Its functions include gathering and accumulating customer-related information to provide effective services. E-CRM is a combination of IT sector but also the key strategy to electronic commerce (Anumala & Reddy, 2007). Bank customers form expectations derived from many sources Boulding proposed that customers form expectations of what will happen in their next encounters based on what they "deserve". (Boulding, 1993). Zeithaml and Bitner identify two levels of expectations, desired service and adequate service. Desired service represents the "wished for" level of performance and adequate service reflects showing more basic service expectations (Zeithaml, 2000). The model permits exploration of the perceived difference between expected service and the experienced service, particularly the zone of tolerance developed by Parasuraman, they're by customer specific benefits are: Customer interaction and satisfaction, Convenience, Speed of processing the transaction through e-Response, Trust, Service quality (Parasuraman, Berry & Zeithaml, 1991). They considered the following research questions how the benefits of E-CRM for banks can are described and how can the benefits of E-CRM for bank customers be described. They used a qualitative research approach Empirical data was collected through in-depth interviews were conducted with two Swedish banks and a group of their customers. According to the first research question their findings indicate that E-CRM enables financial institutions and organizations to maintain relationship with customers and both banks less use email for their business purpose and their Personalized and One to One Service are improved by implementing E-CRM. Moreover, to improve and maintain transactions security of the customers, the mentioned banks have latest techniques and technologies. They also investigated about the benefits of E-CRM for the customers, and they found out Customer interaction and satisfaction is found to be an important benefit and Trust and Convenience is a major benefit provided to the customers of the banks. There are other advantages which they discovered them like: Speed at which the transactions have been processed and their rate of accuracy, Reliable employees, availability of the latest information technology.

According to "Electronic Customer Relationship Management in Online Banking" Customers are getting more involved to use web because of the internet is becoming more available and customers are comfortable with web business, those customers who are not using Web will use tomorrow and those who have never purchased today will buy tomorrow on the web (Feinberg & Kadam, 2002). To satisfy customers, companies should maintain consistency in all interaction channels like the Internet, E-mail, Telephone, and Web, Fax and company areas like sales, services, marketing and other fields. Traditional CRM has limitations to support outside channels while E-CRM supports marketing, sale, and service (Shan & Lee, 2003). In electronic and online environment, they investigated how banks use E-CRM tool to maintain their customer relations by using the Internet and what benefits are derived by using this E-CRM tool and how successfully this tool is implemented in a bank. For their research purpose, they conducted two case studies of Sweden and Denmark banks. They found out two cases banks implemented and used E-CRM mostly for Mass

Customization, Customer Profiting, Self Service, One to One interaction and Automatic locks in flow of financial data like Security which ultimately results in reduces cost of operation and increased customer loyalty and more profits. According to their third research question, their findings indicates that for a successful E-CRM implementation, Staff training and customer feedback are two tangible factors.

Aims. The main objectives of the study**:**

1. To analysis of various dimensions related to E-CRM.
2. To emphasis is on understanding and analyzing the challenges that employees encounter during the implementation of E-Customer Relationship Management.
3. To suggests that the study relies on statements, possibly collected through surveys, interviews, or other data collection methods, to understand the challenges in implementing E-CRM.

Methodology. The researcher has applied factor analysis for analyzing and drawing meaningful inferences from the opinion/ benefits derived from e-CRM. SPSS Version 23.0 has been applied to analyze the data.

- Study Design: Descriptive study design was used to fulfill the objectives.
- Study Area: Study was conducted in Zone Wise Division of Coimbatore City.
- Study Population: All those Employees who are working in a bank.
- Sampling Techniques: Bank Employees were included with the main motive of collecting information about e- banking. So, this was a Systematic sampling.
- Sample Size: 400 Bank Employees were included in this study taking representative Zone Wise Division of Coimbatore City.
- Data Collection Tools and Technique: Questionnaire was the main tool which was used to collect the pertinent data from the selected 400 Employees.
- Validity and Reliability: The total correlation was considered to be one of the methods available to test construct validity. It measures the internal consistency of the measuring instrument. The cronbatch's alpha was used to measure the reliability coefficient. For reliability coefficient values, it was suggested that 0.70 is the minimum requirement for basic research.
- Statistical Analysis: Data entry and analysis was done in SPSS version 23.0. In order to test the statistical significance of Factor Analysis and Hypothesis Testing was applied.

Results. The study carries analysis on various dimensions pertaining to E-CRM. This is an another attempt to analyse the challenges faced by the employees in implementing the E-customer relationship management. For the purpose of analysis, various statements were carefully considered and taken into account. The variables were listed below:

1. Building trust will be difficult.
2. Fickless among customers.
3. Only one click away there are no second chances to recover mistakes in these remote channels.
4. Data integration and IT architecture challenges.
5. People resistance to change.
6. Time and Budget in Implementation.
7. The fear of facing to the unresponsive or complex system.

8. Employees are unwilling to adopt a new system.

The statements were employed through factor analysis and the extraction values are presented in the Table 2. All the statements have achieved an extraction value more than 5. The statements X1 Building trust will be difficult, X2 Fickless among customers, X3 Only one click away there are no second chances to recover mistakes in these remote channels, X5 People resistance to change, X7 The fear of facing to the unresponsive or complex system had a factor loading of .811, .772, .745, .738 and .794. The statements X4 Data integration and IT architecture challenges, X6 Time and Budget in Implementation, X8 Employees are unwilling to adopt a new system had achieved factor loadings of .666, .656 and .529. These statements have secured low factor loadings when compared to other statements.

All the factors were again employed through total variance another step of factor analysis, and it has given two clusters viz, 10 Lack of trust and confidence 2. Infrastructure and other constraints.

Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.468
Bartlett's Test of Sphericity	Approx. Chi-Square	2380.220
	df	28
	Sig.	.000

Table 2. Communalities

	Initial	Extraction
Building trust will be difficult	1.000	.811
Fickless among customers	1.000	.773
Only one click away there are no second chances to recover mistakes in these remote channels	1.000	.745
Data integration and IT architecture challenges	1.000	.666
People resistance to change	1.000	.738
Time and Budget in Implementation	1.000	.656
The fear of facing to the unresponsive or complex system	1.000	.794
Employees are unwilling to adopt a new system	1.000	.529
Extraction Method: Principal Component Analysis		

In Table Bartlett’s test of sphericity and KAISER MEYER OLKIN measures of sample adequacy were used to test the appropriateness of the factor model. Bartlett’s test was used to test the null hypothesis that the variables of this study are not correlated. Since the approximate chi-square satisfaction is 2380.220 which are significant at 1% level, the test leads to the rejection of the null hypothesis.

The value of KMO statistics (0.468) was also large and it revealed that factor analysis might be considered as an appropriate technique for analysing the correlation matrix. The communality table showed the initial and extraction values.

Table 3. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.959	49.483	49.483	3.959	49.483	49.483	3.620	45.256	45.256
2	1.752	21.905	71.388	1.752	21.905	71.388	2.091	26.132	71.388
3	.803	10.033	81.421						
4	.613	7.668	89.089						
5	.409	5.109	94.198						
6	.253	3.163	97.361						
7	.171	2.134	99.496						
8	.040	.504	100.000						
Extraction Method: Principal Component Analysis.									

From the table it was observed that the labelled "Initial Eigen Values" gives the EIGEN values. The EIGEN Value for a factor indicates the 'Total Variance' attributed to the factor. From the extraction sum of squared loadings, it was learnt that the I factor accounted for the variance of 3.959 which was 49.483%, the II factor accounted for the variance of 1.752 which was 21.905%. The two components extracted accounted for the total cumulative variance of 71.388%.

Determination of factors based on Eigen Values. In this approach only factors with Eigen values greater than 1.00 are retained and the other factors are not included in this model. The two components possessing the Eigen values which were greater than 1.0 were taken as the components extracted.

Table 4 Component Matrix[a]

	Component	
	1	**2**
Building trust will be difficult	.893	
Fickless among customers	.876	
Ony one click away there are no second chances to recover mistakes in these remote channels	.821	
Data integration and IT architecture challenges	.800	
People resistance to change	.736	
Time and Budget in Implementation		.758
The fear of facing to the unresponsive or complex system	.501	.737
Employees are unwilling to adopt a new system		.568
Extraction Method: Principal Component Analysis.		
a. 2 components extracted.		

Table 5. Rotated Component Matrix[a]

	Component	
	1	**2**
Building trust will be difficult	.867	
Only one click away there are no second chances to recover mistakes in these remote channels	.860	
People resistance to change	.851	
Fickless among customers	.836	
Data integration and IT architecture challenges	.799	
The fear of facing to the unresponsive or complex system		.874
Time and Budget in Implementation		.809
Employees are unwilling to adopt a new system		.700
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations		

The rotated component matrix shown in Table is a result of VARIMAX procedure of factor rotation. Interpretation is facilitated by identifying the variables that have large loadings on the same factor. Hence, those factors with high factor loadings in each component were selected. The selected factors were shown in the table.

Table 6. Clustering of inducing varibales into factors

Factor	Inducing Variable	Rotated factor loadings
I (45.256) Lack of conviction and assurance	The fear of facing to the unresponsive or complex system X7	0.874
	Building trust will be difficult X1	0.867
	Only one click away there are no second chances to recover mistakes in these remote channels X3	0.860
	People resistance to change X5	0.851
	Fickless among customers X2	0.836
II (71.388) Infrastructure and other constraints	Time and Budget in Implementation X6	0.809
	Data integration and IT architecture challenges X4	0.799
	Employees are unwilling to adopt a new system X8	0.700

In this table two factors were identified as being maximum percentage variance accounted. The variable X7, X1, X3, X5 and X2 constitutes factor I and it accounts for 45.256 per cent of the total variance. The variable X6, X4 and X8 constitutes factor II and it accounts for 71.388 per cent of the total variance.

Lack of conviction and assurance: The employee of the bank feels that they will not be able to understand the complex system of implementing customer relationship management, and the customers will not have to forum to place the queries relating to the system. Hence the bank and the employees will not gain trust among the customers. The line of difficulty is followed, it is that the customers do not have second option to rectify the mistakes made by them while depositing, withdrawal and mention the dates. Further the bank must give time for the customers to change or accust to the new technologies. The current technologies have complex system and procedures which needs ample of time and attitude to get accost.

Infrastructure and other constraints: The implementation of the E-CRM in the banks are quite costlier and it requires various infrastructure developments. The developments include installing ATM's, cash depositing machines, cheque clearing boxes, air condition machines, heavy capacity bank risks, employee training and so on. Thus, the bankers have constraints data integration, IT architecture and budget constraints on implementing it.

The clustered variables were employed through ANOVA for drawing meaningful inferences. The various hypotheses ser were listed below:

1. Significant difference between lack of conviction and assurance and demographic profile.
2. Significant difference between infrastructure and other constraints and demographic profile.

The results revealed that, while testing the association between the lack of conviction and assurance factor with the type of bank, gender, age, monthly income, educational background, designation. It was understood that the variables such as the type of bank I which the employee works, gender of the employee, monthly income of the employee shows non- significance and the variables such as age of the employee, educational background of the employee and designation of the employee accounts for significance.

The infrastructure and other constraints factor were analysed through ANOVA. The variables viz., the type of bank, age of the employee, monthly income resulted with non-significance and variables viz, gender, educational background and designation resulted with significance.

Table 7. Significant difference between lack of conviction and assurance and demographic profile

H0: There is no significant difference between lack of conviction and assurance and the bank in which employee is employed, gender, age, monthly income, educational background, designation.

ANOVA							
Source of variance		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**	**Result**
Type of bank	Between Groups	4.957	2	2.479	2.613	.075	Non-Significant
	Within Groups	376.633	397	.949			
	Total	381.590	399				
Gender	Between Groups	1.572	2	.786	3.245	.040	Non-Significant
	Within Groups	96.178	397	.242			
	Total	97.750	399				
Age	Between Groups	2.296	2	1.148	4.865	.008	Significant
	Within Groups	93.704	397	.236			
	Total	96.000	399				
Monthly income	Between Groups	4.957	2	2.479	2.613	.075	Non-Significant
	Within Groups	376.633	397	.949			
	Total	381.590	399				
Educational background	Between Groups	23.291	2	11.645	37.372	.000	Significant
	Within Groups	123.709	397	.312			
	Total	147.000	399				
Designation	Between Groups	14.855	2	7.428	49.441	.000	Significant
	Within Groups	59.642	397	.150			
	Total	74.498	399				

Source: Computed from primary data
Level of Significance: 5 percent

Table 8. Significant difference between infrastructure and other constraints and demographic profile

H0: There is no significant difference between Challenges and the bank in which employee is employed, gender, age, monthly income, educational background, designation.

ANOVA							
Source of variance		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**	**Result**
Type of bank	Between Groups	4.936	2	2.468	2.601	.075	Non-Significant
	Within Groups	376.654	397	.949			
	Total	381.590	399				
Gender	Between Groups	8.842	2	4.421	19.742	.000	Significant
	Within Groups	88.908	397	.224			
	Total	97.750	399				
Age	Between Groups	1.330	2	.665	2.788	.063	Non-Significant
	Within Groups	94.670	397	.238			
	Total	96.000	399				
Monthly income	Between Groups	4.936	2	2.468	2.601	.075	Non-Significant
	Within Groups	376.654	397	.949			
	Total	381.590	399				
Educational background	Between Groups	13.121	2	6.560	19.454	.000	Significant
	Within Groups	133.879	397	.337			
	Total	147.000	399				
Designation	Between Groups	2.021	2	1.010	5.534	.004	Significant
	Within Groups	72.477	397	.183			
	Total	74.498	399				

Source: Computed from primary data.
Level of Significance: 5 percent.

Table 9. Findings based on the hypothesis

No	Challenges faced by the employees in implementing the E-CRM	Demographic factors	Result
1.	**Lack of conviction and assurance**	Type of bank	*Non- Significant*
		Gender	*Non- Significant*
		Age	*Significant*
		Monthly income	*Non- Significant*
		Educational background	*Significant*
		Designation	*Significant*
2.	**Infrastructure and other constraints**	**Demographic factors**	***Result***
		Type of bank	*Non- Significant*
		Gender	*Significant*
		Age	*Non- Significant*
		Monthly income	*Non- Significant*
		Educational background	*Significant*
		Designation	*Significant*

Conclusion. An overview of the challenges faced by bank employees in implementing Electronic Customer Relationship Management (E-CRM). The challenges are categorized into two main groups: Lack of conviction and assurance, and Infrastructure and other constraints. Here are the key points: Bank employees require more time to learn the new system and technologies associated with E-CRM. There is a fear among employees that the complexity of the system might result in customer loss. Equipping the bank with necessary infrastructure facilities, including systems, database integration, and budget allocation, posed challenges for the maximum implementation of E-CRM. The challenges faced by employees in implementing E-CRM are grouped into two categories: Lack of conviction and assurance & Infrastructure and other constraints.

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PRECIOUS METALS MARKET FORECASTING IN THE CURRENT ENVIRONMENT

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Abstract. *The article analyzes trends in the precious metals market. The general characteristics and assessment of the most popular precious metals are given. The key factors influencing the supply and demand of precious metals are analyzed. Precious metals market forecasts have been developed. An analysis of the state of the world gold market in recent years has been carried out. Using the method of comparative analysis, modern trends in the supply and demand of this precious metal were revealed. The dynamics and structure of world gold reserves are considered. The world's precious metal reserves in different countries were also studied. The potential gold reserves in Ukraine are estimated. The production of precious metals in the world was studied. The rating of countries producing precious metals has been compiled. The leaders in this field have been identified based on the criteria of production capacities and growth rates of precious metals extraction. The structure of consumption of precious metals in the world is analyzed. The factors that lead to an increase in the rate of consumption of precious metals in modern conditions are considered. In particular, an increase in the current rate of commissioning of new solar energy capacities and an increase in the use of electric transport have been identified, which has significantly increased the demand for precious metals in the world. The impact on price dynamics of geopolitical and other economic factors, such as changes in trade relations between countries, currency fluctuations, market crises, changes in the monetary policy of central banks in many countries, and, above all, the increase in interest rates by the US Federal Reserve, was also studied. Considering these and other influencing factors, forecasts of the price dynamics of the precious metals market for 2024 and subsequent years were developed using a graphical method.*

Keywords: *precious metals, forecasting methods, market, alloys, gold reserves.*

JEL Classification: G12; G15; G21; G23

Formulas: 0, fig.: 5, tabl.: 2, bibl.: 23

Introduction. Recently, there has been an increase in the interest of economic subjects of various countries, including Ukraine, in precious metals from abroad. Also, today the market of precious metals is growing due to the change in lifestyle and the increase in disposable income of the population. In addition, due to growing concerns about the environment, leading market participants in various industries are investing in the processing of precious metals, which can be used in the future, for example, for the production of pacemakers or other medical devices. Moreover, the governments of various countries are implementing strict emission norms, which in turn is driving the growth of the market as these metals are used to clean the exhaust gases of automobiles. Therefore, indicators of the state of the precious metals market, its price dynamics and forecasting require a comprehensive and detailed study.

Literature review. This topic was studied by many scientists, among whom it is worth highlighting theoretical developments and structural analysis of precious metal markets. Thus, Honak (2018) studied the theoretical foundations of the functioning of the global gold market. Dudchenko (2012), Fatima, Gan, & Hu (2022), Heraeus Precious Metals (2023) analyzed the current state and structure of the international gold market, Polyakova (2016), Kangalli Uyar, Uyar, & Balkan (2022) analyzed global precious metal markets metals in the conditions of the global economy.

It should be noted that a lot of attention is paid to the assessment of trends in the functioning of the world market of precious metals in conditions of global financial instability (Pukhalska, 2014, Erfan, 2017, & Ksenzhuk, 2017). According to Doskochinska (2017), Emrah, & Gazanfer (2023), it is important to study the world markets of precious metals in the context of financial globalization. Koreniuk (2018) identified and analyzed the problems and peculiarities of the formation of the precious metals market in Ukraine. Kovalenko (2020), Pierdzioch, & Risse (2023) carried out studies of the development of transactions with precious metals and the analysis of their role in stabilizing the economy.

Analyzing the market of precious metals necessarily involves the wide application of various research methods. At the same time, Pilipchenko (2021) suggests using technical analysis methods to forecast financial markets. Research by Plastun (2021) is based on the identification of impulse and reversal strategies after abnormal price fluctuations in the oil and gold markets. Pylypenko (2022) considers the features of cognitive modeling. Rumyk (2020) suggests using methods for evaluating long-term forecasting models

Instead, the constant change in the market of precious metals and the emergence of new "black" schemes for their movement require constant scientific research based on modern models and forecasting methods.

Aims. The purpose of the article is to study the current state of the global market of precious metals, analyze influencing factors and forecast its price dynamics. The specific objectives of the research include the analysis of the production of precious metals in the world, the study of the structure of consumption of precious metals, the assessment of the influence of geopolitical and economic factors on the price dynamics, the development of forecasts of the price dynamics of the precious metals market for the future.

Methodology. Various methods of theoretical generalization, analytical and graphic analyzes were used to carry out research. The following methods played a major role in the analysis:

Method of combinations of moving averages: The method of combinations of moving averages made it possible to conduct an analysis and identify the main trends in the development of the precious metals market.

Method of stochastic indicators: This method made it possible to detect and show the price levels of overbought and oversold.

Divergence and graphical analysis methods: These methods are fundamental for visual confirmation of the conducted analysis and the identification of predictive patterns in the precious metals market.

In general, the using of research methods made it possible to assess the influence of various factors on the market of precious metals and to forecast the trends of its development for the coming years.

Results. Exchange trading of precious metals takes place on various exchanges such as London Metal Exchange (LME), Chicago Mercantile Exchange (CME), Shanghai Futures Exchange (SHFE) and Tokyo Commodity Exchange (TOCOM). Such metals as gold, silver, platinum, palladium and others are traded on these exchanges. Exchange prices for precious metals are determined based on supply and demand on the exchange, as well as fundamental and technical market factors.

Precious metals can be in any state (type), including native and refined, as well as in raw materials, alloys, semi-finished products, industrial products, chemical compounds, jewelry, coins, scrap, production and consumption waste. Three countries of the world have a complete set of production – USA, Germany, Japan.

Precious metals are natural elements with a bright shine. These metals are rare, hard, less chemically active, and have high economic value compared to base metals. They are also plastic, pliable, corrosion resistant and good conductors of heat and energy. As a result, they are used in jewelry, consumer electronics, automobiles, chemicals, and medical equipment all over the world. Precious metals such as gold, silver, platinum and palladium are also used as valuable assets for investment purposes (Precious metals, 2023).

The main factors determining the price of precious metals are:

- The ratio of supply and demand.

Metal prices are primarily driven by supply and demand and can be extremely volatile at times. The supply of precious metals is limited, while the demand is generally constant, although it can often rise sharply.

- World macroeconomic trends.

Gold and silver are often considered safe investments because they retain their value and purchasing power better than other assets during times of volatility and economic uncertainty. During economic or political crises, the prices of precious metals tend to rise. On the other hand, a strong and healthy world economy tends to lower gold and silver prices; demand falls as investors look for riskier and more profitable areas of investment.

- Inflation, monetary policy, exchange rates.

Inflation rates play an important role in many countries' monetary policy decisions, as most central banks consider price stability to be their primary objective. Therefore, any changes in inflation indicators can affect the decisions of central banks, which, in turn, will affect the value of their currencies. Of course, the most important currency when it comes to precious metals is the US dollar, because it is the world's reserve currency (Polyakova, 2016).

A certain amount of gold is in the possession of central banks or finance ministries of almost all countries of the world. To date, almost 190,000 tons of precious metal have been mined throughout the world. More than half of this amount of gold has been mined in the last 70 years. 30,000 tons of gold are concentrated in the possession of gold and currency reserves of all countries of the world.

About 2.5-3 thousand tons of precious metal are mined annually in the world. The gold and currency reserve provides the following tasks: stabilization of the exchange rate and fight against the crisis. The USA, Germany, the IMF, Italy, and France have the largest gold and currency reserves (Table 1).

Table 1. Countries with the largest gold reserves, 2023

№	Country	Volume (tons)	% of gold in the country's gold and currency reserves %
1.	USA	8134	75
2.	Germany	3355	70
3.	Italy	2452	66
4.	France	2435	61
5.	China	1948	2.5
6.	Switzerland	1040	5.5
7.	Japan	846	2.5

Source: built on the basis of data from the Gold Statistics and Information (2023)

As for Ukraine, one of the features of raw material bases is that most of them are of high quality and meet international standards. Also, Ukraine has significant reserves of rare metals, such as cerium, praseodymium, neodymium and others, which are used in high-tech industries. However, unfortunately, some branches of the raw material base of Ukraine need modernization and development in order to ensure their effective use and competitiveness on the international market.

According to the US Geological Survey (USGS), Ukraine ranks 28th in the world in terms of gold reserves. The total reserves of gold in Ukraine amount to about 45 tons. According to the Geological Service of Ukraine, the total silver reserves were about 25 tons. However, compared to other countries, Ukrainian reserves of gold and silver are insignificant.

The largest reserves of gold in the world are concentrated in countries such as Australia, Canada, China, the USA and others. Mexico, Peru, China, and Australia are the world leaders in terms of the volume of the raw material base of silver. However, the silver reserves may be underexplored in Ukraine and there are opportunities to expand them through geological exploration (Gold Statistics and Information, 2022).

According to the Geological Service of Ukraine, the country contains significant reserves of platinum group metals (PGM), including platinum, palladium, rhodium, iridium, ruthenium and osmium. The largest PGM reserves are concentrated in the

Kryvyi Rih Basin. PGM reserves belong to complex metal ores, which also contain iron, nickel, copper and other metals. Estimates of PGM reserves on the territory of Ukraine are quite different and depend on the level of research and assessments of different geologists and companies. According to data provided by state authorities, the total reserves of PGM in Ukraine can reach from 20 to 100 million tons of ores with an average PGM content of 3-4 g/t.

According to the US Geological Survey (USGS) for 2022, the largest reserves of platinum group metals are located in Russia (88 thousand tons); South Africa (63 thousand tons); Zimbabwe (38 thousand tons); Canada (10 thousand tons); USA (9 thousand tons) (Platinum prices, 2022).

According to the Institute of Metal Carbon Materials, in recent years' global consumption of platinum was about 8 million ounces (more than 248 tons), palladium - about 9 million ounces (more than 280 tons), and rhodium - about 1.1 million ounces (more than 34 tons). According to forecasts, the consumption of platinum group metals will continue to grow in the future, especially in connection with the increase in the production of cars and the use of environmentally cleaner technologies.

According to the World Gold Council, in 2022 the leading countries in terms of gold reserves are: The United States – 8,133 tons; Germany – 3,368 tons; Italy – 2,452 tons; France – 2,436 tons.

As for gold production, the leading countries are: China – 368.3 tons; Australia – 295.8 tons; USA – 190.0 tons; Canada – 182.2 tons.

According to the Silver Institute, global silver production in 2021 was about 789 million ounces (24,532 tons). The largest producers of silver in the world are Mexico, Peru, China, and Australia. Mexico is the leading producer of silver in the world with production of about 189 million ounces, which is 24% of the total world production. Peru is in second place with a production of about 137 million ounces, and China is in third place with a production of about 110 million ounces (Table 2).

Table 2. The leading countries are producers of primary silver

№	Country	Production in recent years, tons	Share in world production, %
1	Mexico	6300	24
2	Peru	3800	14
3	China	3500	13
4	Australia	1200	5

Source: built on the basis of data from Polyakova, (2016)

Other producers of primary silver in the world include Chile, Bolivia, Kazakhstan, Argentina and the United States. Also, it is important to note that much of the silver is mined as a by-product in the mining of other metals such as gold, copper and zinc.

According to the World Steel Association, global platinum production in recent years was approximately 202 tons. The majority of platinum is produced in South Africa, where in 2021 about 78 tons of this metal were mined. The second place in terms of platinum production is occupied by Russia with a production of about 21 tons, and the third place by Canada - with a production of about 18 tons. Ukraine is not included in the list of leading platinum producing countries (Platinum prices, 2022).

In recent years, the world production of rhodium amounted to about 240 tons. The largest producers of this metal are South Africa (more than 80% of world production) and Russia (more than 10%). Rhodium is mainly used in catalysts, electronics, production of glass melts and other industrial processes. A significant part of the world's rhodium production is consumed in the automotive industry, where it is used in exhaust gas catalysts. Rhodium is also used in the production of cosmetics and pharmaceuticals. In order to reduce dependence on supplies from South Africa, where the majority of rhodium reserves are located, some countries, such as Canada, the United States and Russia, are searching for new deposits of this metal and developing their own production.

According to the US Geological Survey, in recent years the world production of iridium amounted to about 3.5 tons (Gold Statistics and Information, 2022). The largest producers of iridium in the world are South Africa, the Russian Federation and Canada. These three countries together produce more than 90% of the world's iridium production.

Iridium is one of the rarest metals. It is widely used in the production of special steels, in the electronics, chemical industry and in jewelry. In particular, iridium alloys are used in the production of lasers, thermocouples and other devices where corrosion resistance and high temperatures are important. Also, iridium is used to make high-quality jewelry, for example, to create expensive engagement rings with large diamonds.

The main osmium-producing countries are the Russian Federation and Canada. According to the US Geological Survey, for example, in 2021, Russia produced 50 tons of osmium, which is more than 80% of world production. Canada ranks second in the production of about 10 tons of osmium.

Osmium is an extremely rare metal, its extraction and production is a very difficult and expensive process. It is used in electronics, catalysts, in the manufacture of medical equipment and other industrial applications. According to the United States Geological Survey (USGS), global osmium production has been around 63 tons in recent years, a significant decrease from previous years.

Analysis of trends in the market of precious metals shows that the price of gold on the world market in recent years was as follows: 2020 – $1,773 per ounce, 2021 – $1,817 per ounce, 2022 – $1,890 per ounce, 2023 – $1,950 per ounce.

Accordingly, the price of silver on the world market in recent years was as follows: 2020 – 20.55 USD per ounce, 2021 – 25.89 USD per ounce, 2022 – 23.31 USD per ounce, 2023 – $23.24 per oz.

One of the important factors affecting price dynamics is the high current rate of introduction of new solar energy capacities (CAGR 2019-2023 – 9%, according to Solar Power Europe). This will allow stable consumption of 3,000-3,500 tons of silver annually until the end of 2023, which is a conservative estimate. The use of electric vehicles (HEV and EV variants) and modern intercity express trains (ICE) requires about 1,500 tons of silver annually. According to the GFMS estimate, by 2025, consumption will increase to 2,300 tons of process silver, which dominates the world market (Figure 1).

Figure 1. The structure of world demand for gold and silver

Source: built on the basis of data from the Global mine production (2023)

Precious metal prices depend on many factors, such as the state of the global economy, inflation, the geopolitical situation, and others. However, at the moment, precious metals such as gold, silver, platinum and palladium are important tools for preserving value and reducing investment risks. This applies not only to investors, but also to central banks and large corporations.

Because precious metals are deflationary instruments, meaning they retain their value in the face of rising inflation, they can be attractive to investors during periods of economic instability and market volatility. In addition, demand for platinum and palladium is forecast to increase due to their use in the production of hydrogen fuel cell vehicles, which may lead to an increase in the prices of these metals (Figure 2).

Figure 2. Forecast of palladium price dynamics

Source: built on the basis of data from the Gold Statistics and Information (2023)

Forecasting the palladium market for the coming years is associated with the complexity of assessing the economic situation and production needs of industrial sectors. However, many experts currently believe that demand for palladium will increase in the future due to increased production of electric vehicles, the use of palladium in catalysts to reduce emissions from internal combustion engines and hydrogen production. Demand for palladium may also increase due to its use in the production of solar cells and the production of hydrogen fuel cells. As for palladium prices, in our view, they are more likely to rise due to increased demand and limited supply in the market.

However, price dynamics can be affected by geopolitical and economic factors, such as changes in trade relations between countries, currency fluctuations, crisis situations on the markets, and others. Forecasting the platinum market for the coming years can be a challenging task, as this market is quite vulnerable to changes in consumption and production, as well as to geopolitical and economic turbulence (Figure 3).

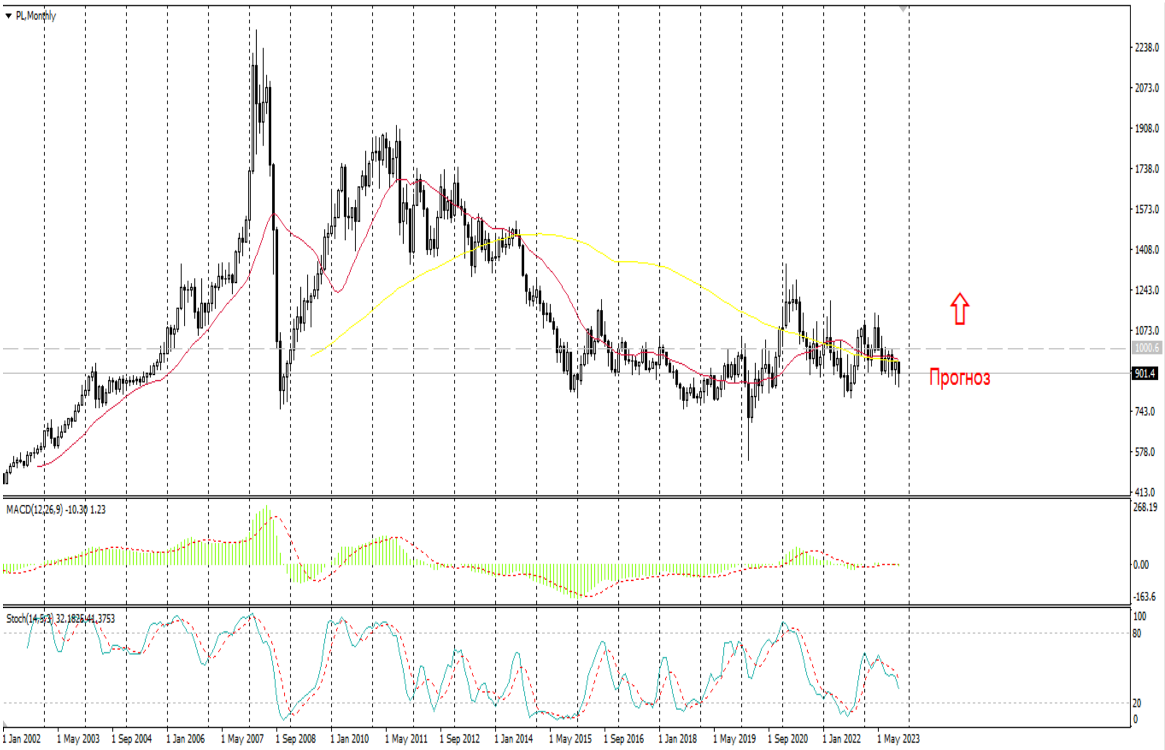

Figure 3. Forecast of platinum price dynamics

Source: built on the basis of data from the Gold Statistics and Information (2023)

At the moment, several key trends can be identified that may affect the platinum market in the coming years:

- growing demand from car manufacturers: platinum is used to make catalysts for cars with internal combustion engines, so the growing demand for cars, especially hybrid and electric cars, could increase the demand for platinum;

- increased hydrogen production: platinum is used in electrolyzes to produce hydrogen, which, in turn, can be used as an alternative fuel source. An increase in demand for hydrogen may lead to an increase in demand for platinum;

- geopolitical turbulence: The Republic of South Africa, which is one of the world's largest platinum producers, has significant political and economic instability, which may affect platinum production and exports. Also, sanctions against Russia may limit access to platinum from that country, which may increase its price;

- technological development: growth in the development of technologies using platinum and other precious metals can lead to an increase in demand for these metals.

Therefore, the platinum market remains quite volatile in the coming years, and its forecasts may depend on many factors, including changes in the global economy and technological trends. But in general, we believe that the dynamics of platinum prices will be positive in the coming years.

Gold prices depend on many factors, such as the geopolitical situation, the state of the world economy, financial policies of leading countries, etc. However, in recent years, gold prices have shown an upward trend, which may indicate that they may remain at a high level in the future (Figure 4).

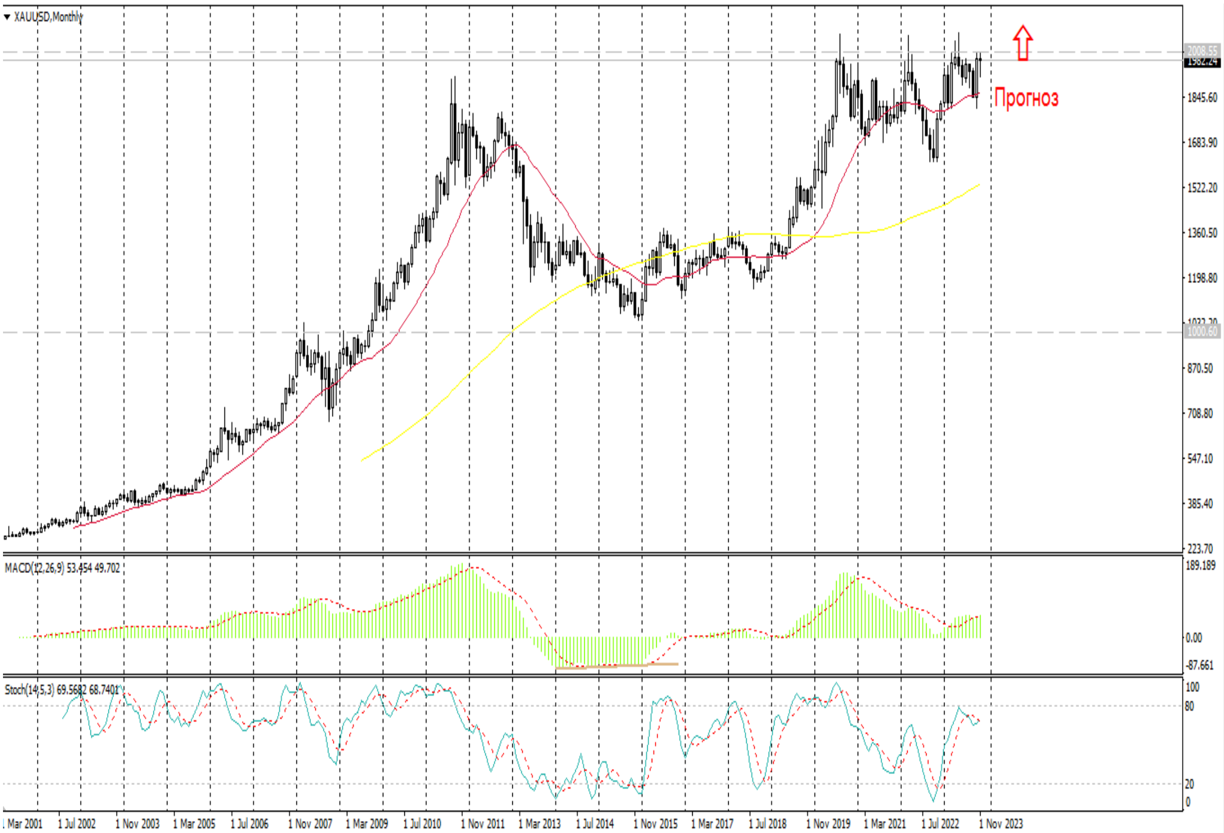

Figure 4. Forecast of gold price dynamics

Source: built on the basis of data from the Gold Statistics and Information (2023)

According to experts, one of the key factors that can affect gold prices in 2024 is inflation. Rising inflation usually leads to higher gold prices as investors look for ways to protect their holdings from currency devaluations and rising prices.

Another possible factor contributing to the growth of gold prices is geopolitical instability. Conflicts and issues between countries can cause unrest in markets and increase demand for safe-haven assets, including gold. On the other hand, the reduction of geopolitical risks and the improvement of the economic situation in the world can affect the reduction of demand for gold and, accordingly, the reduction of its prices.

However, in recent years there has been an increase in gold prices, which indicates that demand factors outweigh supply factors and this trend may continue in the future.

Silver prices depend on many factors, such as changes in demand for silver in manufacturing and industrial markets, political turbulence, changes in exchange rates and monetary policies of various countries, and so on. We believe that silver prices may rise in 2024, as its use in the field of renewable energy and electronics continues to grow (Figure 5).

Figure 5. Forecast of silver price dynamics

Source: built on the basis of data from the Gold Statistics and Information (2023)

In addition, silver is also a popular tool for preserving capital in times of economic instability, so demand for silver may increase for this reason as well.

Discussion. In the world market of precious metals, the beginning of 2024 became exceptional. Gold prices have never exceeded the $2,000 mark in the first days of January. Market participants expect that by the end of the month, the price of gold may set a new historical high.

One of the key influencing factors is the expectation that the US Federal Reserve System will soon start reducing the key rate. The excessively high interest rate, which is currently held at the level of 5.25 - 5.50% per annum, is slowing economic activity in the United States. After that, a decrease in the yield of American treasury bonds was immediately recorded, which led to the transfer of funds by investors to other profitable assets, including gold.

Taking into account the specifics of the market, the following main reasons for such fluctuations can be identified:

The interest rate race of the ECB and the US Fed, which continues against the background of persistent inflationary problems in Europe and the States. So far, the

Fed is winning in terms of the effectiveness of the measures taken by its European counterparts. This is evidenced by the fall in inflation in the US in November to 7.1% year-on-year against the background of alarming price dynamics that persist in Europe.

Increasing geopolitical and military tensions in the world. This traditionally, on the contrary, plays in favor of increasing quotations of gold and partly of silver. First, conservative investors tend to go to gold in case of any cataclysms. Secondly, the industrial consumption of gold and silver is growing: these precious metals are actively used in many military technologies, and during the period of active arms races, the demand for them increases accordingly. The increase in demand is pushing up the prices of both gold and silver.

Changes in the structure of demand for gold and silver in China, India and other major consumer countries of these metals for the jewelry industry. Nowadays, the demand from the jeweler is growing again. This is facilitated by the gradual recovery of the solvency of the citizens of the Chine and India, which, taking into account the population of these countries, significantly affects the increase in prices for these precious metals. The wealthier part of the population of these countries prefers gold jewelry and coins, the less wealthy are limited to silver. As a result, the demand for both metals is increasing.

Thus, the world price of precious metals, primarily gold, depends both on the rational expectations of investors and on the uncertainty of global economic processes. As further research in accordance with the chosen topic, it is important to investigate the impact of a wider list of factors affecting the dynamics of the precious metals market, in particular, changes in the geopolitical situation in the world, supply disruptions, crisis financial phenomena, increasing demand for precious metals in the sphere of the latest high-tech sectors of the economy.

Conclusions. The volumes of the precious metals market are constantly growing. However, prices have been falling recently. This is due to the strengthening of the monetary policy of the central banks of many countries and, first of all, the increase in the interest rates of the US Fed. The decline in value is also due to a strengthening dollar and rising US government bond yields. According to projections for 2024, it can be argued that global silver production has begun to slow down and may continue to decline. At the same time, platinum markets may be supported by increased consumption in the production of heavy duty trucks and fuel cell buses in the US and China. This will support platinum and palladium prices.

In general, the market for precious metals is determined by many factors, such as supply and demand, geopolitical situation, financial and economic trends. In addition, one of the main reasons for geopolitical difficulties in the precious metals market is political instability and conflicts. Countries with large reserves of precious metals can become the target of geopolitical ambitions of other countries, which can lead to supply disruptions, increased costs and market instability.

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BOARD CHARACTERISTICS AND AUDIT QUALITY: EVIDENCE FROM VIETNAM

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Abstract. *This study investigates the relationship between key director characteristics, board composition, and audit quality in the context of Vietnamese listed firms on the Ho Chi Minh City Stock Exchange over the period 2015 to 2020. Based on the study of Mustafa et al (2017), we employ a comprehensive dataset comprising 415 firms, we utilize a random effects estimation model to analyze the nuances of these associations. Our findings reveal a noteworthy positive relationship between directors aged 36-55 and 46-55 years old and audit quality, suggesting that the experience and expertise of directors within these age brackets contribute positively to the enhancement of audit processes. Furthermore, our study identifies a significant positive impact on audit quality associated with interlocking directorships, emphasizing the importance of interconnected networks within corporate governance structures. In addition, our results highlight the influential role of boards populated by members holding Master's degrees, indicating a positive correlation between educational qualifications and clients' demand for high audit quality. This insight underscores the significance of academic prowess and specialized knowledge in fostering a climate conducive to rigorous audit practices.*

Key words: *board; audit quality; Vietnam*

JEL Classification: J38; J88; M14; M54

Formulas: 1, fig.: 0, tabl.: 2, bibl.: 55

Introduction. In the dynamic landscape of corporate governance, the quest for transparency and accountability has become increasingly paramount. Within this context, the role of directors and the composition of corporate boards emerge as critical determinants influencing the quality of audit processes. This study delves into the intricate relationships between director characteristics, board composition, and audit quality within the framework of Vietnamese listed firms, drawing upon a comprehensive dataset spanning the years 2015 to 2020. Against the backdrop of the Ho Chi Minh City Stock Exchange, a burgeoning hub for economic activities in Vietnam, we explore the nuanced dynamics that underlie the performance of 415 listed firms. Employing a rigorous random effects estimation model, our analysis seeks to unravel the multifaceted impact of directors' age, interlocking directorships, and the educational qualifications of board members on the pursuit of high audit quality.

Our investigation unfolds against a backdrop of evolving corporate governance norms and burgeoning demands for financial transparency. The age of directors, specifically within the brackets of 36-55 and 46-55 years old, takes center stage in our examination, as we discern a positive correlation with enhanced audit quality. This prompts a deeper exploration into the experiential contributions of directors within these age ranges. Additionally, our study scrutinizes the phenomenon of interlocking directorships, revealing a significant positive impact on audit quality. We contend that the interconnectedness of boards serves as a conduit for knowledge exchange and collaborative governance, fostering an environment conducive to rigorous audit practices. Furthermore, we direct our focus towards the educational qualifications of board members, particularly those holding Master's degrees. Our findings suggest a compelling association between higher educational attainment and clients' heightened demand for elevated audit quality, signaling the importance of academic prowess in shaping governance structures that prioritize financial scrutiny.

As Vietnam's capital market continues to evolve, our research not only contributes to the academic discourse but also offers practical insights for corporate practitioners, policymakers, and stakeholders. By comprehensively understanding the intricate interplay between director characteristics, board composition, and audit quality, this study aims to provide a foundation for informed decision-making in the pursuit of robust corporate governance within the Vietnamese context.

The primary focus of this research revolves around the issue of board diversity and its impact on enhancing the effectiveness of board monitoring, ultimately leading to improved financial reporting quality and reduced information asymmetry. While existing literature, including a limited number of studies such as those conducted by Nguyen (2022c) in Vietnam, has explored gender and generation diversity in relation to firm performance, our study uniquely addresses the influence of interlocking directorship as a form of board cognitive diversity on the heightened demand for superior audit quality in the Vietnamese context. Management theories have consistently underscored the pivotal role of top management in organizational outcomes. The findings of this research make a noteworthy contribution to the accounting literature by establishing a connection between resource dependency theory and the selection of auditors. Specifically, our study delves into the ways in which the demographic and cognitive diversity within boards of directors impact accounting outcomes, with a particular emphasis on the selection of auditors.

Literature review. The corporate board plays a pivotal role in shaping the organizational culture by instilling their management values, thereby influencing the implementation of accounting and financial policies. Prior research in management and population ecology posits that corporate outcomes, such as firm performance, are closely tied to environmental selection and bureaucratic rules (Adams et al., 2010; AlAbbad et al., 2019; Battaglia & Gallo, 2017; Berger et al., 2014). Building upon this, (Bennouri et al., 2018; Bhagat & Black, 1999; Cheng et al., 2008) advance the upper echelons theory, asserting that the board of directors holds a distinctive perspective that significantly impacts corporate outcomes. A review of existing literature on the upper echelons theory highlights gender (Almustafa et al., 2023; Dang et al., 2020; Zhou et al., 2018; Zubeltzu-Jaka et al., 2020), tenure, and age (Abbott et al., 2000; Chowdhury & Fink, 2017; Zardkoohi et al., 2018) as prevalent management demographic factors with a critical influence on corporate outcomes.

In alignment with the resource dependency theory, human resources are recognized as essential intangible assets for corporate operations (Dang & Nguyen, 2021a, 2021b; Hermalin & Weisbach, 2001; Patro et al., 2003). Both the upper echelons theory and resource dependency theory posit that human capital is integral to enhancing corporate performance. Correspondingly, Al Farooque et al. (2019) discovers that directors' attributes, such as title and education, are significant elements of the social capital of the upper echelons, positively affecting firms' performance. Additionally, research by Budiyono and Sabilla (2021) reveals that board demographic diversity, encompassing gender, age, education, and nationality, exerts a significant influence on the performance of Turkish firms.

Examining the role of external auditors, they serve as external representatives tasked with conducting corporate governance responsibilities (Dang & Nguyen, 2022; Dang et al., 2022; Ho et al., 2023; Vafeas, 1999). Past studies unequivocally establish the impact of audit quality and auditor selection on corporations (Brickley & James, 1987; Khai, 2022). The literature in accounting and audit underscores a robust relationship between audit quality and corporate governance mechanisms (Nguyen & Dang, 2020; Nguyen, 2020, 2021; Younas et al., 2019). One interpretation regarding the demand for high-quality audits suggests that external auditors can mitigate Type II Agency problems that may arise between majority shareholders and minority shareholders. According to this proposition, high-quality audits foster a confidential environment that attracts investors.

Aims. Hypotheses development:

1. Female director. Management research indicates that the gender and age composition of a board of directors correlates with their proclivity for embracing change and tolerance for risk. According to the principles of resource dependency theory, the selection of auditors is contingent upon the varied perspectives of the board of directors. Female directors contribute to enhancing the efficacy of board monitoring functions, creating a predisposition to engage high-quality auditors to safeguard their reputations. This preference arises because audit firms with established brand names, such as Big-4 audit firms, possess robust capabilities in delivering high-quality audit services. Consequently, high-quality auditors fortify internal control systems, thereby mitigating information asymmetry and positively influencing the reliability of accounting information (Abdullah & Said, 2019; Nguyen, 2022b; Yeung & Lento, 2018). A similar viewpoint is endorsed by Kouaib and Jarboui (2014), suggesting a positive association between female directors and audit quality.

Conversely, older directors tend to exhibit a more conservative and risk-averse stance compared to their younger counterparts (Barclay et al., 2012; Nguyen, 2022a, 2023c). In this study, gender and age are employed as demographic characteristics in the model, positing that female and older directors are inclined toward greater conservatism relative to male and younger directors. Drawing from insights in accounting literature, both conservatism and prudent behavior exert an equivalent impact on the auditing process, culminating in a more secure audit opinion and outcome for audit firms. Therefore, it is postulated that older directors, possessing heightened experience, would lean toward conservatism and consequently opt for Big-4 auditors. Consequently, the study posits a positive correlation between board demographic diversity and audit quality.

On this basis, the following hypotheses are formulated: *H1a: There is a positive relationship between female directors and audit quality.*

2. Director age. Within the realm of management literature, it is posited that the age of directors is intricately linked to their inclination to embrace risk and navigate changes. Malm et al. (2021) contends that, in comparison to their younger counterparts, older directors exhibit a greater proclivity for conservatism and risk aversion, leading to more effective management of firms. This study considers the age of directors and advances the notion that older directors, owing to their accumulated experience, tend to adopt a more conservative stance compared to their less experienced and younger counterparts. In the specific domain of accounting, and particularly in the context of auditing, conservatism aligns with the prudent behavior of auditors. Consequently, this conservative approach contributes to a more secure audit opinion and outcome. It is therefore reasonable to hypothesize that older and more experienced directors are inherently more prudent. This, in turn, heightens the likelihood of directors advocating for high-quality audits by selecting robust external auditors. Hence, the proposition is put forth that board demographic diversity, represented by directors' age, is positively correlated with audit quality.

Therefore, this study posits the following hypothesis: *H1b: There exists a positive relationship between the age of directors and audit quality.*

3. Interlocking directorship. Based on resource dependency theory assumption interlocking directorship generates a strong link for corporation with the external environment. Consequently, this improves corporate competency to overcome environmental contingences (Liang et al., 2013; Nguyen, 2022d; Paniagua et al., 2018). Board of directors who occupy more than one directorship have a concrete motivation to involve with Big4 auditor, to protect their reputation. Previous studies by (Berger et al., 2014) documented a positive relationship between interlocking directorship and auditor selection. This is because directors involve with more than one directorship are less likely to spend enough time to monitor management activities. As a result, they are more likely to hire high quality auditor in order to maintain their reputation. On the other side, some studies by (Nguyen, 2023a, 2023b; Tai et al., 2018) reports that interlocking directorship possess negative influence on clients' demand for high audit quality. This indicates that interlock directorship improves the relationship between the audited and auditor. Therefore, interlock organizations are more likely to hire the same auditor for longer time.

Thus, this study proposes that cognitive diversity proxy by interlocking directorship is related to audit quality and it propose the following hypothesis: *H2a: There is a relationship between interlocking directorship and audit quality.*

4. Education. Drawing from the resource dependency theory, the premise suggests that directors with qualifications in accounting and finance exhibit a pronounced inclination to enlist the services of Big4 auditors, thereby effectively enhancing the board's monitoring functions Linck et al. (2008). This assertion finds support in the assertion by Bonn (2004) that the educational attainment of the board of directors positively influences the organization's capacity to demand high-quality audits. Boards equipped with robust accounting and financial qualifications are deemed capable of comprehending intricate financial reporting issues, prompting them to seek further validation through collaboration with high-quality auditors. Past research corroborates this, indicating a positive correlation between the level of education of directors and audit quality (Cohen et al., 2014; Krishnan & Lee, 2009; Nguyen & Dang, 2022a, 2022b, 2023a, 2023b). However, a counter perspective also exists in the literature, with certain studies noting a negative relationship between the level of education and the clients' demand for high audit quality. This is attributed to the notion that educated directors may exhibit less conservatism in strategic decision-making, potentially increasing the likelihood of succumbing to manipulative practices by high-level management.

Given the divergent findings in previous studies, the study formulates the hypothesis: *H2b: A relationship exists between the board's level of education and audit quality.*

Methodology. The study leveraged a dataset encompassing information from 415 Vietnamese listed firms traded on the Ho Chi Minh City Stock Exchange. The data spanned the comprehensive period from 2015 to 2020, capturing a substantial timeframe for analysis. To conduct the regression analysis, the study opted for a random effects model, a choice made subsequent to the inadequacy of pooled ordinary least squares (OLS) to meet the necessary standards.

Model specification and variables definition. To address the research objective of this study, the model of the study investigates the relationship between board demographic and cognitive diversity and other control variables (board of directors' size, board independent and board meeting and firm size) with audit quality. This study's hypotheses outlines are examined using the following model:

$$\mathbf{AUDit = \beta0 + \beta1BFEM\ it + \beta2DIRAit + \beta3INTDit + \beta4DEDUit + \beta5BOSit + \beta6BOIit + \beta C7BOAMit + \beta8\ FIRS\ it + \varepsilon\ it} \quad \mathbf{(1)}$$

where, for each firm (i) and each year (t); AUD - Audit quality; BFEM - Board female director; DIRA - Directors age (AGE1, AGE2, AGE3, AGE4 and AGE5); INTD - Interlocking directorship; DEDU - Directors level of education; BOS - Board size; BOI - Board Independency; BOAM - Board of directors meeting; FIRS - Firm size; ε it - Error term supposed to be normally scattered with constant differences.

Results and discussions. The study employed various panel data regression models, including pooled ordinary least squares (OLS), random effect, and fixed effect models, to explore the correlation between the dependent variable (audit quality) and independent variables (female directors, directors' age, interlocking directorship, and level of education). The results and variance in the determination coefficient (R-Squared), signs, and their level of significance are presented in Table 1. Initially, OLS estimation failed to meet the required standard assumptions. Subsequently, fixed effect and random effect models were estimated using the Hausman test, which suggested reporting the results of the random effect model over the fixed effect model. Furthermore, the Lagrange Multiplier (LM) test by Breush and Pagan was conducted to confirm the appropriateness of the random effect model compared to pooled OLS. The findings substantiate the suitability of the random effects model.

Table 2 indicates that the reported R2 using the random effect model is 0.27, signifying that approximately 27% of the deviation in the dependent variable (audit quality) is explained by the independent variables (female director, directors' age, interlocking directorship, and level of education). About 75% of the deviation is attributed to variables not controlled in the study's model. The results from the random effects model reveal that there is no discernible relationship between female directors and audit quality, suggesting a lack of influence in the boardroom concerning auditor selection. This contradicts the alternative hypothesis (H1b) and aligns with the study by [32], which associates an increase in female directors with heightened earnings management, indicating a limited role in the external auditor selection process.

Analysis of different age categories indicates that young directors (24-35 years old) do not significantly impact clients' demand for high audit quality. However, a positive influence is observed among directors aged 36-45 and 46-55 on clients' demand for high audit quality. Conversely, no relationship is found between directors aged 56-65 and those older than 65 and clients' demand for high audit quality. This contradicts the alternative hypothesis (H1b) and challenges the resource dependency theory's proposition that older directors are more conservative and risk-averse. The findings align with [30], indicating a negative impact of directors' age on board effectiveness in terms of attendance at board meetings.

The logistic regression results suggest that interlocking directorship positively influences audit quality, supporting the results of Minton et al. (2014), indicating that interlocking firms are more likely to engage high-quality auditors. The observed positive influence of interlocking directorship on audit quality in Vietnamese listed firms reflects a nuanced interplay within the corporate governance landscape. Interlocking directorships, where individuals serve on the boards of multiple companies, seem to be associated with an enhanced commitment to audit quality. This finding aligns with the notion that directors involved in multiple corporate settings create interconnected networks that facilitate information exchange and collaborative governance. Such interconnectivity can foster a more robust control environment, encouraging a conscientious approach to auditing processes. The positive influence of interlocking directorship on audit quality is likely driven by the directors' shared experiences, diverse perspectives, and a collective commitment to upholding rigorous financial scrutiny. This result contradicts some prior studies but resonates with others, emphasizing the context-specific nature of corporate governance dynamics. The positive impact of interlocking directorship on audit quality not only underscores the intricate relationships between boards of directors but also emphasizes the potential benefits of a networked governance structure in the Vietnamese context. As companies seek to fortify their commitment to transparency and financial accountability, understanding the role of interlocking directorship becomes increasingly crucial for both practitioners and policymakers in fostering effective corporate governance practices within the Vietnamese listed firms.

Regarding directors' education levels, high school, undergraduate, and PhD degrees do not significantly influence clients' ability to demand high audit quality. Conversely, directors with a Master's degree are more likely to engage with high audit quality. The observation that directors' education levels, including high school, undergraduate, and PhD degrees, do not significantly influence clients' ability to demand high audit quality in Vietnamese listed firms unveils an intriguing facet of the relationship between educational qualifications and corporate governance practices. Contrary to conventional expectations, the absence of a discernible impact suggests that clients' demands for superior audit quality may not be contingent on the formal education levels of directors within the Vietnamese business context. This finding prompts a reevaluation of the presumed link between educational credentials and the ability to demand high audit quality. It suggests that factors beyond formal education, such as practical experience, industry expertise, and contextual understanding, may play pivotal roles in shaping directors' attitudes towards audit quality. The Vietnamese business landscape, with its unique challenges and intricacies, may require a more nuanced approach to evaluating the qualifications that contribute to effective governance. This result challenges the conventional wisdom that higher educational attainment directly translates into an increased demand for robust audit processes. As Vietnamese listed firms navigate the complexities of corporate governance, this insight underscores the need for a comprehensive understanding of the factors influencing audit quality, moving beyond traditional markers of education to embrace a holistic perspective that considers the specific dynamics of the Vietnamese business environment.

Control variables, including board size, independence, and audit quality, did not show a significant influence. However, there is a negative relationship between board meetings and audit quality and a positive relationship between firm size and audit quality. The non-significant influence of board size, independence, and audit quality in Vietnamese listed firms introduces a nuanced perspective on the traditional assumptions regarding the determinants of effective corporate governance and audit outcomes. Contrary to widespread expectations, the findings suggest that larger boards or greater board independence may not necessarily guarantee a more rigorous and reliable audit process in the Vietnamese business context. The lack of significance in these variables underscores the need to revisit conventional notions and adapt governance practices to the specific dynamics of the Vietnamese corporate landscape. Board size, often thought to reflect diversity and collective decision-making, and board independence, considered a cornerstone of effective oversight, may not be directly correlated with heightened audit quality. This outcome challenges the prevailing belief that increasing the size of the board or enhancing its independence inherently leads to improved governance and audit outcomes. It prompts a deeper exploration of the intricate factors shaping corporate governance effectiveness within the Vietnamese context, emphasizing the importance of context-specific considerations in designing governance structures. As Vietnamese listed firms strive for transparency and accountability, understanding the contextual nuances that shape governance dynamics becomes paramount, guiding future research and policy decisions to foster tailored and effective governance practices in this unique business environment. Our results are similar with Mustafa et al (2017).

Table 1. Correlation Matrix Results

	Big4	**BFEM**	**AGE1**	**AGE2**	**AGE3**	**AGE4**	**AGE5**	**INTERD**	**HIGHGS**	**UNDERG**	**MASTER**	**PhD**	**BOS**	**BOI**	**BOAM**	**lnTASS**
Big4	1.0000															
BFEM	0.1244	1.0000														
AGE1	-0.1648	0.1644	1.0000													
AGE2	0.0643	-0.0660	-0.1280	1.0000												
AGE3	-0.0416	-0.1930	-0.3181	-0.1464	1.0000											
AGE4	-0.0028	0.0686	-0.1343	-0.4349	-0.3482	1.0000										
AGE5	0.1610	0.0432	-0.1610	-0.1464	-0.3994	-0.0668	1.0000									
INTERD	0.2400	0.2402	-0.0346	-0.0301	-0.0682	0.0662	0.1331	1.0000								
HIGHGS	-0.2866	-0.1368	0.0666	0.0246	0.0114	-0.0860	0.0149	-0.2231	1.0000							
UNDERG	-0.2641	-0.1294	0.0662	0.1634	0.0680	-0.0642	-0.1608	-0.0911	0.0011	1.0000						
MASTER	0.4202	0.1384	-0.0613	-0.0640	-0.0104	0.0481	0.0419	0.2489	-0.3916	-0.6929	1.0000					
PhD	0.1044	0.1964	-0.0666	-0.2424	-0.0613	0.1622	0.1893	-0.0229	-0.1204	-0.9060	0.0812	1.0000				
BOS	0.4114	0.0669	-0.2643	-0.1901	-0.0031	0.1244	0.2314	0.1612	-0.1446	-0.2344	0.2638	0.1619	1.0000			`
BOI	-0.1401	-0.0660	-0.0636	0.1198	-0.0266	-0.0229	-0.0304	-0.1642	0.0333	0.0610	0.0049	0.0626	-0.0464	1.0000		
BOAM	-0.1832	0.0699	-0.0163	-0.0824	0.0628	0.1180	-0.0900	0.1046	0.1263	0.0200	0.0440	-0.0391	-0.1433	0.0962	1.0000	
LnTASS	0.4286	-.0243	-0.2464	-0.1366	-0.0928	0.1636	0.2641	0.2226	-0.2348	-0.2063	0.2449	0.1826	0.9492	-0.0146	-0.0830	1.0000

Table 2. Regression Results

Variable	**Coeff.**	**T-Value**	**Probability**
BFEM	-.24252	-1.28*	0.088
AGE1	.15844	0.58	0.592
AGE2	.98558	2.27***	0.001
AGE2	.91245	.2785055***	0.002
AGE4	.28907	1.5	0.119
AGE5	.27504	1.55***	0.029
INTERD	.28714	2.52***	0.005
HIGHSG	-.08142	-0.14	0.885
UNDERG	.42425	1.19	0.249
MASTER	.82725	2.20***	0.008
PhD	.22810	0.52	0.255
BOS	.01821	1.05	0.211
BOI	-.12414	-0.58	0.228
BOAM	-.00559	-2.12***	0.001
LnTASS	.052815	2.45	0.014

Note: significant at 1% level of significance

Conclusion. The discussion addressed above has revealed that demographic diversity (directors age) and cognitive diversity (interlocking directorship and level of education) possess positive influence on clients' ability to demand high audit quality of Turkish listed firms. A part from integrated capability of independent variables which impacts on clients' ability to demand high audit quality, individually directors age of 36-45, 46-55, interlocking directorship and Master degree directors can enhance clients' ability to demand high quality audit services. This is because diverse attributes of board of directors' influence not only on directors' incentive to monitor, but also their abilities to do so. Thus, the study infers that demographic and cognitive diversity of board of directors has significant impacts on clients' incentive and ability to demand high audit quality. The research, therefore, recommends that policy makers enforce listed firms to create their boards with different attitudes of directors. The study also recommends further studies that will include more data, inclusion of other attitudes of board of directors both before and after the regulatory changes of 2012 for comparison of clients' demand before and the amendments.

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THE EFFECT OF FINANCIAL PERFORMANCE, CRS AND CORPORATE GOVERNANCE ON FIRM VALUE

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Abstract. *This research investigates the intricate relationship between financial performance, Corporate Social Responsibility (CSR), Corporate Governance (CG), and firm value within the context of the Vietnamese business landscape. Drawing upon the Efficient Market Semi-Strong Hypothesis, the study delves into the dynamic interplay of these factors to discern their collective impact on firm value. Utilizing a comprehensive dataset and employing robust statistical methodologies, our findings reveal a noteworthy and significant influence of financial performance on firm value. This phenomenon is interpreted through the lens of the Efficient Market Semi-Strong Hypothesis, highlighting the responsiveness of the market to information related to a firm's financial health. Moreover, the study extends beyond financial metrics to explore the broader dimensions of corporate behavior, incorporating CSR and CG as integral components of the analysis. The results underscore the interconnectedness of financial performance, CSR initiatives, and CG practices in influencing firm value. The simultaneous examination of these factors allows for a more holistic understanding of the mechanisms that underpin firm valuation.*

Keywords: *Financial performance, CSR, GCG, Firm value*
JEL Classification: G32; M14; O38
Formulas: 0, fig.: 0, tabl.: 3, bibl.: 48

Introduction. In the dynamic and rapidly evolving landscape of contemporary business, the valuation of firms represents a critical aspect that engages scholars, investors, and practitioners alike. The intricacies of firm value are multifaceted, influenced by various factors that extend beyond traditional financial metrics. This study embarks on an exploration of the Vietnamese business milieu, seeking to unravel the complex interplay between financial performance, Corporate Social Responsibility (CSR), Corporate Governance (CG), and firm value. Financial markets, as efficient allocators of resources, are underpinned by the Efficient Market Hypothesis (EMH), specifically the Semi-Strong form. This hypothesis posits that all publicly available information is rapidly and accurately reflected in a security's price. In this context, the Efficient Market Semi-Strong Hypothesis serves as a conceptual lens through which we examine the relationship between financial performance and firm value. The premise here is that the market efficiently incorporates relevant financial information, impacting the valuation of firms in real-time.

Within the broader spectrum of corporate dynamics, the significance of CSR and CG has gained prominence as essential elements contributing to sustainable business practices. While financial performance traditionally takes center stage in discussions of firm value, this study recognizes the need for a more comprehensive framework that includes non-financial dimensions. CSR initiatives reflect a company's commitment to social and environmental responsibilities, while CG practices establish the governance structures that guide organizational decision-making. The Vietnamese business context provides an intriguing backdrop for this investigation. As a rapidly growing and dynamic market, Vietnam encapsulates the challenges and opportunities inherent in emerging economies. Against this backdrop, we aim to shed light on the simultaneous influence of financial performance, CSR, and CG on firm value in the Vietnamese corporate setting. By synthesizing these diverse elements, this research contributes to the theoretical understanding of firm valuation and offers practical insights for businesses navigating the complexities of contemporary markets. Through a nuanced examination of the interdependencies between financial performance, CSR, and CG, we endeavor to provide a holistic perspective that informs strategic decision-making and fosters sustainable business practices in the Vietnamese business landscape.

A company serves as a productive entity that efficiently manages economic resources to deliver goods and services to the community, aiming to generate profits and meet societal needs. It is responsible for handling economic resources, often referred to as factors of production (Arora, 2022; Nguyen & Dang, 2022b, 2023a, 2023b). The function of financing is pivotal for a company's success, as it involves endeavors to secure funds. Both small and large enterprises require funds for their operations, which can be obtained either internally, through sources within the company, or externally, through sources outside the company. External financing may involve seeking loans or going public in the capital market by selling shares. Internal financing sources, on the other hand, utilize retained earnings, i.e., profits not distributed as dividends. Investors rely on comprehensive and relevant information to enhance their predictions of future outcomes. The more information a company discloses, such as its financial condition, reflected in financial performance, future prospects, and other disclosures, the greater the confidence investors have, as it reduces concerns about undisclosed insider information. Financial performance, encompassing strategic decisions, operations, and financing, is a crucial aspect evaluated by investors to interpret a company's financial reports.

Investors are keen on assessing a company's ability through its financial performance, believing that positive financial performance contributes to firm value. Beyond financial performance, investors seek additional information to support their investment decisions, as indicated in prior research. This study aims to scrutinize and analyze the impact of financial performance on firm value, particularly within a company's annual report, and its resonance in the market. With the outlined background, the research objective is to ascertain the influence of financial performance on firm value. This study is oriented towards elucidating the effects of financial performance, Corporate Social Responsibility (CSR), and Good Corporate Governance (GCG) on firm value.

Literature Review.

Firm performance. The company must take into account the interests of investors by maximizing the overall value of the company, as the value of a company serves as a metric for the successful execution of financial functions. The evaluation of a company's performance is often contingent on its capacity to generate profits. Beyond being an indicator of the company's ability to meet its financial obligations, profits are also a key component in shaping the company's future prospects and overall value. The assessment of company profitability can be conducted through various lenses, one of which is the profitability ratio. This ratio comprises several key indicators, including the gross profit margin (GPM), basic earning power (BEP), return on assets (ROA), also known as return on investment (ROI), and return on equity (ROE) (Almustafa et al., 2023; Mak & Kusnadi, 2005; Yousefi & Yung, 2022).

When gauging company performance from an investor's standpoint, the return on equity (ROE) approach is commonly employed (Brigham & Houston, 2006). This choice is grounded in the fact that shareholders invest with the expectation of a return on their capital, and the ROE ratio provides insight into the success of this investment from an accounting perspective. The findings of this study align with previous assertions emphasizing the widespread recognition of return on investment as a performance metric (Dang & Nguyen, 2022; Marchica & Mura, 2010; Qiu et al., 2021). This metric enables an evaluation of a company's ability to generate returns relative to the associated investment risk (Ferris & Park, 2005; Wiwattanakantang, 2001). It reinforces the rationale for utilizing the return on equity ratio, contending that companies with higher returns are better positioned to attract capital market investments due to their capacity to offer more attractive returns to potential investors (Dang et al., 2022; Qiu et al., 2021; Wang, 2018).

Return on equity, a metric gauging the average yield of total shareholder ownership, serves as a measure of the company's profitability (Cebenoyan et al., 1999; Dang et al., 2020; Dang & Nguyen, 2021a, 2021b). This ratio provides an indication of the extent to which the company has achieved its primary goal of generating net income. A lower return on equity ratio suggests that the company faces challenges, potentially stemming from inefficiencies in production, distribution, finance, and overall operational inefficacy. The company's prowess is derived from the economic productivity of loan funds and capital invested in assets, coupled with the overall efficiency of its operations. A diminished ratio may signify an excessive investment in assets relative to sales volume, low sales volume in comparison to incurred costs, and managerial inefficiencies across production, procurement, marketing, and general operations. Ultimately, the most pivotal accounting ratio is the net income to stock equity ratio (ROE), which assesses the return on common stock equity and return on investment from assets (Rusmanto et al., 2020). A higher return on equity signifies a more favorable return on investment.

Economists often draw a connection between fluctuations in investment and stock market movements. The term "stock" refers to ownership shares in a company, and the stock market serves as the marketplace for trading these shares. Stock prices tend to rise when a company possesses lucrative investment opportunities, as these opportunities translate to higher future earnings for shareholders. Therefore, stock prices act as indicators of incentives for investment. The value of a company to its owners is derived from the accumulation of net assets, which can be utilized to meet various needs. Consequently, company ownership represents a claim on well-being. The net surplus theory posits that accounting serves as a system for recording the creation and distribution of wealth, establishing a link between firm value and accounting information (Ho et al., 2023; Khai, 2022; Wang, 2018). Earnings are compiled by management, which holds a unique awareness of the company's internal conditions (Mishra, 2014). However, this awareness can introduce challenges, as management, being the source of information about the company's performance, is evaluated and rewarded based on self-generated reports (Bratten et al., 2013; Nguyen & Dang, 2020; Nguyen, 2020).

Agency Theory. The managerial role is extensive, encompassing the entirety of a company's activities. In the face of escalating competition, the impact of inflation, technological advancements, environmental concerns, energy considerations, social issues, government regulations, and the push for a free trade system, managers are compelled to make accurate decisions aligned with the company's goals or objectives (Collier & Gregory, 1999; Nguyen, 2021; Zona, 2012). To facilitate these management decisions, information about the company's state is indispensable, particularly regarding its financial performance (Scott, 2003 Aldamen et al., 2012; Chen et al., 2018). The financial performance of a company serves as a reflection of its ability to manage operations effectively (Liu & Sun, 2021; Mollah et al., 2017; Nguyen, 2022c). This facet proves highly beneficial for various stakeholders, including investors, creditors, analysts, financial consultants, government regulators, and the management itself. Financial performance, gauged through profitability and market value, provides a measure of a company's success (Nguyen, 2022b; Sehrawat & Giri, 2019). It is an outcome of numerous individual decisions continuously made by management. Therefore, evaluating a company's financial performance entails analyzing the cumulative financial and economic impact of these decisions and assessing them through comparative measures (Nguyen, 2022a; Zhou et al., 2018).

In addition to financial performance, Corporate Social Responsibility (CSR) and Corporate Governance (CG) are interrelated and contribute collectively to address challenges faced by companies (Nguyen, 2022d, 2023c; Weir & Laing, 2001). Social disclosure, as part of legitimacy implementation and a manifestation of corporate accountability within corporate governance, plays a crucial role (Tao et al., 2009). CSR and CG, rooted in agency theory, jointly contribute to understanding the significance of enhancing company performance and corporate value, potentially giving rise to information asymmetry (Al-Gamrh et al., 2020; Nguyen, 2023b). CSR, as a component of GCG practices, emphasizes that entities adhering to good corporate governance should engage in CSR activities, as both pursuits aim to optimize company value (Cordeiro & Tewari, 2015; Jo & Na, 2012; Nguyen, 2023a). Meanwhile, corporate governance advocates for corporate transparency to stakeholders (Van Overfelt, 2008). Positive performance creates favorable expectations for decision-makers in investment. According to Wang et al. (2018), measuring financial performance involves implementing key steps driven by three critical issues faced by general managers, namely profitability, business size, and business growth over time. Consequently, assessing financial performance through indicators such as profitability, size, and growth rates becomes imperative to monitor overall financial progress (Miller, 2008Nguyen & Dang, 2022a, 2022b).

Aims. The primary objective of this research is to elucidate the influence of financial performance, Corporate Social Responsibility (CSR), and Good Corporate Governance (GCG) on firm value.

Hypotheses:

H1: There is a significant positive effect of Return on equity on the value of the Firm Value.

H2: Return On Assets has an related to on Firm Value.

H3: corporate social responsibility influences Corporate Value.

H4: There is a relationship between Good Corporate Governance and Company Value.

Methodology. This study adopts a survey research approach as it is conducted on a population, yet the data under examination is derived from a sample. In terms of explanatory depth, it falls under the category of causal associative research, aiming to establish relationships between two or more variables with causative elements. Our data comprise 325 listed firm in Ho Chi Minh Stock Exchange from 2019-2022.

Considering the survey research nature, the statistical technique employed is inferential statistics, chosen to analyze sample data and extend findings to the population. Inferential statistics is further categorized into parametric and non-parametric statistics, with the former applied in this study due to its relevance in testing population parameters using sample data, especially given the ratio data type.

A battery of classic assumption tests is conducted, including the Kolmogorov-Smirnov test to assess normal distribution of data, a heteroscedasticity test to ensure absence of significant effects on residual values, and the Durbin-Watson test to confirm data lies within an acceptable range, preventing autocorrelation. Additionally, a multicollinearity test is performed to rule out multicollinearity.

Results and discussion. The t test to identify the partial testis used to determine whether the independent variable has a significant influence on the dependent variable partially. If the result is significant then Ha is accepted, whereas if the result is not significant then Ha is rejected. The following is the result of testing the t test between financial performance and company value.

Table 1. Regression results

Model	Unstandardize d Coefficients		t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	- 13.424	2.15	-0.537	0.523	0.455	0.357	0.316	0.297	2.593
ROE	3.074	27.979	3.731	0.007					
ROA	-0.046	0.055	-0.233	0.410	0.277	-0.151	-0.116	0.272	2.547
CSR	0.300	1.331	0.225	0.923	0.030	0.036	0.031	0.749	1.054
GCG	0.000	0.000	0.627	0.534	0.147	0.077	0.096	0.731	1.074

Based on the findings presented in Table 1, the partial correlation calculations resulted in a significance value of 0.009, which is less than the predetermined significance level of 0.05. Consequently, the first hypothesis (Ha1) is accepted. The measurement of financial performance in this study employs Return on Equity (ROE), while company value is determined by Tobin's Q. The acceptance of ROE suggests a substantial impact of financial performance on firm value. In the initial year, companies with an ROE below a certain threshold exhibited an ROE exceeding one.

However, the second hypothesis (Ha2) is rejected, signifying the absence of a linear relationship between financial performance (ROA) and firm value. The significance value of 0.410 is greater than the predetermined threshold of 0.05. Based on partial regression analysis results, financial performance exerts influence on firm value, specifically on ROE. Additionally, the CSR and GCG hypotheses (Ha3, Ha4) are also rejected, with significance values of 0.823 and 0.534 exceeding the predetermined threshold of 0.05. This indicates that there is no discernible influence between Corporate Social Responsibility (CSR) and firm value, measured using Tobin's Q. Similarly, Good Corporate Governance (GCG) does not exhibit a significant effect on firm value. This equation suggests a positive slope in the linear trend, further reinforcing the link between financial performance and firm value.

Table 2. Anova F test results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	412682.912	4	102945.734	3.980	0.010[a]
	Residual	1145397.010	41	31384.938		
	Total	1167160.044	46			

a. *Predictors: (Constant), GCG, ROA, CSR, ROE*
b. *Dependent Variable: TOBINSQ*

Referring to the presented table, the collective influence, with a significance value of 0.02, is less than the threshold of 0.05 (0.02<0.05). Consequently, the assertion that there is a simultaneous and noteworthy impact between financial performance, corporate social responsibility, and good corporate governance on firm value is accepted. In summary, it can be deduced that firm value is collectively shaped by the interplay of financial performance, corporate social responsibility, and good corporate governance. Upon closer examination, there were fluctuations in the number of companies experiencing an upswing in financial performance, particularly derived from Return on Equity (ROE), spanning the first to the third year. This variance is a contributing factor to the observed influence of financial performance on firm value. Evidently, investors continue to place significance on ROE when making investment decisions, recognizing it as a crucial metric. It is widely acknowledged that the financial statements, as a repository of financial performance information, remain a vital source of insights provided by the company.

Table 3. Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
dimension	.427[a]	0.241	0.170	107.152	1.861

a. *Predictors: (Constant), GCG, ROA, CSR, ROE*
b. *Dependent Variable: TOBINQ*

In the context of Vietnam, our research on "The Effect of Financial Performance, Corporate Social Responsibility (CSR), and Corporate Governance on Vietnamese Firm Value" has revealed compelling insights. The study establishes a significant influence between financial performance and firm value, affirming the Efficient Market Semi-Strong Hypothesis in the Vietnamese business landscape.

Vietnam, as a rapidly growing and evolving market, experiences dynamic shifts influenced by factors such as economic reforms, globalization, and increasing investor scrutiny. Our findings underscore the integral role financial performance plays in determining the value of Vietnamese firms. The Efficient Market Semi-Strong Hypothesis suggests that relevant financial information is swiftly incorporated into stock prices, indicating that investors in Vietnam efficiently process and respond to financial performance metrics when evaluating firm value.

Moreover, the simultaneous and significant influence identified among financial performance, corporate social responsibility (CSR), and good corporate governance on firm value is particularly noteworthy in the Vietnamese context. This implies that the interplay of financial health, social responsibility initiatives, and effective governance practices collectively contributes to the overall value of Vietnamese firms.

Vietnam, undergoing economic transformations and increased attention to sustainability, places considerable importance on the social and governance aspects of businesses. Investors, regulators, and stakeholders in Vietnam are becoming more attuned to the broader impact of companies, extending beyond financial metrics. The study's conclusion suggests that firms excelling in financial performance, CSR, and corporate governance are likely to be perceived as more valuable in the eyes of the Vietnamese market participants.

In summary, our research contributes valuable insights for businesses operating in Vietnam, highlighting the intricate relationship between financial performance, CSR, corporate governance, and firm value. The findings advocate for a holistic approach to corporate management, encouraging Vietnamese firms to consider not only financial metrics but also social responsibility and governance practices to enhance their overall value proposition in this dynamic and growing market.

Conclusion. In the dynamic and rapidly evolving landscape of contemporary business, the valuation of firms represents a critical aspect that engages scholars, investors, and practitioners alike. The intricacies of firm value are multifaceted, influenced by various factors that extend beyond traditional financial metrics. This study embarks on an exploration of the Vietnamese business milieu, seeking to unravel the complex interplay between financial performance, Corporate Social Responsibility (CSR), Corporate Governance (CG), and firm value.

Financial markets, as efficient allocators of resources, are underpinned by the Efficient Market Hypothesis (EMH), specifically the Semi-Strong form. This hypothesis posits that all publicly available information is rapidly and accurately reflected in a security's price. In this context, the Efficient Market Semi-Strong Hypothesis serves as a conceptual lens through which we examine the relationship between financial performance and firm value. The premise here is that the market efficiently incorporates relevant financial information, impacting the valuation of firms in real-time.

Within the broader spectrum of corporate dynamics, the significance of CSR and CG has gained prominence as essential elements contributing to sustainable business practices. While financial performance traditionally takes center stage in discussions of firm value, this study recognizes the need for a more comprehensive framework that includes non-financial dimensions. CSR initiatives reflect a company's commitment to social and environmental responsibilities, while CG practices establish the governance structures that guide organizational decision-making.

The Vietnamese business context provides an intriguing backdrop for this investigation. As a rapidly growing and dynamic market, Vietnam encapsulates the challenges and opportunities inherent in emerging economies. Against this backdrop, we aim to shed light on the simultaneous influence of financial performance, CSR, and CG on firm value in the Vietnamese corporate setting.

By synthesizing these diverse elements, this research contributes to the theoretical understanding of firm valuation and offers practical insights for businesses navigating the complexities of contemporary markets. Through a nuanced examination of the interdependencies between financial performance, CSR, and CG, we endeavor to provide a holistic perspective that informs strategic decision-making and fosters sustainable business practices in the Vietnamese business landscape.

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FACTORS INFLUENCING SMALL AND MEDIUM ENTERPRISES' DECISION TO APPLY FOR BANK LOANS: A QUANTITATIVE ANALYSIS IN VIETNAM

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Abstract. *This study investigates the determinants influencing the decision of Small and Medium Enterprises (SMEs) to apply for bank loans. Drawing upon a theoretical framework encompassing human capital, firm attributes, business strategy, and information asymmetry, we develop a model to predict SMEs' propensity to seek bank financing. Employing a quantitative methodology in Vietnam, we utilize a hypothetical-deductive testing approach on primary data collected through questionnaires focusing on loan applications. Our findings reveal several significant factors influencing SMEs' inclination towards bank loans. Contrary to expectations, the business experience of a firm's owner exhibits no significant correlation with the likelihood of applying for a bank loan. However, variables such as the educational background of the firm's owner, firm size, collateral availability, and interest rates on loans exhibit negative associations with loan application propensity. Conversely, factors including the presence of comprehensive business plans and establishment of relationships with bankers during start-up phases demonstrate positive relationships with SMEs' inclination to apply for bank loans. This study contributes to the understanding of SMEs' financing decisions and provides valuable insights for financial institutions in designing tailored lending strategies to meet the diverse needs of SMEs.*

Keywords: *SME, bank loan application, Vietnam.*

JEL Classification: *E22, G32; M21*

Formulas: 2, fig.: 0, tabl.: 2, bibl.: 54

Introduction. The Vietnamese economy is presently undergoing a shift towards structural development and increased privatization, moving away from traditional government control. This shift underscores the urgent need to address, evaluate, and incentivize the status of Small and Medium Enterprises (SMEs) while providing support to existing businesses, rather than solely relying on large corporations. Consequently, in 2011, the new Vietnamese administration was compelled to outline a comprehensive long-term economic strategy aimed at fostering sustainable economic development and diversifying the production base. This strategy aims to reduce the nation's heavy reliance on the oil industry, which serves as a volatile source of income. Additionally, the plan seeks to nurture and enhance viable private sectors capable of sustaining economic growth.

In many developing nations, financial institutions frequently face challenges or exhibit reluctance in extending term loans to Small and Medium Enterprises (SMEs). They tend to favor providing financing to larger, established corporations with robust financial statements and established credit histories, often requiring additional assets as collateral in traditional bank lending (Q. K. Nguyen & Dang, 2022a; Qiao et al., 2023). This practice hinders SMEs' ability to access formal external financing. Various factors contribute to this situation, including the size and age of the firms, absence of a well-defined business strategy, limited collateral, inadequate financial documentation, and stringent banking criteria. Additionally, the educational background and business experience of the owner or manager also play significant roles in this regard.

Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth, fostering innovation, and creating employment opportunities in emerging economies like Vietnam. However, despite their significance, SMEs often encounter difficulties in accessing external financing, particularly from formal banking institutions. Understanding the determinants that influence SMEs' decisions to apply for bank loans is essential for policymakers, financial institutions, and entrepreneurs alike. Vietnam's economy has witnessed remarkable growth and structural transformation in recent years, propelled by a burgeoning SME sector. As the country transitions towards a market-oriented economy and undergoes rapid urbanization, the demand for financial services, including bank loans, among SMEs has surged. However, the banking sector in Vietnam, like many other developing countries, tends to prioritize lending to larger, more established enterprises, leaving SMEs facing challenges in accessing the necessary funds to support their growth and expansion initiatives.

This study seeks to explore and analyze the factors that influence SMEs' decisions to apply for bank loans in Vietnam. By employing a quantitative research methodology, we aim to provide empirical insights into the drivers and barriers that shape SMEs' borrowing behaviors. Specifically, we focus on variables such as firm size, business strategy, collateral availability, financial literacy of owners or managers, and relationships with banks. The findings of this study are expected to offer valuable implications for policymakers, financial institutions, and SMEs themselves. By identifying the key determinants of SMEs' loan application decisions, stakeholders can devise targeted interventions and policy measures aimed at enhancing SMEs' access to finance, promoting entrepreneurial activity, and fostering sustainable economic development in Vietnam.

Literature review. Up to now, there are no single theory comprehensively elucidates the process by which firms secure external formal financing. Huang et al. (2018) contend that "financial theories do not fully capture financial behavior." Consequently, scholars have drawn upon a variety of theoretical frameworks to elucidate how small firms access external financing. These frameworks have been developed to examine the factors influencing Small and Medium Enterprises (SMEs) in seeking external formal financing. To address this complexity, this study adopts four distinct theoretical frameworks: information asymmetry theory, human capital theory, firm theory, and strategy theory. These theories serve as the conceptual underpinnings for investigating the determinants of SMEs' applications for bank loans.

Small and Medium Enterprises (SMEs) constitute a vital segment of Vietnam's economy, contributing significantly to employment generation, innovation, and economic growth. However, the ability of SMEs to access external financing, particularly from formal banking institutions, remains a persistent challenge. This literature review synthesizes existing research on the factors influencing SMEs' decisions to apply for bank loans, providing insights into the context-specific dynamics in Vietnam.

Access to Finance for SMEs in Vietnam: Numerous studies have highlighted the constrained access to finance faced by SMEs in Vietnam. Le and Phan (2017) underscored the limited availability of credit for SMEs, exacerbated by stringent collateral requirements and risk aversion among banks. Moreover, Stockport et al. (2009) emphasized the dominance of informal financing channels, such as family and friends, due to the challenges associated with formal bank lending.

Theoretical Perspectives on SME Financing: Romānova and Kudinska (2016) noted the inadequacy of conventional financial theories in explaining the financing behavior of small firms. Consequently, researchers have adopted various theoretical frameworks to understand SMEs' borrowing decisions. Information asymmetry theory, human capital theory, firm theory, and strategy theory have emerged as prominent conceptual lenses for examining the factors influencing SMEs' access to external financing (Q. K. Nguyen & Dang, 2022b; Puthusserry et al., 2021).

Determinants of SMEs' Loan Application Decisions: Several studies have identified a range of factors that influence SMEs' decisions to apply for bank loans. Firm-specific characteristics, such as size, age, and financial health, play a significant role in shaping borrowing behavior (Metz et al., 2007; Q. K. Nguyen & Dang, 2023a). Additionally, owner-manager attributes, including educational background and managerial experience, can impact SMEs' access to formal finance (Demmou et al., 2021; Q. K. Nguyen & Dang, 2023b).

Banking Sector Dynamics and SME Financing: The role of banks in facilitating SME financing is crucial. However, studies have highlighted challenges related to risk assessment, collateral requirements, and relationship banking practices in the Vietnamese banking sector (Beugelsdijk et al., 2008; Q. K. Nguyen, 2020, 2021). These factors can influence SMEs' willingness to apply for bank loans and their ability to navigate the formal credit market.

Policy Implications and Future Directions: Effective policy interventions are essential to address the barriers hindering SMEs' access to bank loans in Vietnam. Initiatives aimed at improving financial literacy, enhancing collateral options, and fostering stronger linkages between SMEs and financial institutions are warranted. Moreover, future research should explore the impact of evolving regulatory frameworks and technological innovations on SME financing dynamics in Vietnam.
This literature review provides a comprehensive overview of the existing research landscape on factors influencing SMEs' decisions to apply for bank loans in Vietnam. By synthesizing empirical findings and theoretical insights, this study aims to contribute to a deeper understanding of the mechanisms driving SME financing behavior and inform policy interventions aimed at enhancing access to finance for small businesses in Vietnam.

Hypothesis development. Banking conditions can exacerbate financial constraints arising from information asymmetry, incentive issues, and limited collateral availability. When financial intermediaries possess greater borrower information, opportunities to enhance borrower motivation through loan contract terms, including interest rates and collateral requirements, diminish (Demmou et al., 2021; Q. K. Nguyen, 2022c). Consequently, banks may prioritize collateral value during financial distress when information is incomplete. Collateral serves multifaceted roles when owners possess superior information about firm success probabilities compared to banks: limiting downside losses, incentivizing entrepreneur commitment, and signaling project viability.

However, collateral presents challenges for small firms, especially in their early stages when significant fixed assets are lacking. This collateral deficiency often impedes small businesses from seeking bank loans. Survey data such as the World Business Environment Survey, Business Environment and Enterprise Performance Survey (BEEPS), and Investment Climate Assessment (ICA) reveal substantial cross-country variations in financing practices, including collateral requirements (Q. K. Nguyen, 2022b; R. Wang et al., 2021). Businesses cite reasons such as insufficient information on borrower financial conditions and evaluation complexities for avoiding bank borrowing, leading to inflated collateral requirements (Q. K. Nguyen, 2022a; Uhde & Heimeshoff, 2009).

Restricted access to formal financing often compels SMEs to resort to informal sources, circumventing collateral and information requirements (Q. K. Nguyen, 2022d; Varotto & Zhao, 2018). Personal and familial funds become crucial for SMEs with low turnovers, implying that bank collateral requirements may reflect owner-manager loan application decisions. Thus, this study posits the following hypotheses:
H1: Collaterals required by banks affect owner-manager decisions to apply for bank loans. Banks serve as primary financiers for businesses, possessing superior information capabilities compared to other financial intermediaries. Consequently, establishing a firm-bank relationship proves instrumental in addressing asymmetric information challenges in business and lending. Research by Yin (2019) reveals that collateral requirements decrease as bank-borrower relationships strengthen. Borrowers maintaining concentrated and enduring relationships with banks face less stringent collateral demands.

Thus, a robust firm-bank relationship fosters owner-managers' willingness to seek bank loans. Tansuhaj et al. (1987) note that firms with prior bank relationships can re-establish connections with those banks. Ye et al. (2010) observe that firms utilizing short-term debt also utilize long-term debt, with bank-affiliated firms accessing both forms of financing. Conversely, firms lacking such relationships struggle to secure any bank funding.

Consequently, based on insights into information asymmetry and collateral dynamics, the following hypothesis is proposed:

H2: The extent of startup financing sourced from banks (firm-bank relationship) influences the likelihood of a firm applying for a bank loan.

Human capital encompasses a spectrum of attributes including knowledge, skills, competencies, attitudes, talents, and experiences leveraged by individuals to enhance firm value, achieve organizational objectives, and foster success (Q. K. Nguyen, 2023c; Xu & Zeng, 2016). Recognized as pivotal in enhancing firm assets and workforce capabilities, human capital drives productivity and sustains competitive advantage. H. Wang et al. (2021) highlight its significant contribution to entrepreneurial firm success, serving as a proxy for firm competence, credibility, and stakeholder confidence.

Owner-managers constitute a prevalent segment within SMEs, often single-handedly steering business operations. In contrast, larger enterprises typically feature management teams appointed by shareholders. Consequently, owner-manager attributes such as education and experience profoundly influence firm longevity and access to external financing. Highly educated entrepreneurs may opt to dissolve their ventures in pursuit of lucrative employment opportunities (Q. K. Nguyen, 2023b; Yasser et al., 2017; Q. K. Nguyen, 2024). Nofsinger and Weicheng (2011) underscore the pivotal role of owner-manager experience in shaping external financing disparities.

However, some studies suggest that the benefits of knowledge accrue primarily to managerial rather than operational roles (Almustafa et al., 2023; Dang et al., 2020; Q. K. Nguyen, 2023a). Balachandran et al. (2020) cautions against equating experience with knowledge, highlighting the variable relationship between the two. Yung and Chen (2018) employ Spearman's correlation analysis, fail to establish a definitive link between owner-manager education levels and financing application.

Prior research reveals conflicting findings regarding the impact of human capital on firm performance and owner-manager education on firm success. Shen et al. (2020) identifies a negative correlation between bank financing and owner experience. Yet, SME owners and employees in developing nations often possess lower educational attainment compared to their counterparts in larger enterprises (Q. Nguyen & Dang, 2020; Xia et al., 2017). Human capital theory posits that owner-manager education and experience shape firm access to external financing.

Consequently, the present study formulates the following hypotheses:

H3: Owner-manager education level significantly influences firms' propensity to apply for bank loans.

H4: Owner-manager experience significantly impacts firms' decision to seek bank loans.

Determining firm size may hinge on capital investments' value or employee count, serving as internal metrics of firm size (Dang & Nguyen, 2022; Kalsie & Shrivastav, 2016; Khai, 2022). The empirical exploration of symmetry and simultaneity hypotheses has largely overlooked firm size, as differences in size often reflect variances in other factors like age (Dang & Nguyen, 2021a; Offenberg, 2009). Guest (2009) delineates four approaches to size theories: the conventional microeconomic approach, transaction cost approach, industrial organization approach, and dynamic model of size distribution approach. The latter incorporates stochastic, life cycle, and evolutionary models, with research and development serving as the primary innovation source. Larger, established firms tend to have an advantage in this approach due to their pursuit of research and development activities, correlating firm size with age and growth (Dang & Nguyen, 2021b; Kalsie & Shrivastav, 2016). Beck et al. (2005) posit that firms typically enter the market as small entities and grow through learning, albeit facing higher risks and turbulence compared to larger counterparts. Small firms encounter challenges in securing credit, emphasizing the significance of controlling interactions between external and internal financing when examining financing relationships (LiPuma et al., 2013). Firms inclined toward growth are more prone to seek external equity and debt capital compared to stagnant counterparts (Ho et al., 2023; Kalkan et al., 2011), with firm size shaping the impact of financial structure on the growth process. Research indicates a positive relationship between firm size and external financing application, with debt significantly associated with firm size. Conversely, newer and younger firms tend to use fewer banks and finance institutions than their older counterparts (Dang et al., 2022; Yitayaw et al., 2023).

Based on the aforementioned assertions, the following hypothesis is formulated:
H5: Firm size significantly influences firms' propensity to apply for bank loans.

A strategy represents a deliberate plan crafted to accomplish specific objectives. In the context of business endeavors, a strategy encompasses the comprehensive blueprint of a firm, aligning various functional domains, analyzing internal and external environments, and charting the strategic trajectory of the organization towards achieving its goals. This perspective underscores the contextual and dynamic nature of business plans, serving as instrumental tools utilized by owner-managers to realize both short and long-term aspirations.

Typically, small businesses do not formulate operational or financing plans, especially during their inception phase. However, once a business plan is established, small businesses often operate with gearing ratios akin to or higher than larger enterprises, often exhibiting a higher proportion of short-term debt. While SME owners may not initially employ formal business plans to secure debt or external financing during the startup phase, their adoption of such plans correlates with an increased propensity to seek and utilize financing, as evidenced by Yitayaw et al. (2023).

A well-crafted business plan serves as a pivotal instrument in seeking and securing external formal financing. Entrepreneurs can present their business plans to potential investors or commercial banks, providing a clear and compelling rationale for funding. Yüksel et al. (2020) underscore the importance of business plans in facilitating debt acquisition. Conversely, small businesses lacking formal planning processes often resort to familial loans, with older family owners, who wield control over family finances, less inclined to consider business plans. Studies by Tariq et al. (2021) corroborate the significant association between written business plans and debt application.

This discourse examines the impact of business strategy attributes, particularly the presence of a written business plan, on firms' propensity to apply for bank loans. Consequently, the following hypotheses are proposed for empirical testing:

H6: The existence of a written business plan is likely to influence firms' inclination to apply for bank loans.

Methodology. To address this inquiry, small firms are categorized based on their likelihood to seek a bank loan. The data for this study were derived from a survey conducted by the authors in Vietnam. A total of 436 SMEs were selected, ranging in size from 1 to 50 employees, and representing various sectors of the economy. From the survey, 372 valid questionnaires were obtained, containing pertinent information regarding the attributes of SME owner-managers, including their educational background, professional experience, firm size, and age. Additionally, the survey collected data on business strategies, such as the presence of a business plan, and the sources of financing utilized during startup, as well as whether the SMEs had applied for a bank loan post-startup.

Our empirical investigation seeks to explore the likelihood and impact of various factors, including human capital, firm characteristics, business strategy, and bank conditions, on the application for bank loans by firms following the startup phase.

These factors are treated as dependent variables in our analysis. To examine these relationships, we employed the following model:

Bank loan application = constant + owner-manager characteristics + firm characteristics + business strategy + bank conditions + εi (1)

We utilized logistic regression analysis to investigate this model. The dependent variable (Y) was measured based on responses to the survey question regarding whether the business had applied for a bank loan for additional financing after the startup phase. Responses indicating affirmative applications were coded as "1," representing instances of "bank loan," while negative responses were coded as "0." The coefficients (β) were estimated using the following model:

Y = β0 + β1 Education level + β2 Previous business experience + β3 Business plan + β4 SME startup size + β5 Firm startup financing (firm-bank relationship) + β6 Collateral required by the bank + εi (2)

Result and discussion. Table 1 illustrates that the majority of correlations exhibit relatively modest values. While some correlations are statistically significant, the highest and lowest correlation coefficients are 0.432 and 0.003, respectively. Thus, according to Spearman’s correlation analysis, the level of multicollinearity is notably low. To validate the findings of our study, a collinearity statistics test was conducted, revealing variance inflation factors (VIF) ranging from 1.019 to 1.751 for all independent variables. Myers (1990) advises that VIF values exceeding 10 should raise concerns about multicollinearity. Fortunately, no evidence of collinearity issues among the predictor variables was detected.

Table 1. Correlation of independent variables for the bank loan-application model

Variables	1	2	3	4	5	6
Size	1.000					
Business plan	.432**	1.000				
Start-up financing	.380**	.483**	1.000			
Education	.182**	.212**	.074	1.000		
Experience	.148**	.044	.043	-.003	1.000	
Collateral	-.334**	-.282**	-.188**	-.047	-.048	1.000

Sources: Correlation is significant at the 0.01 level (2-tailed)

Through a meticulous quantitative analysis in Table 2, the research uncovers significant insights into how various factors influence these crucial decisions within the Vietnamese business landscape. Notably, the findings reveal a nuanced interplay between several key variables and the propensity of SMEs to seek external financing from banking institutions.

One salient observation from the study is the negative impact of firm size, education level, collateral availability, and loans with interest on SMEs' inclination to apply for bank loans. The inverse relationship between firm size and loan application suggests that smaller enterprises might face barriers in accessing formal financing due to their limited resources or perceived risk profiles. Similarly, the adverse influence of education level underscores potential challenges faced by less educated entrepreneurs in navigating the complexities of financial markets, thus reducing their likelihood of pursuing bank loans. Moreover, the deterrent effect of collaterals and interest-bearing loans underscores the financial constraints and risk aversion prevalent among SMEs, leading them to seek alternative funding sources or adopt conservative financing strategies.

Conversely, the study identifies positive associations between the presence of a business plan and start-up financing with SMEs' propensity to apply for bank loans. A well-developed business plan serves as a strategic roadmap, instilling confidence in lenders regarding the viability and growth potential of the enterprise. SMEs equipped with comprehensive business plans are better positioned to articulate their financial needs and growth strategies, thereby enhancing their attractiveness to banks as potential borrowers. Additionally, start-up financing, often indicative of external support or investor confidence, augments SMEs' credibility and financial stability, thereby facilitating their access to bank loans.

The findings underscore the complex interplay of factors shaping SMEs' decisions to apply for bank loans in Vietnam's dynamic business environment. While certain variables exert a deterrent effect on loan application rates, others serve as catalysts, highlighting the importance of tailored financial strategies and support mechanisms for SMEs. By shedding light on these intricate dynamics, the study provides valuable insights for policymakers, financial institutions, and SMEs alike, facilitating the development of targeted interventions and financial products aimed at enhancing

SMEs' access to formal financing and fostering sustainable growth in Vietnam's entrepreneurial ecosystem.

Table 2. Results of the logistic regression analysis for the determinants of bank loan- application

Variables	B	S.E.	Wald	Sig.
Size	-.365	.215	3.633	.031**
Business plan	1.321	.350	11.333	.001***
Start-up financing	2.555	.323	35.565	.000***
Education	-.613	.363	2.533	.052*
Experience	.025	.322	.005	.630
Collaterals	-1.753	.302	15.635	.000***
Constant	1.323	.630	6.227	.013

Conclusion. In conclusion, this study delved into the intricate determinants influencing Small and Medium Enterprises (SMEs) in Vietnam when deciding to seek bank loans. By grounding our investigation in a robust theoretical framework encompassing human capital, firm characteristics, business strategy, and information asymmetry, we developed a predictive model to elucidate SMEs' propensity towards bank financing. Our empirical analysis, conducted through a quantitative methodology and hypothetical-deductive testing approach, yielded valuable insights derived from primary data sourced via questionnaires focusing on loan applications within the Vietnamese SME sector.

The findings of our study shed light on several significant factors shaping SMEs' decisions regarding bank loans. While the business experience of a firm's owner surprisingly exhibited no substantial correlation with loan application likelihood, other variables emerged as influential determinants. Notably, the educational background of the firm's owner, firm size, collateral availability, and interest rates on loans were identified as factors negatively impacting SMEs' inclination to seek bank financing. Conversely, the presence of comprehensive business plans and the establishment of early relationships with bankers during start-up phases were associated with heightened tendencies among SMEs to apply for bank loans.

In providing empirical evidence and insights into the factors guiding SMEs' financing decisions, our study offers valuable contributions to both academic literature and practical implications for financial institutions. By better understanding the multifaceted dynamics influencing SMEs' loan application behaviors, financial institutions can tailor their lending strategies to effectively meet the diverse needs and preferences of SMEs. Moreover, policymakers and stakeholders can leverage these findings to formulate targeted interventions aimed at fostering an enabling environment for SME growth and entrepreneurship in Vietnam. Ultimately, this study underscores the significance of informed decision-making and strategic financial planning in facilitating the sustainable development of SMEs in emerging economies like Vietnam.

Author contributions. The authors contributed equally.

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IDENTIFYING DECEPTIVE FINANCIAL REPORTING VIA ANALYSIS OF FINANCIAL STATEMENTS: CASE IN VIETNAM

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Abstract. *Deceptive financial reporting represents a significant worry for the main regulatory bodies overseeing Vietnam's capital market. Both regulatory bodies are continuously enhancing the criteria to ensure thorough monitoring of publicly listed companies. The objective of the current study is to investigate the link between financial statement analysis and fraudulent financial reporting. While numerous researchers have uncovered evidence suggesting the effectiveness of financial ratios in identifying fraudulent financial reporting, others have reached differing conclusions. The majority of these studies were conducted beyond the borders of Vietnam. The sample consists of companies listed in Vietnam, and the data utilized spans from 2011 to 2022. The findings revealed that various financial ratios, including total debt to total assets and receivables to revenue, emerged as significant indicators for identifying fraudulent financial reporting. This suggests that financial ratios could potentially aid in detecting fraudulent activities. These results contribute to the existing body of literature concerning the efficacy of financial ratios in fraud detection.*

Keywords: *financial reporting, financial statement, fraud, Vietnam.*

JEL Classification: G31; M49

Formulas: 1, fig.: 0, tabl.: 5, bibl.: 53

Introduction. Deceptive financial reporting (FFR) can occur in any setting and has gained significant attention from both the public and global regulators, as individuals from various professions may engage in it. According to a recent survey on global economic crime in 2005 (Q. K. Nguyen & Dang, 2022a, 2022b; Prochniak, 2011), approximately forty-five percent of companies worldwide have experienced economic crime. Although less frequent compared to other forms of fraud, FFR typically inflicts the most damage on organizations.

The study of identifying deceptive financial reporting through the analysis of financial statements is of paramount importance due to its profound implications for investors, regulatory bodies, and the overall integrity of financial markets (Dang & Nguyen, 2021b; Dang et al., 2022; Davis & Garcia-Cestona, 2021; Kim & Zhang, 2014; Q. K. Nguyen & Dang, 2023a). Deceptive financial reporting can lead to distorted representations of a company's financial health, potentially misleading investors and stakeholders. This misrepresentation can result in significant financial losses for investors and undermine confidence in the financial markets (Q. K. Nguyen, 2020; Q. K. Nguyen & Dang, 2023b). By understanding the indicators and patterns associated with deceptive reporting, investors can make more informed decisions, and regulators can develop more effective monitoring and enforcement mechanisms to maintain market transparency and protect stakeholders' interests.

Moreover, in an increasingly interconnected global economy, where companies operate across borders and financial transactions span continents, the risk of fraudulent financial reporting transcends geographical boundaries. Therefore, researching methods to identify and mitigate deceptive reporting practices is crucial for fostering trust and stability in the international financial system. This research not only contributes to the advancement of financial analysis techniques but also serves as a cornerstone in safeguarding the integrity and efficiency of global financial markets.

The rise in fraudulent activities underscores the urgent necessity for research focused on identifying reliable techniques for detecting potential fraud. Ghafoor et al. (2019) asserts that regardless of its form, detecting fraud is essential, as detection serves as a crucial initial step in combating any form of fraudulent activity. This is primarily due to the elusive nature of fraud, which inherently resists scientific observation or precise measurement. A fundamental trait of fraud is its clandestine nature; nearly all instances of fraud involve attempts to conceal the wrongdoing (Dang & Nguyen, 2021a, 2022; Luo et al., 2020; Q. K. Nguyen, 2021).

Many experts in fraud investigation advocate for the use of financial ratios as an efficient method for fraud detection (Abbott et al., 2000; Mark S Beasley, 1996; Dang et al., 2020). Some even provide lists of common ratios (Q. K. Nguyen, 2021; Salancik & Pfeffer, 1980; Sun et al., 2009; Yang et al., 2019). However, despite this recommendation, there appears to be a scarcity of empirical evidence supporting the effectiveness of financial ratios in fraud detection, as researchers often encounter conflicting results when employing these ratios. Both Persons and Spathis concur that financial ratios serve as valuable tools in fraud detection. Conversely, Watson (2015) reached a different conclusion, suggesting that financial ratios may not be effective in identifying instances of fraud. This paper aims to determine which financial ratios are significant in detecting fraudulent reporting.

This paper is structured as follows. The subsequent section provides a review of the literature pertaining to fraudulent financial reporting and theoretical advancements. Following this, a discussion on the research methodology is presented, encompassing details such as the sample and respondents' questionnaires, response rate, and hypothesis development. Section four outlines the data analyses and resulting findings. Lastly, discussions on the conclusions, implications, limitations, and avenues for future research are presented in section five.

Literature Review

A. Definition of Fraudulent Financial Reporting

FFR has garnered significant attention from various stakeholders, including the general public, the financial community, and regulatory bodies. One of the earliest mentions of FFR was by Pomeroy and Thornton (2008), who defined it as a deliberate fraudulent act perpetrated by management, causing harm to investors and creditors through misleading financial statements. Additionally, FFR is characterized as a deceitful scheme involving fabricated documents and representations (Herda et al., 2014; Q. K. Nguyen, 2022b, 2022c). These definitions collectively suggest that financial statement reports created with the intention to deceive users are inherently fraudulent. Spathis (2003) further describes FFR as financial statements containing falsified figures that do not accurately represent the true financial situation. The Association of Certified Fraud Examiners (ACFE) defines FFR as the intentional misstatement or omission of material facts in accounting data, aiming to mislead investors and influence their decision-making processes. This definition underscores the significance of financial statements in investors' decision-making and highlights the detrimental impact of fraudulent reporting on investment decisions. In practice, financial fraud often entails falsifying financial statements by manipulating elements such as overstating assets, sales, and profits, or understating liabilities, expenses, or losses. In the context of the current study, fraud is defined as firms violating the offenses outlined by Bursa Malaysia, which include materially misstated information in financial statements. Additionally, non-fraudulent firms are matched with corresponding fraud firms based on industry, size, and time period, as companies in the same industry are subjected to similar business environments and accounting requirements (Kim & Zhang, 2014; Q. K. Nguyen, 2022a, 2022d).

B. Detecting FFR

The American Institute of Certified Public Accountants (AICPA), as outlined in Statement on Auditing Standard No. 82, delineates two categories of financial misstatement. The initial category pertains to fraudulent financial reporting (FFR), denoting deliberate alterations or exclusions of figures or disclosures within financial statements, aiming to mislead the reader. The second category involves the misappropriation of assets, commonly referred to as employee fraud or defalcation.

According to this definition, it is essential to ascertain whether the reviewed financial statement is accurate or contains significant inaccuracies. Moreover, fraudulent financial reporting breaches accounting standards by either omitting relevant information or incorporating fabricated figures (Alzeban, 2019; Maulidi et al., 2022; Q. K. Nguyen, 2023b, 2023c).

To gauge the potential for fraud, various tools have been devised to aid users in scrutinizing financial statements. One widely employed method for financial analysis is ratio analysis (Miettinen, 2008; Q. K. Nguyen, 2023b). Numerous ratios have been suggested in the literature, encompassing proxies for financial leverage such as total debt and total equity ratios, profitability proxies like net profit to revenue, and asset composition proxies such as current assets to total assets, receivables to revenue, and inventory to total assets, among others. According to Hunjra et al. (2021), items within current assets, such as accounts receivable and inventories, are particularly susceptible to manipulation. These items, considered soft or liquid assets in financial statements, are more susceptible to manipulation compared to hard items like sales and retained earnings (Kouaib & Jarboui, 2014). Consequently, fraudulent companies tend to manipulate soft items more frequently than hard items, leading to the detection of outliers during the variable testing process (Katmon & Al Farooque, 2017; Q. K. Nguyen, 2023a; Skinner & Soltes, 2011).

Eliwa et al. (2016) investigated whether investors can accurately identify management fraud through a company's financial statements. The research examined sixty-eight fraudulent companies identified from the SEC's Accounting and Auditing Enforcement Releases (AAERs) spanning from 1982 to 1999. Utilizing twenty-one selected financial ratios extracted from the fraudulent firms' financial statements, the study revealed that ratio analysis proves largely ineffective in detecting financial statement fraud. However, the research concurs that accounts receivable and inventory emerge as crucial variables. Accounts receivable allows for subjective estimation, making it challenging to verify and consequently susceptible to falsification. Falsifying accounts receivable entails recording sales prematurely, falsely indicating sales growth (Katmon & Al Farooque, 2017).

Numerous researchers propose that management may engage in manipulation of inventories. Eliwa et al. (2016), in his endeavor to identify concise models discerning factors linked with FFR, notes that inventories are often present in substantial quantities. Analyzing a sample comprising 103 instances of fraud in a specific year and an additional hundred samples from the preceding year's AAER data spanning from 1982 to 1991, Ye et al. (2010) further explains that fraudulent firms frequently exhibit a high proportion of accounts receivable within their current assets. Zgarni et al. (2016) ascertain that overstating inventory accounts for three-quarters of the enforcement cases pursued by the United States Securities and Exchange Commission (SEC). Some companies have been observed to report inventory values inaccurately and record obsolete inventory Cohen et al. (2017). Furthermore, the manipulation of inventory costs can render the relationship between sales and the cost of goods sold susceptible to distortion (Mark S. Beasley & Salterio, 2001, Q. K. Nguyen, 2024).

This value is typically determined through subjective techniques, and employing various accounting valuation methods often yields differing results, even within the same companies (Almustafa et al., 2023; Miettinen, 2008). Kim and Zhang (2014)discovered that inventory and accounts receivable were implicated in twelve and fourteen percent of FFR cases, respectively, based on their investigation.

Another element vulnerable to manipulation is the gross margin. Companies may engage in the practice of inflating their sales by prematurely recording revenue from unearned sales and simultaneously recording associated costs of goods sold, thereby augmenting the gross margin, net income, and fortifying the balance sheet (Habib & Hossain, 2013). Hunjra et al. (2021) observed that fraudulent companies typically exhibit gross margins half the size of those of non-fraudulent firms. Furthermore, certain fraudulent entities adopt a strategy of bolstering gross profits by reporting values lower than actual, even in cases where the proportion of inventory to total assets is high.

Debt-to-total-assets ratio has been identified as a significant indicator for evaluating the probability of fraud. Dechow et al. (2011) contend that the need for external financing is influenced not solely by the cash generated from operations and investments but also by the available funds within firms. They propose that the average capital expenditure over the three years preceding financial statement manipulation serves as a measure of the desired investment level during the reporting period. This notion is supported by other researchers, including Wen et al. (2019), who unanimously affirm its importance.

Methodology.

A. Research Design. This research analyzed a dataset comprising 600 samples, comprising 320 instances from fraudulent firms and 280 from non-fraudulent firms, drawn from Vietnamese Listed Firms spanning from 2011 to 2022. Financial data was sourced from Datastream for the study.

Selection of fraudulent financial reporting firms: Fraudulent reporting firms were sourced from the Vietnamese stock market. These firms were categorized based on the violations of the Listing Requirements of the Vietnamese stock market, predominantly for reporting material misstatements in financial reports. This screening process yielded a preliminary sample of 628 firms.

Data were collected over a retrospective period of five years. Initially, a fraudulent year was pinpointed, defined as the year when fraud was detected. Subsequently, data from the preceding four years were gathered. For instance, if the fraudulent activity was identified in 2022, the data for that particular firm would encompass the years 2021, 2020, 2019, and 2018, thus totaling five years' worth of data. The financial statement data for the fraudulent year remained unaltered, reflecting the original figures before any corrections were made. Fraudulent reporting firms from the financial and insurance sectors were omitted from the sample dataset, as the former typically doesn't involve accounts receivable and inventory, while the latter lacked sufficient data for empirical analysis. The final sample comprised 320 instances from fraudulent firms and 280 from non-fraudulent firms, with a majority of these firms operating in the industrial products sector.

Selection of non fraudulent financial reporting firms: Each fraudulent firm is paired with a corresponding non-fraudulent firm based on similarities in industry, size, and time period. Companies operating in the same industry typically face comparable business environments and adhere to similar accounting and reporting standards (Oussii & Taktak, 2018). Financial data for non-fraudulent firms is sourced from the same time frame as the fraudulent firms, ensuring control over general macroeconomic factors and the likelihood of a company engaging in fraud. This one-to-one matching process is employed to bolster the discriminatory capability of the models. Non-fraudulent firms are also required to possess adequate financial data during the matching period. As a result of this selection process, 280 non-fraudulent firms were included. The matching process involves aligning both categories in terms of: (i) time period, (ii) company size, and (iii) industry.

B. Data Collection Method. This research relies on secondary data extracted from published audited financial statements as the primary information source. These statements are sourced from the corporate annual reports of publicly listed firms in Vietnam, along with data from Data Stream, covering a retrospective period of five years. Data Stream is utilized comprehensively, enabling the extraction of various financial metrics including Retained Earnings. Annual reports are considered a principal means of communication with shareholders and the public, widely disseminated and among the most frequently generated documents.

C. Variables measures. Independent variables and control variable: For the intent of this investigation, five dimensions of the firm's financial ratios were delineated. These variables are outlined in Table I. The Selected variables are based on previous studies (Ho et al., 2023; Khai, 2022; Q. Nguyen & Dang, 2020).

Table 1. Measurement of independent variable and control variable

	Formula	Acronyms
Independent Variable		
Financial Leverage	Total Debt / Total Equity	TD/TE
	Total Debt / Total Asset	TD/TA
Profitability	Net Profit / Revenue	NP/REV
Asset Composition	Current Assets / Total Assets	CA/TA
	Receivables / Revenue	REC/REV
	Inventory / Total Assets	INV/TA
Liquidity	Working Capital / Total Assets	WC/TA
Capital Turnover	Revenue / Total Assets	REV/TA
Control Variable		
Size	Natural Logarithm of book value of total assets at the end of the fiscal year	SIZE

The dependant variable is as follows:

1. *Fraudulent firms:* This study aims to explore the notable distinctions in the mean values of financial ratios between fraudulent and non-fraudulent Malaysian Public Listed firms. Furthermore, the research endeavors to pinpoint the significant predictors among financial ratios pertinent to fraudulent financial reporting. Fraudulent firms are identified based on violations against the listing requirements of the Vietnamese stock market.

In accordance with the Listing Requirements outlined in the Bursa Malaysia handbook, a listed company must guarantee that any statement, information, or document presented, submitted, or disclosed under these Requirements: (i) is clear, unambiguous, and accurate; (ii) does not omit any material information; and (iii) is not false or deceptive.

Consistent with the study's definition of fraud, the selected firms meet these criteria and were sourced from the Bursa Malaysia Public Enforcement or Company

Advisor website, subsequent to examination by the regulatory authority. Hence, the fraudulent firms included in this study have violated the Main Market Listing Requirement, leading to disciplinary measures being imposed on these companies.

2. *Non fraudulent firms*: Non-fraudulent firms are defined as those not listed in the Public Enforcement or Company Advisor List and were matched based on the time period, total asset size, and industry alignment with the fraudulent firms.

D.*Regression Model.* The subsequent logic model was computed employing the financial ratios of the firms to ascertain which ratios were associated with FFR. By incorporating both fraudulent and non-fraudulent firms in the dataset, we aim to identify the factors that notably impact them:

$$\mathbf{FFR = b_o + b_1(SIZE) + b_2(TD/TE) + b_3(TD/TA) + b_4(NP/REV) + b_5(CA/TA) + b_6(REC/REV) + b_7(INV/TA) + b_8(WC/TA) + b_9(REV/TA) + e} \qquad (1)$$

where SIZE = Size; TD/TE = Total debt/Total equity; TD/TA = Total debt/Total Asset; NP/REV = Net Profit/Revenue; CA/TA = Current Assets/Total Asset; REC/REV = Receivable/Revenue; INV/TA = Inventories/Total Assets; WC/TA = Working Capital/Total Assets; REV/TA = Revenue/Total Assets.

Results and discussion

A.*Sample of Fraudulent Firms and Non Fraudulent Firms.* The sample was selected from diverse sectors, and its composition can be characterized based on the industries, as outlined in Table 2.

Table 2. The Type of Industry

Type Industry	Frequency	Percentage (%)
Technology	4	3.1
Trading services	20	15.4
Consumer	20	15.4
Industrial product	52	40.0
Construction	23	17.7
Properties	11	8.5

Table 2 illustrates that the industrial product category comprises the largest proportion of fraudulent firms in the sample, accounting for 40%. This is trailed by construction (17.7%), and consumer and trading services (both at 15.4%). The technology category represents the smallest percentage, with only 3.1%.

B.*Test of Normality.* Table 3 presents the assessment of data normality using Kolmogorov-Smirnov and skewness tests. In this study, skewness and kurtosis were utilized as primary indicators to evaluate the normality of the data. Seven of the ratios, namely LgSIZE, LgNP/REV, LgCA/TA, LgREC/REV, LgINV/TA, LgWC/TA, and LgREV/TA, were subjected to log transformations. The TD/TA ratio was maintained in its original form, as the normality of the ratios did not improve post-transformation, while the TD/TE ratio underwent square log transformations. This adjustment aimed to mitigate the influence of non-normality and ensure the integrity of the sample sizes. However, according to the central limit theorem, larger sample distributions (exceeding 30) tend to approximate normality irrespective of the underlying population distribution, a tendency that becomes more pronounced with increased sample sizes. Consequently, the TD/TA ratio was retained for further analysis.

Table 3. Normality of Data

Variables	Kolmogorov-Smirnov	Skewness (p-value)	Kurtosis
Lg SIZE	0.0001	0.141	-0.465
Square/Log TD/TE	0.0001	-0.396	1.066
TD/TA	0.0001	7.93	87.03
LgNP/REV	0.0001	0.736	8.181
LgCA/TA	0.0001	0.300	14.21
LgREC/REV	0.0001	1.354	9.157
LgINV/TA	0.0001	-1.740	4.192
LgWC/TA	0.0001	0.687	20.99
LgREV/TA	0.0001	0.238	13.33

LgSIZE: Size, Square/LogTD/TE: Total Debt/Total Equity, TD/TA: Total Debt/Total Asset, LgNP/REV: Net Profit/Revenue, LgCA/TA: Current Assets/Total Asset, LgREC/REV: Receivable/Revenue, LgINV/TA: Inventories/Total Assets, LgWC/TA: Working Capital/Total Assets, LgREV/TA: Revenue/Total Assets

C.*Pearson's Correlation.* Pearson's correlation coefficient was employed to ascertain the direction and magnitude of the association between two variables. Table IV displays the Pearson's correlation analysis results among the ratios. The findings reveal that all variables are interconnected, with the strongest correlation observed between LgWC/TA and LgCA/TA. This suggests that an increase in the ratio of working capital to total assets corresponds to a similar increase in both current assets and total assets.

Table 4. Pearson'S Correlation

	Variables	1	2	3	4	5	6	7	8	9	10
1	Square/Log TD/TE	1									
2	TD/TA	.265**	1								
2	LgNP/REV	-.144**	-.184**	1							
4	LgCA/TA	-.140**	044	-.082	1						
5	LgREC/REV	.084*	.064	.241**	.022	1					
6	LgINV/TA	-.045	-.044	-.162**	.155**	-.184**	1				
7	LgWC/TA	-.244**	-.025	.024	.444**	-.018	.151**	1			
8	LgREV/TA	.001	145**	-.484**	.241**	-.440**	. 140**	.044	1		
9	Lg Asset	.111**	-.126**	.124**	-.285**	.044	.211**	-.221**	-.154**	1	
10	Non-Fraudulent / Fraudulent	-.000	-.044	-.004	.044	.106**	-.002	0.24	-.012	.002	1
	* Significant at $p < 0.05$, **Significant at $p < 0.001$										

D.*Multiple Linear Regressions.* Stepwise multiple linear regressions were employed to examine the relationship among all independent variables. Prior to conducting the regression analysis, all variables were assessed for normality, multicollinearity, and outliers. Normality was confirmed based on the skewness and kurtosis after transformation (refer to Table 3). Multicollinearity assumes redundancy among independent variables, where one variable adds no predictive value over others. Values of 0.7 and above indicate high correlation among independent variables. According to Table 4, Pearson Correlation analysis, there was no evidence of multicollinearity among the independent variables. Table 5 illustrates the stepwise logistic regression with univariate analysis.

Table 5. Stepwise Multiple Linear Regression

Independent Variable	Unstandardised Coefficient	S.E.	Sig.
Model 1			
Square/Log TD/TE	0.945	0.142	0.001
Lg REC/REV	2.049	0.708	0.001
Lg INV/TA	-0.575	0.271	0.021
LgREV/TA	1.181	0.502	0.011
Constant	1.008	0.479	0.024
X2 (Chi Square)	10.195		0.255
R^2	0.205		
N	120		
Correctly predicted:			
Non-Fraud	75.52%		
Fraud	45.3%		
Overall	54.1%		

The findings indicate that the proposed model achieved an overall correct classification rate of 74.7%. The results also indicate that only four ratios are statistically significant in predicting misleading financial statements. These ratios include Square/Lg TD/TE, Lg REC/REV, Lg INV/TA, and Lg REV/TA, all significant at p = 0.10 or better. The Square/Lg TD/TE ratio demonstrated a significant positive effect with a coefficient of β = 0.945, suggesting that an increase in this ratio raises the likelihood of a firm being classified as fraudulent. Similarly, for Lg REC/REV, the coefficient implíe that firms with higher values of Lg REC/REV are more likely to be classified as fraudulent. Conversely, Lg INV/TA exhibited a significant negative effect with a coefficient are negative. This implies that firms with lower values of Lg INV/TA are more likely to be classified as non-fraudulent. Lastly, the ratio of Lg REV/TA showed a significant positive effect with a positive coefficient, suggesting that firms with higher values of Lg REV/TA are more likely to be classified as non-fraudulent.

Conclusion. The findings indicate that the leverage proxy represented by the total debt to total equity ratio is a significant indicator for fraud analysis. This aligns with the findings some prior studies. Essentially, this implies that firms with elevated total debt to total equity values are more likely to be classified as fraudulent entities. Similarly, capital turnover proxies represented by receivables to revenue also yield significant results. High ratios of accounts receivable to sales are consistent with research indicating that accounts receivable is an asset prone to manipulation. These variables may signify fraudulent firms manipulating the underlying factors. Additionally, asset composition proxies represented by inventory to total assets also demonstrate significant results. It can be inferred that leverage, capital turnover, and asset composition were significant predictors for fraud detection. This finding is supported by the study's overall correct classification.

One limitation of this study is the reduction in sample size due to unavailable information from Datastream. Consequently, the findings may not accurately represent the sample of fraudulent firms, evidenced by the relatively low percentage of correct classification. Moreover, this study solely relied on financial data sourced from Datastream, thereby restricting access to other potentially useful sources of information for detecting fraudulent financial reporting (FFR). Additionally, the study focused on a sample of companies for which fraud was detected and reported by Bursa Malaysia through their issued listings. Consequently, other types of fraud that remained undiscovered, as well as those that may be uncovered during audits, were not accounted for in the analysis.

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CHAPTER 3
MODERN MANAGEMENT TECHNOLOGIES

INVESTMENT MANAGEMENT THROUGH THE PRISM OF THE DEVELOPMENT OF FINANCIAL LEASING FROM THE PERSPECTIVE OF ECONOMIC SECURITY

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Abstract. *The article examines the essence of investment management through the prism of the development of financial leasing from the perspective of economic security, the provision of which in the conditions of the russian-Ukrainian war is simultaneously a requirement, a need, and a guarantee of the existence of the country and its future prosperity. The purpose of the article is the theoretical justification and development of practical recommendations for investment management through the prism of the development of financial leasing from the perspective of economic security. The methodological basis, which allowed to ensure the integrity of the research, is a set of general scientific and applied methods, in particular such as: analysis, synthesis, monographic, abstraction; deductions, inductions, monographic; systematization; theoretical generalization; quantitative and qualitative comparison. The study emphasizes that the state of war between russia and Ukraine has led to a worsening of the situation in all areas of the country's life, and thus had a negative impact on the level of economic security of the state. In this perspective, the article examines the essence of security and related concepts, as well as its relationship with the development of aspects of security theory and the description of the main conditions and factors that generate threats to the economy. The negative changes that occurred in all spheres of the economy and are directly related to the consequences of Russian aggression and the consequences of wars for individual countries in the context of their economic development are considered. Taking into account the issues of the research, attention is focused on the importance of strengthening the role of the state regarding the use of mechanisms of influence on the processes that are currently observed in all spheres of social life and, in particular, the complex use of financial instruments – financial leasing. It was concluded that, taking into account the outlined interrelationship of the "economic security" categories and related concepts, in the context of the research problem, it is appropriate to implement at the state level the best global practices of using financial leasing tools to provide the population with housing with maximum consideration of all externalities, which in the long run will contribute increasing the level of economic security of the state and ensuring the synergistic effect of economic development in the post-war period and the period of post-war reconstruction of Ukraine.*

Keywords: *economic security; state economic security; investments, investment management, financial leasing.*

JEL Classification: A10, A11, A19, E22, G11, G17, G19, O10, O30, O40
Formulas: 0; fig.: 1; tabl.: 0; bibl.: 17

Introduction. Ensuring the economic security of the state is both a requirement and a need and a guarantee of the existence of the country and its future prosperity in the conditions of full-scale russian aggression against Ukraine. Investment management as a somewhat amorphous coordinate system determines the vector of the state's movement in this direction, taking into account modern realities, the needs of the economy, the requests of a humanistic civilized society to ensure the safety of both people and the state as a whole, and the use of available tools to achieve this. One such tool is financial leasing, which has proven to be constructive in countries that have gone from war with an aggressor to economic growth.

Literature review. The issue of investment management, in particular from the perspective of ensuring the economic security of the state, was considered in the works [1-17] of many scientists. However, without denying their significant contribution to the development of the theory and practice of scientific thought, it should be noted that in the conditions of the russian-Ukrainian war, concepts that require consideration in the triune context of the concept of economic security, security of citizens and their social well-being come to the fore, which requires carrying out an in-depth review of the outlined aspects in the context of the study of theoretical aspects and the development of practical recommendations for investment management both through the prism of the development of financial leasing in the conditions of a full-scale war and in the period of post-war recovery of the economy of Ukraine from the perspective of the economic security of the state.

Aims. The purpose of the article is the theoretical justification and development of practical recommendations for investment management through the prism of the development of financial leasing from the perspective of economic security.

Methodology. The methodological basis, which allowed to ensure the integrity of the research, is a set of general scientific and applied methods, in particular such as: analysis, synthesis, monographic, abstraction; deductions, inductions, monographic; systematization; theoretical generalization; quantitative and qualitative comparison.

Results. The state of war between russia and Ukraine, which has been ongoing since 2014 and has deepened disparities in the development of various sectors of the economy, had a negative impact on the labor market, exacerbated the problems and negative phenomena that have been occurring in the economy for many years and have been brewing for a long time and are currently reflected in all areas of the state's vital activity and macroeconomic indicators, and therefore, at the level of the state's economic security.

In the most general sense, security is a state of protection from anything and can be used to protect an individual, as well as society and the state as a whole. " Security is a state of protection of vital interests at all levels, from the individual to the state, from internal and external threats, taking into account the availability of sufficient resources of various types. As a result, safety limits can be highlighted, the non-attainment of which may indicate the existing level of safety for a certain period of time" [1].

When considering security as a category, it is advisable to also take into account possible resources of various types, the presence of which in sufficient volume will allow to achieve a state in which the appropriate level of security will be ensured in order to be able to counter external and internal threats (the need for resources to ensure security is highlighted to one degree or another in scientific literature, when it comes to the need to achieve a state of security, but in the definitions of the authors, this is not highlighted separately) [1].

The main approaches to interpreting the concept of "security" as a category are resource-based and protective. Their combination most fully characterizes it in terms of content, and also indicates the possibility of achieving a certain desired state in which there is no danger, while not achieving it can lead to the destruction of the subject, but under critical circumstances, the object of security [1].

In modern scientific literature, there is no single definition of economic security, there are a large number of scientific approaches to the characterization of security as a category due to the use of various objects and tools in its research. The scientific works of most researchers are mainly related to the study of economic security as a state of protection of the economy from external and internal threats for its further development. In connection with the above, in modern conditions, it is considered expedient to create appropriate conditions to ensure the effective development of the economy and to develop adequate measures to increase the level of economic security of the state [1].

The appropriate level of economic security can be achieved as a result of the implementation of a unified state policy, supported by a system of coordinated measures, which, in turn, are adequate to internal and external threats. A high level of economic development cannot be ensured without such a policy, also Smith A. emphasized that ensuring stability and economic security, together with the coordination of the interests of the subjects of economic activity, is a function of the "invisible hand of the market", and the safety of market participants acting rationally" is a natural state of the market, as noted by Moshensky S.Z. [2, p. 254]. A. Smith's theory was developed by Marshall A., who believed, as stated in the works [2, p. 254; 3] that the coherence of the interests of market participants is the main prerequisite for ensuring economic security, the state of economic security contributes to the accumulation of savings, while ensuring the state of economic security requires both the intervention of self-regulating market forces and state regulation. In general, the ideas of Smith A. and Marshall T. lay the foundations for understanding the essence of conflicts and threats to economic security from the point of view of its provision [1].

The problem of economic security in scientific works is closely related to the development of aspects of security theory and the description of the main conditions and factors that generate threats to the economy [1].

In general, among theories of economic security, scientists [4, p. 83; 5, p. 25] consider the theory of conflicts, catastrophes, compromises, risks, and chaos.

In Western economic literature, economic security is not the subject of detailed research and is studied mainly in the context of two independent currents [6, p. 23]: 1) "theories of catastrophes" (E. Ziman, I. Casetti, Kolata J., Laszlo E., Oliva T.); 2) "theories of risks" (Keske R., Clark J., Dembro R., Arrow K.).

In the context of the history of economic theory, there are four main theories of economic security that were formed at the end of the 20th century, which reflect the relationship between economic security, the coherence of the interests of market participants and state regulation, which include the following [2]:

1. The theory of socio-economic catastrophes, which studies social and economic crises, based on the methodological provisions of the theory of complex systems and thermodynamics.

2. The theory of risks, which examines the typology and nature of economic risks.

3. The theory of conflicts, which emphasizes the social causes of economic conflicts.

4. The theory of self-organization of complex systems, which analyzes the patterns of safe and stable functioning and development of complex systems, in particular, economic ones.

As a result of the onset of negative consequences in the economic development of the state, there is a decline in economic sectors, bankruptcy of business entities, a decrease in the social standard of living of the population and an undermining of the nation's life support system with subsequent loss of sovereignty. This has a direct impact on the functioning of the higher education system in general, the activities of higher education institutions, and therefore on the level of their economic security, taking into account the important social and economic role of higher education in modern conditions. Since higher education institutions train specialists to meet the needs of the labor market, the demands of the economy and employers, they are subject to the laws of economic development. Thus, the role of the state in regulating socio-economic processes in the country is also increasing due to a comprehensive study of problems arising in the state, assessment of socio-economic consequences, development of preventive measures to avoid them, forecasting of possible results from their implementation at the national level, which in in turn, it will contribute to increasing the level of economic security of the system of higher education institutions [1].

At the same time, it is considered appropriate to take into account the existing close connection of universities that train specialists who can be competitive both on the foreign and domestic labor markets and are the basis of the intellectual potential of the nation, with the economic development of the state and its level of competitiveness. In this context, it is advisable to consider the economic security of higher education institutions in the system, taking into account its dependence on national security, economic security of the state, region, enterprises, etc [1].

In the conditions of globalization, there is a transition to the knowledge economy, which is determined by the dynamic development of scientific and technological progress and the implementation of its achievements in almost all spheres, the increase in innovative activity and the globalization of scientific and technological knowledge. In this context, it is necessary to take into account that education, in particular, higher education, plays an important role in the development of the state and the world as a whole and acts as one of the main factors influencing the increase in the level of economic development of the country. Under such circumstances, an important task of the state is to ensure the appropriate level of competitiveness of university graduates both on the domestic and international labor markets by obtaining quality educational services and the competitiveness of the higher education system as a whole, which, in turn, will lead to an increase in its positions both in domestic (within the country), as well as in external (within the world) ratings, will contribute to an increase in the amount of investments in human capital by the state (due to an increase in the amount of funding from the state budget), attracting funds from domestic and foreign students, as well as from private investors, which is reflected in in the works of the author [1].

Is presented in the context of economic security management, taking into account the essence of these categories and their characteristics, which indicates the presence of a close relationship between them and such concepts as "factors", "challenges", "danger", " threat" and "risk". The relationship and interrelationship of the concepts "factors", "challenges", "danger", "economic danger", "threat" and "risk" are shown in fig. 1.

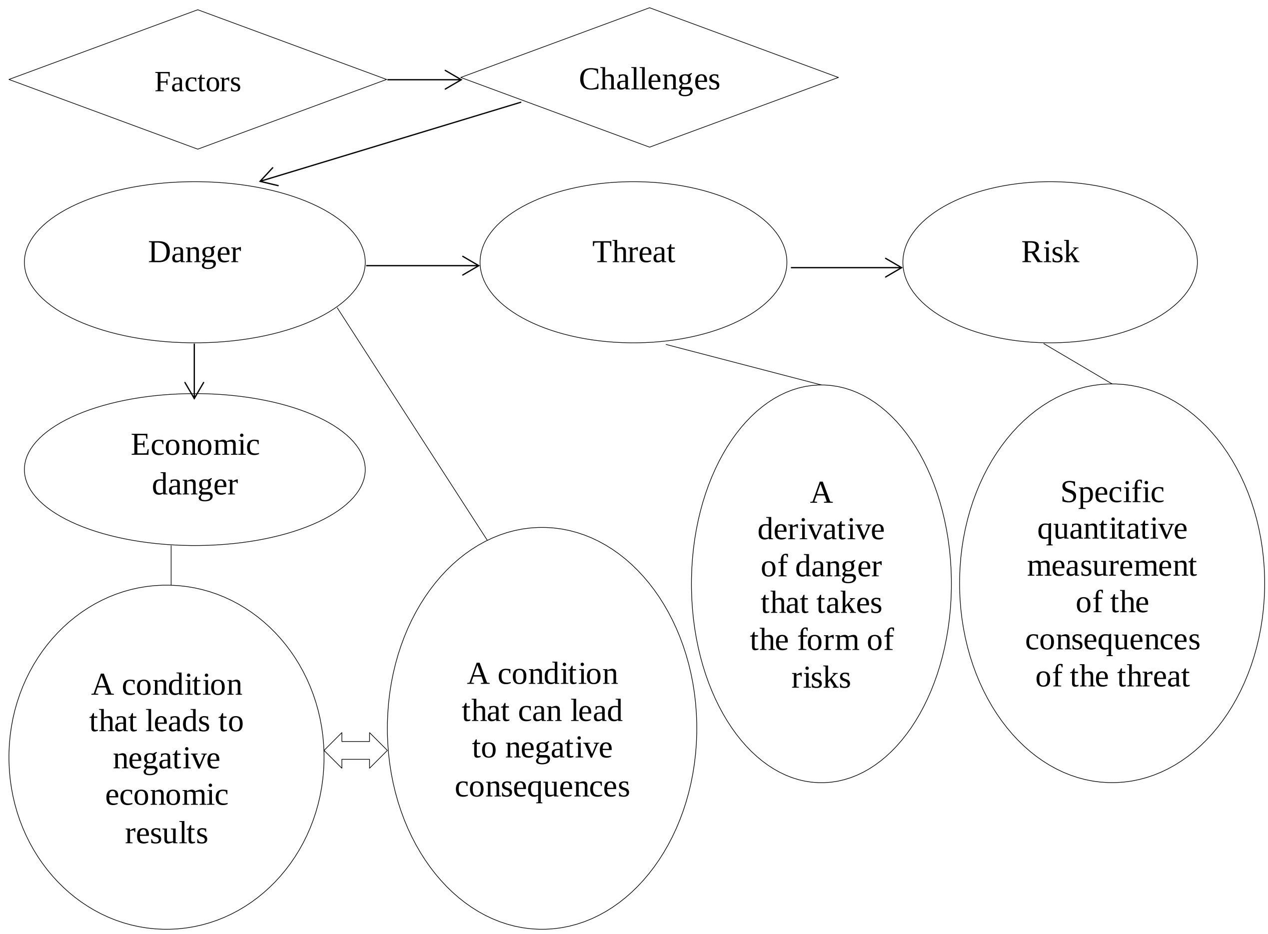

Figure 1. Hierarchical diagram of the relationship between the categories "factors", "challenges", "danger", "economic danger", "threat", "risk"

Source: [1; 7-8]

Given the characterization of challenges as one of the forms of factors, which they acquire in the event of negative changes in the external and internal environment and contribute to the generation of danger, the derivative of which is a threat, which, in turn, manifests itself in the form of risks.

Taking into account the relationship of the categories "factors", "challenges", "danger", "economic danger", "threat", "risk", the characteristics of these categories are as follows [1; 7-8]:

1. Danger is a condition that can lead to the onset of negative consequences of the functioning of higher education institutions in the form of negative, destructive changes as a result of an imbalance in the socio-economic system.
2. Economic danger is a condition that leads to negative economic results of the functioning of higher education institutions, which can act simultaneously as elements of the socio-economic system and business entities and have a negative impact on the country's economy.
3. A threat is a derivative of danger that manifests itself in the form of risks subject to quantitative measurement using economic and statistical methods.
4. Risk is a specific quantitative measurement of the consequences of a threat derived from danger, as a state that, as a result of a disturbance in the balance, can lead to the loss of resources of various types or a lack of income, provided that negative trends in the socio-economic sphere, which, in turn, are formed under the influence of external and internal environmental factors.

In other words, risks are considered as a detailing of threats and can lead, as a result of the negative influence of factors of the external and internal environment, to an increase in the amount of losses in the socio-economic sphere of the state. russia's military aggression against Ukraine had a negative impact on the labor market (a large number of workers became IDPs or went abroad, the shortage of qualified personnel increased both as a result of this and as a result of mobilization), many enterprises were destroyed , part of the territory was under occupation (a certain part of still, unfortunately, remains occupied) and other factors, as a result of the russian-Ukrainian war, had a significant negative impact on the business [9]. In particular, in the most promising field of Ukraine – IT, 15% of specialists were reduced after the start of a full-scale war, 46% revised their salaries. At the same time, it is positive under such circumstances that there was a salary increase in some companies: 11% of employees had a salary increase due to a change in title. In outsourcing, outstaffing, and food companies, wages were increased for approximately half of specialists. In start-ups, at state and communal enterprises, 36% and 29% of employees received salary increases [10].

Negative changes also occurred in the sphere of employment and unemployment. Thus, "on the eve of the russian invasion, the official level of unemployment in Ukraine was almost 10%, for comparison in the EU countries this figure is 7% on average." The largest number of Ukrainians worked in trade, agriculture, industry, education and healthcare systems. In the first months of russia's full-scale war against Ukraine, "Ukrainians lost almost a third of their jobs. However, at the end of 2022, the situation improved significantly: experts of the International Labor Organization estimated the level of unemployment in Ukraine at the end of 2022 at 15.5% [9]". The main reasons for this are the restoration of the work of individual enterprises of various sectors of the economy, the de-occupation of part of the territory [9]. The most affected as a result of the russian aggression were the enterprises working in the market of construction and repair works. As of April 1, 2023, 20% of the registered unemployed were previously employed in trade, 16% in processing industry, 15% in agriculture, and 13% in public administration [9]. Along with the outlined problems, which in the complex lead to a decrease in the solvency of the population, a deterioration of the economic situation, a decrease in macroeconomic indicators (in particular, GDP), and an increase in inflation. In particular, the cost of the Iran -Iraq war of the 1980s, lasting almost eight years, to the Iraqi economy amounted to $452.6 billion (7 GDP of the country according to the measure of that time), the 5-day war in Georgia in 2008 cost the state approximately 23% of GDP (about 2 billion euros), in the Second World War Japan lost 25% of its national wealth and 1/3 of its production capacity [11]. In Israel, the war continues from 1947 to the present, the peak of inflation (480%) was in 1984; the war in Syria is not over, and inflation was at its peak in August 2021 at 139%; in Iraq, the war lasted from 2003 to 2011 and ended with the overthrow of the Hussein regime, and inflation peaked at 77% in August 2006; Serbia and Croatia are considered in the context of their existence within the borders of Yugoslavia, the wars together were called the Yugoslav Wars or the War in Yugoslavia: in Serbia, war inflation reached its maximum mark ($1.16*10^{14}$ %) in January 1994, in Croatia inflation reached its maximum marks (1890%) in 1993; in Libya (the war lasted from 2014 to 2020), the maximum level of inflation occurred in May 2017 (33%); in Georgia (2008), the maximum inflation was 13% in August [11].

In Ukraine (as a result of russia's full-scale war against our country), the total amount of direct documented damage (since the beginning of the full-scale invasion) to residential and non-residential real estate, other infrastructure amounted to more than 150.5 billion US dollars (at replacement cost) [12].

According to the results of the review of the prospects for the development of the world economy by the IMF "War hampers global recovery", russia's war against Ukraine also has a negative impact on the world economy, in particular: there is an exacerbation of crises in the humanitarian sphere and health care; global production and supply chains are collapsing; the imbalance between supply and demand deepens [13, p. 7]; on a global scale, global business risks are intensifying, the main ones in 2023, according to Allianz Risk Barometer , are: cyber incidents (the biggest cause of concern for companies for the second year in a row), business interruption, macroeconomic changes such as inflation and monetary policy, the energy crisis, legislative and regulatory changes, natural disasters, climate change, skill shortages, fires and explosions, political risks and violence [14].

In modern conditions, taking into account the significant losses of Ukraine in this war, the role of the state regarding the use of mechanisms of influence on the processes that are currently observed in all spheres of social life and, in particular, the complex use of financial instruments (effective and proven over a long period of time is the financial and credit mechanism of providing housing for citizens – financial leasing [14]). In particular, in "Diya" the program " eRecovery " was launched, within which funds will be paid to people for the repair of their homes, which were damaged due to the war [13].

In view of the above, taking into account the positive experience of these countries for the recovery of their economies, it should be noted that Ukraine should also take into account and use in its practice financial instruments that have proven their effectiveness (on the example of the countries discussed above) for attracting and effectively managing investments.

As a kind of backbone from which all processes in the country move, as an engine that sets the executive bodies of the state in motion, investment management (as an important component of the economic security of the state) requires the development of such a financial and credit mechanism as financial leasing, which is especially relevant in the conditions of a full-scale war and will not lose its relevance during the post-war recovery of Ukraine's economy. The existence of such an irrational skeleton is to some extent the architectonics of all innovation-oriented socio-economic systems and makes the vector of movement of the country and all business entities more defined and corresponding to modern realities [15-17].

Conclusion. In view of the above, it should be stated that taking into account the relationship of such categories as "challenges", "security", "danger", "economic danger", "threat", "risk", from the point of view of managing the economic security of the state in the context of implementing effective investment management and at all levels of management expedient using the best global practices of financial leasing tools to provide the population (in particular, victims of military aggression as a result of russia's war against Ukraine) housing with maximum consideration of all externalities. Implementation of the above will contribute to increasing the level of economic security of the state and ensuring the synergistic effect of economic development in the war period and the period of post-war recovery of Ukraine.

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DEVELOPMENT AND RECOVERY MANAGEMENT OF TOURIST DESTINATIONS USING THE EXAMPLE OF KYIV CITY: OVERCOMING CONSEQUENCES OF THE NEGATIVE IMPACTS

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Abstract. *The development of tourism at the destination level is closely linked to its attractiveness, which determines the prospects and opportunities for attracting tourist flows. New trends in the development of modern tourism as a socio-economic, cultural, and communicative institution require regional tourism entities to take appropriate practical measures. Increasing tourist flows requires the creation of an appropriate infrastructure, including the expansion of the network of accommodation facilities, the development of transport links and other services necessary to meet the needs of tourists. Political instability and the lack of a comprehensive, systematic model of tourism management have led to the decline of this sector in Ukraine. The relevance of this topic is driven by the need to develop strategies and management measures to ensure the attractiveness of urban destinations for tourists and to restore the tourism sector in line with international management models and examples of major urban tourist destinations. The main purpose of this study is to analyze the aspects of management, development, and recovery of a tourist destination on the example of Kyiv as part of Ukraine's economic system in the context of a pandemic and war. The study uses systemic analysis, structural and functional approaches, as well as comparison methods. The study examines the problems associated with a decrease in tourist flow and loss of revenue in the tourism industry due to ineffective management of the tourist destination (pandemic and military operations in the country) and insufficiently developed infrastructure. This made it possible to formulate recommendations for solving problems, namely: improving transport infrastructure and creating and maintaining tourist infrastructure, such as hotels, restaurants and other facilities that will form an open state tourism policy. The concept of spatial-economic management and practical functionality of tourist destinations on the example of Kyiv is developed, provided that modern technologies, approaches, and methods of tourist destinations formation are used, which are components of the model of management of tourist areas development. The results of the study can be used to manage tourist destinations at the international and regional levels.*

Keywords: *economic system, management strategies, marketing tools, innovative approaches, urban destination, city infrastructure, investments.*

JEL classification: H70, L83
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Introduction. Tourism is one of the largest global industries, generating significant employment and revenue for many countries. Tourists spend money on hotels, restaurants, shops, and other services, which helps to boost local businesses and supports the development of financial stability. Travel facilitates cultural exchange between countries, which promotes understanding and mutual influence between different cultures. This contributes to increased tolerance and mutual understanding between nations, leading to peace and cooperation. In addition, the development of domestic and international tourism offers excellent potential for economic growth and improving living standards.

Over the past years, Ukraine has taken a high position in the tourism industry, attracting tourists with its cultural heritage, natural beauty, and historical monuments. However, negative impacts such as the outbreak of war in 2022 and the Covid-19 pandemic have put Ukraine's tourism industry at risk of decline. The threatening decline in tourism activity poses significant risks to the country's socio-economic situation. A decrease in tourist arrivals leads to job losses, lower revenues for businesses serving tourists, and a general decline in economic activity. Given this, the issue of tourism recovery and development should be given great attention as part of the country's economic recovery strategy.

Literature review. This research study has thoroughly analyzed and examined the issues of tourism destination management, aiming to study the impact of crisis phenomena, notably pandemic and martial law. The analysis highlights vital aspects related to the effective management of tourist flow, ensuring the safety of visitors, and developing strategic approaches to adaptation and recovery of the tourism sector in unforeseen situations.

Considering this topic, we should pay attention to the article of Uzbek scholars N. Komilova, M. Usmanov, and N. Safarova. In their research article, the basic concept of "tourist destination" was considered in the context of the tourism system. The authors draw attention to the content and essence of this term, presenting different definitions from different scholars. They define a destination as a geographical region with a particular attractiveness for tourists, attracting them to its borders. One critical aspect discussed in detail is classifying the term "destination" according to four essential aspects: territorial, economic, social, and administrative. This comprehensive classification allows a better understanding of the various aspects that define and shape tourist destinations. In addressing the issues of tourist destinations in the regional context, special attention is paid to the criterion of "dependence" on the specific geographical location of the region. Such an approach to assessing a tourist destination allows for considering each region's geographical features and uniqueness in its attractiveness to tourists. In addition, a tourist destination's economic aspect is regarded as a specific route for tourists and an essential economic category [12]. This broadens the understanding and context of tourism resource management, contributing to the development and competitiveness of tourist destinations. It is essential to emphasize the importance of supporting the brand concept through marketing to form the material and technical base that provides tourism infrastructure in the form of a cluster. This support helps to improve the production of tourism services and products. It enhances the attractiveness and competitiveness of the destination image, which, in turn, leads to an increase in the popularity of the destination.

The next group of scientists, Y. Zhang and D. Blasco, studied destination management issues in the context of COVID-19. The paper collected experimental data during a tour in October 2020 and subjected it to inductive analysis to gain relevant insights. The results emphasize the need for a proper approach to planning and managing a tourist destination. It turns out that successfully solving problems in this area requires abandoning general strategies, focusing on the specifics of the local tourism market, and building a positive image of the destination. It is vital to avoid template solutions, as each tourist destination has unique characteristics and needs. Instead, it is worth focusing on the individual aspects of each destination, considering its identity, cultural factors, and specific requirements of tourists. A key element of successful management is responding to emerging challenges and adapting to future trends in the tourism industry. Understanding and forecasting trends allows businesses and local authorities to adapt effectively to changes, contributing to competitiveness and sustainable tourism destination development. Given the various challenges, including the impact of the war, it is essential to approach the management of a tourist destination with an understanding of the context and specific circumstances [23]. Strengthening cooperation between different stakeholders, considering socio-cultural differences, and adopting appropriate strategies can contribute to a positive solution to current and future challenges in tourism. Given the above, we can support this conclusion and add that Ukraine can also implement this management method, focusing on the local population and considering the additional aspect of the impact of war.

The research of scientists L. Zhenhuan, W. Dake, A. Jaffar, H. Saad, and M. Riaqa considers that technological innovation is an effective means of overcoming the global crisis, and tourism institutions should adapt their indicators and standards to stimulate and evaluate the purpose of research, role, and impact related to tourism and leisure industry. Crises also create opportunities to accelerate technological progress, change, and innovation. Technological progress and the use of social media play an essential role in ensuring economic stability and growth. In the context of digital health and the crisis, technological applications are at the forefront of overcoming the adverse effects of COVID-19 in the business sector, such as travel, leisure, and tourism [24]. While this conclusion can be agreed upon, it should be added that technology is making a significant contribution to the recovery of the global economy and the tourism industry. This is achieved through the introduction of social distancing measures, the use of crowd control technologies, and the practical analysis of large amounts of data for operational management and real-time decision-making. In addition, it is essential to note the introduction of identification control systems and digital health passports, which help ensure safety and efficiency in the face of modern challenges such as global crises and pandemics.

Also, attention should be paid to the work of M. Gato, Á. Dias, L. Pereira, R. Lopes. They argue that management plays an essential role in the organization’s management, which should ensure that the staff knows the importance of continuous learning. One of the primary responsibilities of management is to implement positive human resource management practices and develop a learning system. Organizational commitment to learning is an essential element of organizational learning capacity, and if management defines a strategic approach to learning, it can lead to lasting results. Their study results indicate that to manage a destination successfully, the LDMO (local destination marketing organization) must continue to create an innovative and dynamic environment focused on profound change to meet changing tourist demands. It is also essential to have the ability to anticipate these changes and motivate staff to make independent decisions and be independent [14]. At the same time, scientists emphasize the importance of their employees maintaining direct contact with tourists, providing information in offices, and selling tourist services. This confirms that organizational learning capability is vital to managing a tourist destination. Thus, these statements are consistent with the results of this study: effective marketing communication is an essential factor in the successful management of an innovative and creative destination. The interaction between organizational learning, strategic management, and marketing can lead to competitive advantage and create a positive relationship between marketing orientation and organizational performance.

The papers of scientists E. Mehmet, G. S Zehra, and K. Burçin contain similar thoughts about tourist destinations in the context of crisis conditions. The authors argue that crises harm the tourism industry due to a decrease in revenues from tourism services caused by a reduction in the number of inbound tourists, which results in a deterioration of the country’s economy. The researchers examined the adverse short-term effects of crises on the crisis management practices of tourism enterprises in Turkey after the terrorist attacks in 2015-2016, political tensions with the Russian Federation after the downing of a military aircraft in 2015, and the attempted coup d’état in 2016. The researchers surveyed 219 representatives and managers of hotels, travel companies, airlines, and other tourism businesses participating in the 10th Travel Turkey Tourism Fair and Congress. It was found that all three different, interconnected crises significantly impacted tourism businesses in the short term [15]. These effects were independent of the type of enterprise or the duration of its operation. Tourist destinations face many risks that can impact the safety and stability of the destination. Such risks include natural disasters, epidemics, terrorist attacks, or geopolitical events. Addressing each of these scenarios requires specific strategies and actions. For instance, well-formulated evacuation plans, efficient public and tourist warning systems, and collaboration with emergency services are critical in natural disasters. Likewise, preventive measures, medical monitoring, and exploring the possibility of remote tourism are vital in the case of epidemics. To effectively manage tourist destinations, it is necessary to understand each scenario’s unique demands and adopt all-inclusive strategies that can effectively mitigate risks, enhance safety, and ensure stability.

It is important to remember that each type of risk that may arise in the tourism sector requires developing and implementing its specialized method of destination management. Each situation may require an individualized and tailored approach to ensure effective control and minimize possible negative consequences.

The tourism industry is susceptible to political crises, terrorism, military conflicts, natural disasters, manufactured disasters, energy crises, and pandemics. All these problems lead to a sharp decline in the number of tourists, which leads to a drop in

GDP, rising unemployment, increased socioeconomic conflicts among the population of tourist destinations, a reduction in tax revenues to local budgets, a drop in investment, an increase in overdue loan payments by entrepreneurs, and lead to a prolonged recovery of this sector of the economy with significant cash costs [17].

The risks can be diverse, such as natural disasters, epidemics, terrorist attacks, or geopolitical events. Each of these scenarios requires specific strategies and actions to ensure the safety and stability of a tourist destination. For example, evacuation plans, public and tourist warning systems, and cooperation with emergency services are essential in natural disasters. In the case of epidemics, it is also vital to establish preventive measures and medical monitoring and explore the possibility of introducing remote forms of tourism.

Such an individualized approach to risk management in tourism allows us to ensure the necessary level of security and meet the specific conditions that may arise in different circumstances. Only by improving and adapting destination management methods to specific risk scenarios can the sustainability and development of the tourism sector be ensured in the face of uncertainty and possible threats.

Aims. The purpose of this article is to study the current state of formation, development, and recovery management of a tourist destination in Kyiv, considering it a component of Ukraine’s economic system in the crisis period covering 2019-2024.

Methodology. The following methods were used to solve the tasks set in this study: system analysis, structural and functional approach, and comparison.

This article used the structural-functional method to study and define the concepts of “destination” and its impact on the tourism sector in more detail. This method provided a systematic view of the concepts under consideration, allowing them to be studied as complex systems. The structural-functional method allowed us to identify interrelations and assess the impact of various factors on these concepts in the context of tourism management. This approach expands the understanding of the interrelationships and dynamics of the elements under consideration, contributing to a deeper and more comprehensive analysis of their functioning.

While studying various approaches to creating specific features of the tourism destination development strategy and developing a methodological assessment of the level of development of the main categories of destination, the system analysis method was used. Applying this method made it possible to systematize and structure various aspects of tourism development, considering their interconnection and impact on the overall image and competitiveness of the tourist destination of Kyiv.

The study also compared the management practices of the tourism sector with those of the leading country, Sweden [13, 22]. This integrated method included the analysis of a large amount of evidence, systematic observation of effective management models, and identifying key trends of particular relevance to tourism destinations, especially in times of crisis. This allowed us to identify the peculiarities and effectiveness of Ukrainian management approaches and gain valuable experience and learning from successful practices in other countries. The results of the benchmarking exercise helped identify the best models and strategies for managing the tourism sector that would meet the unique requirements and needs of the Ukrainian market. This approach helped to address possible shortcomings identified during the analysis and contributed to the balanced development of the tourism industry to make it competitive in the international market.

Results. In contemporary Ukrainian scientific research, the term "tourist destination" is gaining prominence. However, the absence of a single definition accentuates the divergence of interpretations among scholars and the multiplicity of inquiries within this domain. It is important to note that in Latin, the term “destinatio” means “location; place of destination”. According to the definition of the WTO (World Tourism Organization) [18], the term “destination” means a physical space where a person stays for more than one day. This space includes services and attractions, attractions, other tourism products, and tourism resources for day trips. The definition also defines the physical and administrative boundaries of the destination, which determine the governance, image, and reputation that affect competitiveness in the tourism market.

In the Law of Ukraine “On Tourism”, the term “tourist destination” means a place where a tourist trip (tourist trip, tour, excursion) is directed, which is visited by persons who are temporarily in the area and are not permanent residents of this region [21]. The management of a tourist destination is a critical aspect of marketing since a tourist destination as a product is focused on consumers (tourists). The presence of attractive tourist and recreational resources and a successful concept of their positioning is fundamental for the formation and development of a tourist destination, which is confirmed by the experience of tourist activity. For tourists, it is not only a territory but also a specific mental component. Associations with the territory and its resources encourage tourists to visit a particular destination. However, effective promotion of a tourist destination is impossible without ensuring accessibility for consumers physically and in terms of information [1].

The efficiency and speed of information dissemination determine the decision of tourists to visit a destination. The marketing strategy for the introduction of a tourist destination includes several stages. First, it is an information influence that involves disseminating information about a tourist destination among potential consumers and indicating its unique features compared to similar places. Next comes the creation of the desire to visit, where the emphasis is on stimulating the desire to visit a place and providing motivation for making a travel decision. Promoting tourism services involves effectively presenting specific services during a visit to a destination to maximize the satisfaction of tourists’ needs and create a desire to revisit the destination. Evaluation and reminder focus on evaluating post-visit impressions and reminding people of positive experiences. Creating mechanisms for receiving feedback is considered an essential part of the strategy, as it helps to address shortcomings quickly and reduces possible negative emotions associated with visiting the destination. Information updates include messages about new services and products that may be of interest to consumers.

It is also vital to create a high-quality city brand for numerous reasons, such as ensuring sustainable tourism development, strengthening positions in the tourism services market, promoting the city’s socio-economic progress, fully utilizing the destination’s tourism potential, competitiveness in comparison with other tourist-attractive regions, attracting investors to ensure further development, creating new jobs, promoting business development, uniting government, public and tourism structures, and interacting with the public. Previously, Kyiv had a positive brand associated with the status of the capital of Ukraine and the center of Europe, a vast and modern city, comfortable for all its residents and visitors, and was also defined as a center of business, festivals, and entertainment tourism with a rich thousand-year history and significant cultural heritage. However, the onset of the full-scale invasion led to changes in the image of Kyiv and its brand. Associations with the city of Kyiv have now changed: stability and comfort have become less evident, some forms of tourism have lost their relevance, and events have become quite risky and require additional security measures. After the war ends in Ukraine, Kyiv will need to take measures to develop and strengthen its brand as a tourist destination in the domestic and international tourism markets.

This may include the development and approval of innovative tourism development plans, post-war recovery strategies, community involvement in the process, large-scale marketing campaigns to create an image of a “safe and interesting tourist city” and change the perception of the city as a “war zone” [16]. For the successful development of the tourist destination of Kyiv, it is necessary to actively explore new directions and trends in the tourism sector, especially in the context of the industry’s recovery from the military conflict. The primary strategy should be to develop a plan for the priority development of the tourism industry, considering national and regional interests. Cooperation and interaction between local authorities and tourism industry representatives are equally important. Interaction between local governments and tourism stakeholders should also be actively organized. Additional strategies should include optimization of the tourism regulatory system to improve processes in the sector. It is also essential to consider the development of the material base and tourist infrastructure to create new recreational and tourist facilities and improve existing ones. Using recreational resources and historical and cultural heritage is another essential strategy to develop tourism utilizing the potential of natural and cultural resources. At the same time, much attention should be paid to advertising and information activities and scientific and methodological support for the practical support and promotion of tourism activities through modern advertising and information tools. Implementing the above actions will help restore and improve the existing tourism infrastructure, as well as create new recreational and tourist facilities, which will contribute to the development of the tourism industry in Kyiv and the country.

Identifying prosperous development trends will help expand the destination’s tourism potential and attract more tourists. Even though the war has led to a complete halt in some types of tourism, such as business tourism [3], new opportunities for developing tourism trends in Kyiv are being identified after the war ends.

The need to use modern methods to attract tourists arises from the emergence of new attractions and requires interactivity. Interactive tourism stimulates tourist participation in events and encourages interaction and involvement in “independent” research of objects, which makes the trip more intense and enriched with experience.

Special attention should also be paid to the environment when traveling. After the war, it is essential to develop tourism that does not negatively impact the environment, given the destruction of the landscape and other environmental problems caused by the hostilities.

It should be noted that some strategies can be taken from the experience of countries that have successfully restored the tourism industry after crises, including military conflicts. The article discusses the experience of Sweden. Sweden is recognized as a world leader in international sustainable tourism rankings [13]. It should also be noted that Sweden is included among the countries that have expressed their readiness to participate in the processes of restoring various sectors and regions of Ukraine. This country is an excellent example of spatial planning based on the ideology of sustainable tourism development and project management. This ideology emphasizes the importance of respecting the ecological, socio-cultural, and economic basis of the territory. Thus, Sweden is a model focused on balanced regional development, which illustrates the concept of sustainability at the best level.

Sweden has initiated the creation of a regional tourism network (SALAR) in those regions that do not have an appropriate destination management organization [13, 21]. This network helps communicate and collaborate with industry organizations and stakeholders across the country. The Swedish Association of Local Authorities and Regions supports local authorities and provides services to municipalities and regional councils involved in tourism development. It’s a valuable platform for collaboration and tourism promotion in Sweden.

This is done through networking platforms, conferences, tourism information, and other forms of support. The Tourism Industry Research and Development Fund is an essential tool for research and innovation in the Swedish hospitality sector [4, 8-11]. It annually provides funding for research projects to support the industry’s development. The Fund was jointly founded by Visita3 (the Swedish hospitality employers’ organization) and the Hotel and Restaurant Workers’ Union. This association contributes about SEK 8 million annually to fund various research and projects to develop the hospitality industry. An approach is being implemented to attract highly qualified researchers to study the problems and ways to improve and develop the tourism destination sector [6]. An effective method of attracting stakeholders to the development of a tourist destination is to assist the authorities in facilitating the conditions for conducting tourism business in the country.

The proposed structural scheme for tourist destination development in Kyiv, as shown in Figure 1, is the result of our thorough research and analysis. It provides a professional and well-planned approach to developing the city’s tourism industry.

Recommendations and innovations for developing tourism in Kyiv and the whole country after the war include the application of digital transformation with digital technologies to improve the tourist experience. Mobile apps, virtual reality, and online booking can be used to increase convenience and promote the region. In the area of cultural and culinary tourism, it is vital to promote the region’s unique cultural traditions through tourism and create economic opportunities for local communities by supporting crafts and cultural events. Joint partnerships between stakeholders can help facilitate the region by leveraging collective resources and expertise for sustainable tourism development. The use of virtual and augmented reality can create immersive tourist experiences without physical travel, as well as enhance the tourist experience through additional information. Social media marketing is vital for effectively advertising the region and attracting tourists using visual content and influencer marketing [5, 20]. Tourism development can create new jobs, maintain a high standard of living, improve the healthcare system, and increase investment.

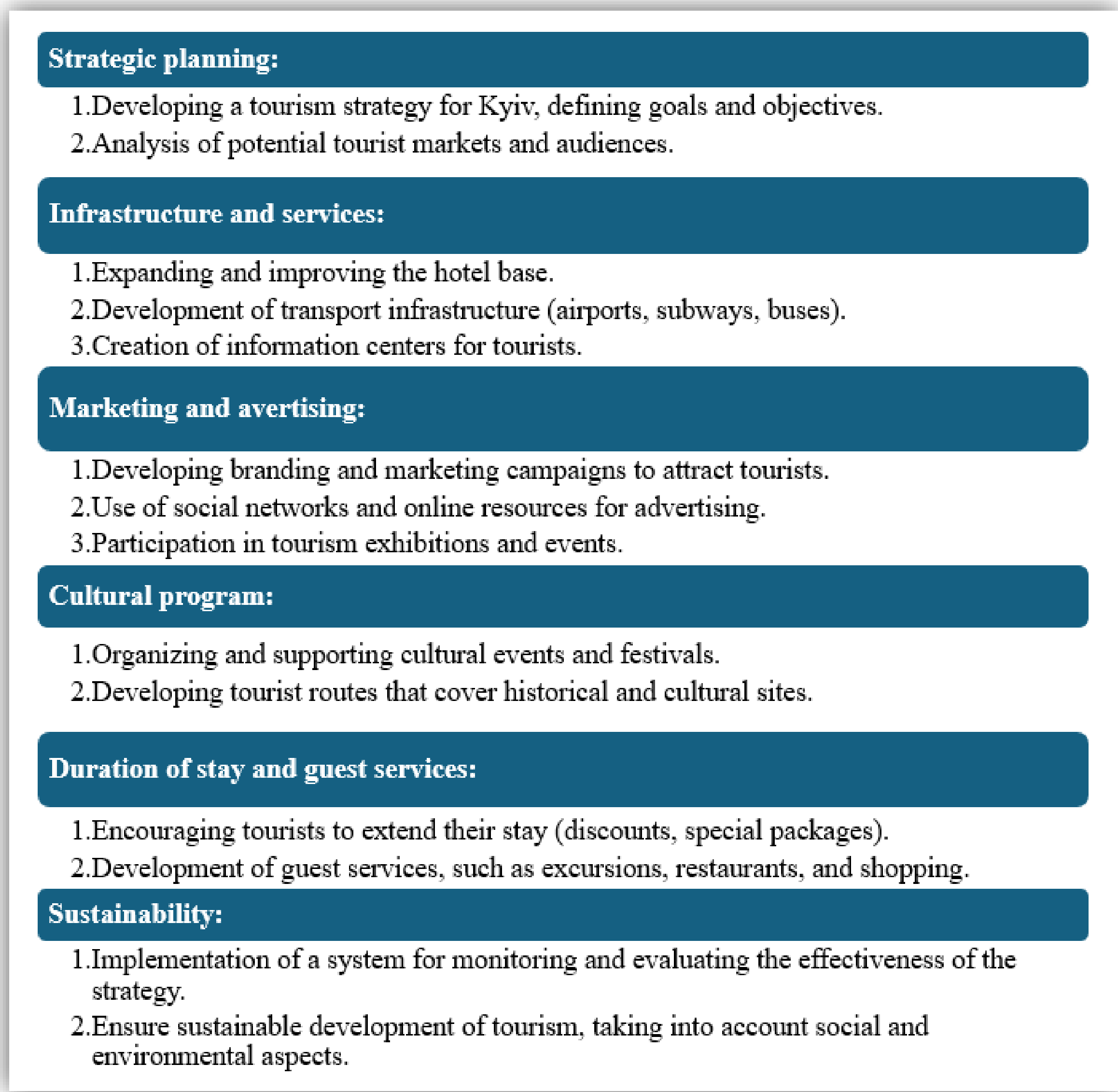

Figure 1. Structural and logical scheme of development of a tourist destination in Kyiv

Source: compiled by the author

Another recommendation that should be used in Kyiv for the development of a tourist destination is the implementation of the GABEK methodology (Ganzheitliche Bilanzierung der Entscheidungsfelder in der kognitiven Psychologie und in der Erziehungswissenschaft - Holistic balancing of decision fields in cognitive psychology and educational science). This approach will be innovative for the city of Kyiv and the whole of Ukraine, as it allows for the analysis and consideration of various aspects of decision-making, which can be helpful for improving the tourist environment. GABEK is an analysis methodology developed in different countries (Austria, Slovenia, Germany, etc.) based on the idea of building a knowledge model using interviews with experts. It includes structured conversations during which experts share their experience and knowledge [2, 7, 19]. This methodology allows for creating knowledge models, understanding complex situations, and solving problems.

The introduction of GABEK into the tourism sector in Kyiv has the potential to lead to several benefits. One of them is a better understanding of the needs and expectations of tourists, which can help to adapt tourism services and create an attractive environment for visitors. In addition, by analyzing tourists' impressions, it will be possible to target marketing strategies and effectively promote those aspects that interest visitors. Improved service quality will result from understanding the tourists' problems and needs, allowing us to adapt services and respond to changes in customer needs. In addition, the knowledge gained from experts with the help of GABEK can serve as a basis for developing new tourism products that will meet market needs. To successfully implement this approach, it is essential to create favorable conditions for cooperation with experts, organize structured conversations, and consider the feedback received when making strategic decisions.

Discussion. We conducted our research on the following questions to accomplish the goal of our article:

1) what specific strategies and actions are requisite to guarantee the safety and stability of a tourist destination during geopolitical events?

2) what are the preventative measures necessary for managing a tourist destination during pandemics? Additionally, how can remote forms of tourism be introduced during pandemics?

3) how can destination development and recovery management be customized to specific risk scenarios to ensure the longevity, advancement, and recovery of a tourism destination?

To ensure efficient development and recovery management of tourist destinations in the face of negative impacts, it is indispensable to adopt a comprehensive approach. This approach should encompass a detailed understanding of the involved factors, including their root causes, risks, effects, and potential solutions:

- conduct a thorough risk assessment to identify potential threats and evaluate their likelihood and impact on the destination;
- develop a comprehensive crisis management plan that outlines roles and responsibilities, communication protocols, and response strategies in terms of political instability and unforeseen geopolitical events;
- constantly monitor current events and geopolitical developments that could impact the safety and stability of the tourist destination;
- develop a robust communication strategy to effectively communicate with tourists, local residents, and stakeholders in the event of a crisis or emergency;
- engage local businesses, hotels, restaurants, and tour operators in security initiatives and contingency planning efforts;
- establish partnerships and collaboration with other tourist destinations to learn from their experiences and benefit from their practices in crisis management;
- adapt tourism management strategies to the quarantine restrictions in such a way that would ensure safety and maintain positive image of a tourism destination among

tourists;
- implement innovative alternatives for real tours, such as virtual tours, online experiences, virtual and augmented reality apps, online travel fairs, e-commerce platforms etc. when the actual presence of tourists is limited;
- encourage local residents to share their knowledge and experiences with virtual tourists through online platforms, e. g. storytelling sessions, live Q&A sessions, virtual meetups with locals to learn more about a destination;
- implement measures to build resilience and enhance the destination's capacity to withstand and recover from disruptions;
- involve key stakeholders, including government agencies, tourism businesses, local communities, and industry associations in investing in infrastructure, training other tourism stakeholders in emergency preparedness, and establishing partnerships with relevant agencies and organizations;
- emphasize on sustainable tourism practices that not only contribute to the long-term viability of the destination but also help mitigate risks associated with environmental degradation, climate change, and social inequality;
- utilize modern technology tools and platforms to enhance risk monitoring, communication, response efforts, and efficient data analytics for predictive risk assessment.

Conclusion. This study addressed an important issue related to managing a tourist destination in the context of a pandemic and martial law in the country. The purpose of this study was achieved. The analysis provided an in-depth understanding of the challenges the tourism industry faces in difficult conditions. Key issues have been identified, including the impact of the pandemic and military events on the tourist flow, economy, and city image. The study results provided recommendations on possible ways to improve tourism management strategies and opportunities for recovery and development. Analytical tools, including GABEK, can effectively achieve these goals, ensuring a balanced and mutually beneficial development of the tourism industry in Kyiv. Also, when considering strategies for managing tourist destinations, local authorities and the community must cooperate to address tourism challenges in times of crisis. Joint efforts may include developing marketing campaigns to restore interest in the city after the crisis. In the context of the pandemic and martial law, it is urgent to use innovative and digital solutions to attract and retain tourists. Online applications, virtual tours, and other technological initiatives can help maintain interest in a city even when physical access is limited. Moreover, it is vital to continue investing in tourism infrastructure even in times of crisis to support further development.

The war and the pandemic significantly impacted the tourism industry. Still, with the emergence of new technologies and trends, there is an opportunity to develop this industry after the crisis. Following these recommendations and using innovative solutions can help restore and grow tourism in the post-war and post-pandemic period, creating economic opportunities and improving the population's quality of life.

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