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EURO AS A CASE STUDY FOR CREATING GLOBAL PAPER MONEY

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ABSTRACT

In Economics, it has not been valorized the practice of euro's successful development in the EU as a case study for creating global paper money. On the assumption that the EU can be perceived as the world on the whole (regarding all dissociations in terms of their differences), it is a fact that the Eurozone countries which had accepted the euro as a single regional currency, in reality, proved that there was a possibility of creating "global" paper money. It would be in accordance with the objective process of dematerialization of commodity money whose functions were integrally performed in the system of a gold standard.

The idea of the euro's case study arises from the fact that the Eurozone countries' national currencies have transformed themselves into one currency, whereas the other EU countries retained their national currencies and established rates of exchange in terms of the euro. After a nearly two-decade euro's rise (of course, along with many difficulties), it was created a situation where the euro (the Eurozone single currency) can be observed as an opportunity for creating global paper money. It means that a few more developed countries can also use their currencies to create global paper money (for instance, Global), whereas the other countries in the world can determine their currencies' value in terms of the Global, and they can also struggle to enable themselves (if they intend to join the system of global paper money) to use the benefits of the global market. In this context, the previous problems in relation to the euro's functioning would also present potential problems to the future global paper money. However, many of them can be avoided from the beginning, based on the experience acquired by strengthening the euro's functions.

After having abandoned the monetary systems of the gold standard, by fulfilling the idea of creating global paper money on the pattern of the euro in the European Union, there were created conditions for overcoming the problems generated by the

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national currencies which perform an international role of intensifying the integrative (globalizing) processes in the world.

Keywords: Money, Euro, Eurozone, EU, Global paper money, Global integration, Rates of exchange

JEL Classification: F02, F15, F31, F33, F36, F45

1. INTRODUCTION

The idea of the euro as a case study for creating global paper money has been imposed by a two-decade persistence of the euro, principles of functioning and results in the advancement of the EU as the largest developed regional integration in the world. It is a fact that the paper euro functions as a single currency in the Eurozone and as a regional currency in the EU. Its functioning presents a case study for creating global paper money whose absence is a reason for generating global imbalances and sharpening the relations among the national capitals. Nevertheless, as a result of different reasons, it is still avoided the necessity for creating paper money (in favor of the national one being in a function of world money), with an argument that the global paper money presents an issue of a more distant future of the humanity. However, the euro has already been a pillar needed for developing the relations both in the Eurozone and the EU for two decades, and it also took the second place among the national currencies which play an international role of reserves[1].

Euro's successful development has shown that the creation of global paper money is not so far as it is often mentioned. It is imposed the question of the reasons as a result of which it has been avoided the work on such a project in spite of the weaknesses shown by the practice of the national currencies' functioning as world money. The argument for doing such a project too early does not hold water if it is taken into account that the post-war Bretton Woods system of a gold-exchange standard functioned in a relatively successful way by applying similar principles (fixed rates of exchange). It was a result of an agreement between the most developed countries and of solutions which created conditions for enlarging the interest of the

[1] „The euro remained unchallenged as the second most important currency in the international monetary system, but with a significant gap to the US dollar" (The international role of the euro, European Central Bank, July 2017)

less developed countries in enabling themselves constantly to improve their competitive ability so that they can achieve some benefits of the unhindered functioning of the global market. Are today's conditions worse than the post-war ones in the last century as a result of which the global paper money cannot function as "paper gold"? What are they worse for? What are the real reasons for abandoning the inner logic in the development of global money as commodity money? And how does the euro show that it presents a bright example of returning the humanity on the way of integration, prosperity, and peace in spite of the problems that the economies of the countries in the Eurozone and the EU face with?

The answers to these questions can be searched for in the elaboration of the need for creating the euro, its development, and results. At the same time, it ought to be taken into account that the idea of a single currency of the European Economic Community was imposed right after the definitive abandonment of the system of a gold standard and the installment of the national currencies as world money which is contradictio in adjecto. Before that, there was no need for creating a common currency because the conditions it provides were being kept present at the world market (and among the countries of the community) through the obligation of maintaining the currency convertibility into gold or in dollars being convertible into gold. When the president Nixon suspended the convertibility of the dollar into gold and the gold demonetarized itself from the IMS, the countries of the EEC faced some problems in relation to the achievement of integration ambitions. At the same time, a particular problem was the abandonment of fixed and the transition to floating rates. Thus, it was endangered the criterion of rational allocation of the production factors and the achievement of benefits of the integration processes in separate countries and in the Community on the whole. That notion forced the countries of the EEC to search, at least, for a solution to the relations between them if there was no global solution[2]. However, there was no such kind of a solution on the horizon after the abandonment of the concept of SDR as a global commodity currency, and the transition of SDR to "a basket"

[2] In terms of the meaning of unique currency, the president of ECB, Duisenberg (Duisenberg, 2002), rightly states that "One can only give credit to the architects of the Maastricht Treaty. They recognised the need for the functions of money to be provided at EU level. The architects of the Treaty also understood that a single currency can only fulfil its monetary functions and its role as an integrating force so long as it retains its value. Therefore, they drew up a solid monetary constitution to protect those functions and its stability."

having 16 currencies at first, and afterward only 4 currencies. Nowadays, that basket consists of five currencies including the Chinese yuan since 2016.

The breakdown of IMS opened up a room for relations of bare force on the international scene. It implies domination of the most powerful economies, above all of the USA, but also strivings for decreasing and releasing from the dependency of the dominant power.

Euro's development is on the line of spontaneous evolution of the global commodity money into paper money at a regional level, just in the way it was made a transition to a paper standard in the national economies. The difference is that by creating the euro, it is provided an integral achievement of the money's functions in the member states in the Eurozone having similar duties as in the system of a gold standard. On behalf of that, the Eurozone countries gave up the opportunity to improve the competitiveness by devaluing their currency (having in mind that the devaluation is not a permanent solution for growth of the competitiveness) and they accepted the challenge to enlarge the competitiveness by increasing the productivity and innovation.

Euro's successful rise and development present a certification of the real opportunity for creating global paper money by the most developed economies. However, the evasion of this opportunity reveals the interests of the potential creators in maintaining the national currencies in the role of world money. This intention was confirmed by creating SDR as a basket of five currencies: a dollar, euro, pound, yen, and yuan, with floating rates.

The transition to floating rates and the abandonment of convertibility into gold endangered the European interests in integration. As the Nobelist Robert Mundell says "exchange rate volatility is a major threat to prosperity in the world today. It is volatility of exchange rates that causes unnecessary volatility in capital markets. Whenever the exchange rate overshoots it affects the real value of taxes, the value of all financial assets, the domestic price level and eventually wage rates. An unstable exchange rate means unstable financial markets, and a stable exchange rate means more stable financial markets". According to him, "Major issue among officials and economists is the choice between fixed and flexible exchange rates. It is a false issue because it is a choice between incomparables. A fixed exchange rate system commits monetary policy and is therefore a monetary rule. It cannot be compared to flexible exchange rates, which is merely the absence of that particular monetary rule, and is indeed consistent with any monetary policy at all, including hyperinflation. A fixed exchange rate system has to be compared with other monetary rules, such as inflation targeting or monetary targeting. Only then can a meaningful comparison between systems be made" (Mundell, 2000). Europeans responded by creating the euro as a single currency.

2. THE NECESSITY FOR CREATING THE EURO WAS IMPOSED AFTER THE SUSPENSION OF CURRENCY CONVERTIBILITY INTO GOLD IN ORDER TO MAINTAIN AND INSTIGATE THE PROCESS OF EUROPEAN INTEGRATION

There is no doubt that the intensification of integration processes among the national economies is dependent on the functioning of the global currency. It showed itself most vividly in terms of the functioning of the system of a gold standard. However, it is not a coincidence that the development of the international economic relations leaned upon the type of gold exchange standard and its main principles after World War II (liberalization of the foreign trade and capital transactions, obligation to maintain fixed, but adjustable rates of exchange, and convertibility of national currencies into gold, or into dollars convertible into gold). The fulfillment of the wish not to repeat the unseen war cataclysm and to work for achieving peace and progress in Europe and the world, where the integration of the national economies into a global economy is a material basis, could not evade the principles imposed by the global currency i.e., in this case the gold as commodity and money. However, this was so not because of the glow and clang of the gold, but rather because of the interaction relations established at the global market through the currency parities as an objective criterion for a rational inclusion of the national economies in the global market. Under conditions of liberalization of the commodity, service and capital flows, its presence extorts efforts for increasing the competitiveness of the national economies through a constant growth of the productivity and innovation as key factors of sustainable development (contrary to the competitive devaluations, protective and stimulating intervention measures of the state).

It is a fact that the Bretton Woods Institutions created conditions for integrating the national economies directly into the global economy or through regional groupings. European (before the war) rival countries chose the second approach. At the same time, to regenerate their economies ruined by the war, the USA gave them a significant financial injection through the Marshall Aid. After that, they started moving toward regional integration, as an assumption of more effective management.

European integration efforts began under conditions set by the post-war international institutions (the IMF, the World Bank, and General Agreement on Tariffs and Trade – GATT, and after 1995 the World Trade Organization – WTO). After the regeneration of the economies ruined by the war, the European countries had a task (as the other member states of the mentioned institutions) to liberalize the economic relations and to establish external convertibility of their currencies. In spite of the assistance of the USA, it was made a contribution to a large extent by the functioning of the common market[3]. At the same time, the international trade barriers were eliminated, and it was created a common foreign trade policy. It led to a several-fold increase in the trade between the members. In 1962 it was implemented a common agricultural policy in order to protect the farmers from import. Both the internal and external tariff coordination and the free movement of goods, labour force, and capital instigated the growth of trade in the Community and contributed to an increase in the members' working efficiency. [4] The benefit of the single currency's functioning came to the fore in the savings of the transaction expenses estimated to 1% of the European Community's GDP, whereas the avoidance of floating rates encouraged the additional intra-European trade and investment. It led to a strengthening of the European countries' currencies, especially the ones of the Federal Republic of Germany and France. The Deutschmark and some of the currencies of the member states of the EEC were even revalued in terms of the dollar.

It results from the above-mentioned review that for the rise of European integration under conditions of currency convertibility into gold, it was sufficient the liberalization of the markets of goods and services, labour force, and capital because the currency rates were fixed, but adjustable. It gave results in relation to the countries' development and integration. It also grew the other countries' interest in becoming

[3] The customs union has propelled the growth of intra-Community trade from less than 40 percent to over 60 percent of the total trade of the participating countries. (Eichengreen, 1992)

[4] According to the World Wealth and Income Database, since 1960, cumulative growth in real GDP per capita has been one-third higher in Western Europe than in the United States. Europe has also accumulated greater wealth as a percentage of annual income than the United States (more than 500%, compared with 400% on the other side of the Atlantic) (*Cœuré, 2018).*

members of the Community. However, after the suspension of the dollar's convertibility into gold and the demonetarization of gold in the IMS, the system of a gold exchange standard (with fixed, but adjustable rates) transformed itself practically into a paper dollar standard with floating rates in the cross rates of exchange in the world. Thus, it was undermined the monetary unit as a unit of account, being of great importance for improving the regional integration and the global market's integration. The fear of possible disintegration imposed the need for promoting the common market into a unique market and for creating a single currency in the Community. EEC had to find a substitute for the cohesive power of the gold as world money because the acceptance of the floating rates of the national currencies in the community could bring into question the achieved results in the integration, and also bring into question its persistence. It was prevented by fulfilling the obligation of maintaining fixed rates of exchange.

By making efforts to encounter the danger arising from the abandonment of currency convertibility into gold and from the transition to a fiat standard, with floating rates of the national currencies, the EEC continued moving on the way of integrating the national markets into a unique market[5]. At the same time, it removed the obstacles to intra-European competitiveness, and it opened a way for creating a single currency. That kind of orientation came to the fore in the Treaty on Economic and Monetary Union concluded in Maastricht in 1991. By signing this contract, it was suggested substituting the 12 national currencies for a single currency and creating a European Central Bank. Up till the beginning of a transition to work with a single currency, the national central banks should have stabilized the rates of exchange in relation to their national currencies because, as Eichengreen says, that irreversibly fixed rate of exchange would help the national currencies to be substituted by the euro as a single currency. This creation assists the European Union in overcoming the "impossible trinity" of national economies so that it could simultaneously achieve the objectives of financial stabilization and the stability of the exchange rate and of the

[5] In order to carry on the integration processes until the introduction of the euro, in 1979, in the EEC, it was built a European Monetary System (EMS) for coordinating and stabilizing the currency rates of exchange of the Community's member states. The EMS was founded on the basis of fixed rates of exchange and the European currency unit (ECU). The ECU's value was determined as weighted "basket" of members' currencies. Each country's currency received a fixed central par value specified in terms of the ECU. The currencies' rate of exchange could change itself to a limited extent in relation to the par values. ECU was substituted by the euro on 1st January 1999 in a proportion of 1:1.

national monetary policy. In order to use the gains of the unique market entirely, the member states abstained from the monetary sovereignty. However, the introduction of a single currency has cleared the way for creating a real political union (United States of Europe) even though it is a process that will take a long time.

Out of 28 countries which comprise the European Union, only 19 are members of the Eurozone, whereas the other 9 have maintained their national currencies and they determine their value in relation to the euro. It means that the acceptance of the euro is not a matter of wish or obligation, but rather of the national economies' capacity to cope with the competition both in the Eurozone and at the world market, and to use the benefits of the single currency's functioning, sacrificing thereby the monetary autonomy (the foreign exchange and monetary policies are unique at a level of the Eurozone) which is an important lever needed for solving their own macroeconomic problems.

The increase in the number of member states in the Eurozone shows that the Union members believe that the number of benefits is larger than the one of the victims. However, in the course of the Great Recession and the debt crisis of several countries of the Eurozone, it seemed to them that the debt crisis would be overcome more easily if they had an opportunity to devalue their currencies. Here, it should be taken into account that the "easier thing" refers to the political *é*lites. Because of the monetary illusion, they would deal more easily with the social tensions. However, in reality, both the nominal and internal devaluations have some consequences.

Regarding the differentiation of the countries enabled to accept the euro and countries which should be enabled to act in that direction it is acknowledged the fact that the unique rules arising from the single currency's functioning are not equal for all countries of the Union because they differentiate themselves significantly in terms of the level of their development. At the same time, the less developed ones are in a more unfavourable situation, and they should be given adequate support so that they can cover the way to the euro's acceptance and inclusion in the Eurozone. And the Union has done this at the highest level so far.

In this context, it is of special importance the regional policy of the Union. This policy helps the transfer of significant sums of money so that work posts and infrastructure can be created in the poorer regions. That is the reason why the solidarity grows in the Eurozone. "The EU structural funds, which go to Europe's poorer regions, are a very tangible measure of this kind of solidarity. Likewise, the European crisis mechanisms EFSF and ESM are a symbol of euro area solidarity. Solidarity is not just a catch-phrase in EMU; it is essential for all." (Cœuré, 2018). "The ESM, which has a lending capacity of €500 billion – not far short of the IMF's lending capacity for the whole world – and can come to the rescue when Member States face liquidity constraints." "EU Member States already have the most comprehensive welfare systems in the world at national level. As Chancellor Merkel has often noted, Europe has 7% of the world's population, 25% of its GDP and 50% of its welfare spending. Welfare systems need to be adjusted in many ways if they are to be financially sustainable, but they provide a strong basis for protecting people who lose out as a result of globalisation. Indeed, history shows that making globalisation sustainable has often depended on strengthening the welfare state" (Cœuré, 2015). It means that the single currency has helped the creation of conditions for more dynamic and sustainable development. However, a proper policy of solidarity is needed for its unhindered functioning.

It is a fact that the European monetary integration has reached its peak through the euro's implementation. However, its persistence and further development will depend to a great extent on the institutional changes in the Union and the Eurozone, moving in a direction of solving the problems arising from the need for greater political integration and the wishes of the national populistic *é*lites not to deviate from the national sovereignty.

Europeans have understood the lesson most practically "that cross-border integration is only sustainable if it is regulated and organised by institutions that safeguard the stability of the economic and financial system, ensure a level playing field, settle disputes and contribute to solidarity among members. This is what the EU gives to the people of Europe: a way of sustaining an open international order while also bending its outcomes to their will" (Cœuré, 2018). With such a notion they are on the way of overcoming the risks arising from the unspoken things or inefficient solutions. For instance, the advocates of risk reduction led by Germany and the apologists for risk sharing led by France are on their way to create a compromising solution because they have understood that risk sharing and risk reduction are complements, not substitutes (Beetsma and Larch, 2018).

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The euro has acknowledged its affirmation by its use as a legal means for making payments not only in 19 countries in the Eurozone (with 340 million inhabitants) but also in terms of private and official transactions made out of the Eurozone. The euro is used for regulating international transactions, emitting debts at the international financial markets and keeping its value in the form of official reserves and private international bank deposits. The euro is the second most important currency in the global monetary and financial system (Cœuré, 2015).

3. A CASE STUDY – THE EUROPEAN UNION AS THE WORLD, AND THE EURO AS A GLOBAL CURRENCY (FOR INSTANCE, THE GLOBAL)

It is quite simplified, but as an example used for making a comparison, it is not unacceptable if the European Union is observed as the world on the whole (with two hundred countries instead of 28), and the euro of the Eurozone as a global currency, for instance, the "Global" (instead of being used in the region of 19 countries, it would be used in the regions of those countries whose currencies, according to certain criteria, would comprise the weighted value of the single global currency). As described above, it is not impossible to create and implement a paper global currency in the same way the euro has been created in the European Union. Knowing that the euro is the financial means used in the region of the countries of the Eurozone, and that the other members of the Union keep their national currencies and determine their rates of exchange on the basis of euros, it is not unimaginable (let's not say, it is not unreal) the situation of making the global paper currency valid in the region of the countries which gave up their own currencies in favour of the global one. However, the countries which have maintained their national currencies would determine their rates of exchange on the basis of the newly created global currency. It is the most effective way of suppressing the sharpened contradictions between the national capitals, and of directing the efforts towards deepening the integration processes between them and at a global level.

The experiences undergone in terms of creating the euro can assist a lot in creating the global paper money. However, the problems are not only technical and economic but, above all, political. The technical ones are insignificant, but the economic ones are calculable. The political problems are the most uncertain ones because the politicians are almost fathomless. Being under the pressure of personal wishes and

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interests to preserve the government or to rise to power in separate countries, in order to gain the voters' sympathies, the politicians evade more fundamental reforms and direct themselves towards corrections of the existing institutions and rules in terms of the functioning of the national and global economy. Being focused on satisfying the short-term interests, they actually evade the long-term solutions and ignore the negative consequences of their inconsistency.

In this context, it is worth to mention the viewpoint of the Nobelist Robert Mundell (Mundell, 2000) who played a significant role in the formation of the euro. According to him, "The euro promises to be a catalyst for international monetary reform". Agreeing with Paul Volcker that the global economy requires a global currency, he states that "not just international monetary reform is not impossible, but that it is quite possible and I think that there is a chance that it might come about in the next decade. All it takes is monetary will". However, such a will has not been shown so far. On the contrary, there are not only such activities going in the direction of creating a global currency but also both economics and politics continue "improving" the functioning of the national currencies in the role of world money, including the use of soft and/or hard power.

Nowadays, it is obvious that the political *é*lites, who are interested in peace, equality, and integration in the world during their lifetime, are not seen in the world the way they were seen in Germany and France after World War II when the Europeans were interested such a cataclysm to be never repeated. The attainment of such interests has undoubtedly imposed the creation of a single regional currency (since it was sustained the currency convertibility into gold) because the indulgence of the national currencies in floating rates of exchange was a danger for the already achieved degree of integration of the European countries (under conditions of the Bretton Woods gold-exchange standard). Moreover, it was so because of the potential rivalries of the national economies, possible divisions, and regroupings instead of continuing the integration processes on the basis of the successfulness in working, measured along with the growth of productivity and innovation under conditions of free competition in separate countries and among themselves.

These conditions were created by the post-war Bretton Woods system. However, in 1971 due to the one-sided decision of the president of the USA, Richard Nixon, it was repealed the dollar's convertibility into gold, it was abandoned the obligation of maintaining fixed rates of exchange, and it was made a transition to floating rates of exchange in the cross rates of exchange in the world. It means that it was definitely abandoned the concept of the functioning of the global commodity currency (the gold both as commodity and money) and there were created conditions for the functioning of the national currencies in the role of world money. The events that took place afterwards, both in separate national economies and at a global level, bear a seal of consequences of the non-system (the unregulated system), of the system of relations of bare force, of global imbalances, inflationary and deflationary pressures in the economies, violation of the market regularities, growth of protectionism, and threats of trade and currency wars. Moreover, the world experienced the greatest recession after the Great Depression in the 1930s.

Nowadays, when “the international order is becoming increasingly disorderly, dysfunctional, and even dangerous“ (Bildt, 2018), the settlement of global problems and contradictions requires the creation of a global currency in order to avoid any further divisions and confrontations between separate countries. The dangers of the subsequent absence of the global currency of peace, integration, and progress in the world are identical, let’s not say greater than those dangers that hanged over the EEC after the suspension of the currency convertibility into gold unless the euro was created in the Eurozone. Without the euro, the foundations of integration processes would be undermined in the same way as deglobalisation processes take place (in spite of the declarations of continuing the processes of globalisation), as nationalistic economic policies are led and as the sharpened relations between separate countries lead to threats of currency and trade wars and even to war confrontations in the absence of a global currency and floating rates in the cross rates of exchange in the world. It is paradoxical, but it is true. As Carl Bildt states “For decades, the White House was a font of global leadership; today, it is a source of belligerent rhetoric that does not even pay lip service to the idea of a global order. Indeed, the Trump administration’s official National Security Strategy portrays US efforts to safeguard the global order as counterproductive and self-defeating. The future it envisions will be defined wholly by conflicts between sovereign countries“ (ibid).

Contrary to the global uncertainties taking place due to the absence of a global currency and the more and more sharper rivalries between the countries which can be objectively creators of the “Global” (as Germany and France after the war), the

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European Union uses the euro to achieve basically the objectives because of which it was formed. The economic growth is kept up with peace and security on the continent as never before. There also some problems, but they are solved without threatening the Union's goals. On the contrary, they are solved by going in a direction of achieving a higher level of integration, and by creating conditions for the free functioning of the euro.

It is a fact that the euro was created in order to intensify the integration processes on the continent, but now there are some problems whose settlement depends on the deepening of the Economic and Monetary Union. After the Great Recession, it reformed itself, but "it remains incomplete, and this is one of the main reasons for the Eurozone's lacklustre economic performance in the recent years" (Buti, Deroose and Giudice, 2017). Nowadays, there are actual discussions of ideas presented in "a new European Commission Reflection Paper aimed at relaunching the debate on how to move forward, with a focus on bridging the differences between the member states that stress responsibility and risk reduction and those calling for solidarity and risk sharing" (ibid). We can hope that the historical meaning of the European integration will not be gambled away because of giving precedence to the attitudes of both sides, especially due to the fact that "solidarity and responsibility should, in fact, be seen as two faces of the same coin and should be addressed together by finding a balanced agreement on the way forward. Building bridges between the two polar options is important, not only from a political, but also from an economic and financial perspective. Without appropriate risk-sharing arrangements, risk reduction – namely, in the financial area – may actually result in higher risk of market instability. Conversely, risk sharing without an effective risk reduction strategy would enhance moral hazard and ultimately increase risk" (ibid).

Among the values of the functioning of the euro as a single currency in the Eurozone are included the achievement of non-inflationary growth, the strengthening of the single market and the principles of its functioning, and the intensification of the integration processes on the continent. They were a consequence of managing the euro as commodity money (even though paper) after the members of the Eurozone had abandoned their national currencies. The euro's successful functioning has shown if there are a political will and consent, it is not impossible the creation of a global paper currency which will extract the results generated by the single global currency under the conditions of free movement of the goods and services, labour force and capital. In spite of the accentuated policies of the welfare state, the functioning of the euro extorts market relations and behaviour in the Eurozone (between the member states), whereas outside of the EU borders, just like the other countries, it faces unstable relations and anti-globalisation behaviour.

The strengthening of the euro makes the European achievements and values be imposed as a possible solution to the modern global problems if a global paper currency is formed after the pattern of the euro. It presents a par excellence case study for creating global paper money, of course, if the potential creators (for instance, all or a few countries with currencies performing an international role) succeed in gathering strength to give up their acquired privileges that they have already got fed up with, in the course of the sharpened contradictions between the national capitals. This is so because they have to defend them by using a soft and/or hard power, with trade and currency wars, with the growth of protectionism and economic nationalism, and this is not only in the interest of the global economy's development but also in the interest of their own national economies' development. Without such a reversal, without creating a global currency, the economic uncertainties in the world are the most certain ones. The disintegration processes will continue at a global level, the revengeful reactions of the unilaterally undertaken protectionism measures will be sharpened, and the trade war will change into a currency one. It will be a start of isolating separate economies or of regionalizing some other ones on the principles of multi-lateralization if the already mentioned wars do not escalate in real conflicts which will bring the world back in the years between the two world wars.

4. CONCLUSIONS

1. It is said a long time ago that it is needed a global currency for solving the global problems. It is a problem the fact that after the dilution of the system of a gold standard (with the gold as commodity and money) and its abandonment, the global problems got sharpened, and the search for a global currency was at a complete standstill. More efforts are made in order to promote the practice of functioning of the national currencies as world money. However, it is a futile job because it is contradictio in adjecto.
2. The euro's success is, on the one hand, a result of the Europeans' progressive wishes and interests in integration, and a basis for a material and social progress, and on the other hand, a result of finding out the inner logic of the money's development as commodity being in accordance with the objective process of its dematerialization. The euro has shown and confirmed that money does not have to have a physical value in order to perform all its functions (although it is undeniable the fact that paper money gained its credibility because of its convertibility into gold). It showed up that the monetary authorities in the Eurozone simulated the gold standard rules successfully while managing with paper euros, and they made the European Union a region of growth, stability, and solidarity.
3. Despite the well-known suggestions for eliminating the national currencies being in the role of world money (bancor, SDR as commodity money, Intor), the euro as a case study is one more possible way for creating a global currency. It is an expression of the international community's interests in achieving peace and progress in the world on the basis of economic principles imposed by the global currency. It is a conditio sine qua non for overcoming not only the real trade and currency wars and confrontations in the global relations but also the tensions in the national economies (it showed up that even the "exaggerated privileges" are bad news). The euro is a proof that even the global paper currency can be a means for instigating the integration processes which generate growth and stability on the basis of the increase in productivity and innovation in the countries that would create the "Global" and in the countries that would relate their currencies' value to the newly created global currency.

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ANALYSIS OF E-RECRUITMENT METHODS THROUGH SNWS, WITH SPECIAL EMPHASIS ON THE REPUBLIC OF MACEDONIA

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ABSTRACT

E-recruitment as a method of recruitment is increasingly the focus of interest in companies from different industries. This method is also slowly becoming popular in companies in the Republic of Macedonia. By utilizing this method, companies in Macedonia could potentially achieve significant cost savings, as well as qualitative improvement of their day-to-day operations, and ultimately, hire suitable and skilled employees. However, only a small number of Macedonian companies fully implement e-recruitment and utilize all of its features, which indicates that the full potential of this method is not achieved in our country. The paper focuses on analyzing the method of e-recruitment in terms of its real application in enterprises and its' new shift on social networks, with particular focus on its implementation by companies in the Republic of Macedonia.

The paper is aimed at presenting the practical aspects of this technology through the benefits offered, as well as analyze the level of usage in the Republic of Macedonia. The paper explores a contemporary topic in the field of Internet technology and social networks, with a special emphasis on implementing e-recruitment in the Republic of Macedonia.

KEYWORDS: E-recruitment, social networking, internet technology, strengths, weaknesses, barriers

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1. INTRODUCTION

Recruitment is defined as the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, to apply for jobs with an organization (Mondy, 2008). Internet technologies in recent years have sparked a revolution in the field of recruitment, especially with the utilization of social media networks (SNW) such as Facebook, LinkedIn and Twitter. This led to the emergence of the e-recruitment method, which implies all activities related to the recruitment process, including finding, attracting and evaluating potential candidates, to be carried out with the help of Internet technologies. Through e-recruitment, companies will be able to segment the market and more effectively target candidates with job offers on a global scale. LinkedIn data demonstrates that the top channels people use to look for new jobs are online job boards (60%), social professional networks (56%) and word of mouth (50%), while over 75% of people who recently changed jobs used LinkedIn to inform their career decision (LinkedIn Talent Solutions, 2017). Additionally, 37% of respodents consider the development of SNWs as the main trend in the development of the recruitment process (Gager S., et al., 2015). Recent statistics show that the number of internet users in 2018 is 4.021 billion, up 7 percent from 2017, while number of social media users in 2018 is 3.196 billion, up 13 percent from 2017 (We are social & Hootsuite, 2018). Employers, understanding these trends and statistics, are beginning to show great interest in the extensive use of Internet technology and SNW as a means of searching and recruiting new candidates.

2. METHODOLOGY

Data collection, systematization and analysis was done during the preparation of this paper in order to research e-recruitment processes in detail, as well as present statistics for the Republic of Macedonia. The following scientific methods were used:

- Empirical method - used in order to perceive the experiences, ie the practice of applying e-recruitment by companies.
- Statistical method - mainly used for grouping and processing of the numerous data obtained during the survey.
- Analysis and synthesis method - this method is used for logical representation of the subject of research, that is, the efficiency of the recruitment process with the introduction of the e-recruitment method, the analysis of the traditional

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methods of recruitment, and the drawing of final general conclusions regarding the state of e-recruitment in the Republic of Macedonia

The primary data are of exceptional importance for the preparation of this work, because in the Republic of Macedonia there is limited information from secondary sources. The data were acquired through the implementation of a survey questionnaire on the companies in the Republic of Macedonia, as well as its further quantitative and qualitative analysis, further described in the research part of the paper.

3. LITERATURE REVIEW

E-recruitment trends date as far as the middle of the last decade, with authors such as Minton-Eversole (2007) claiming that e-recruitment is the fast-growing method of recruiting workers, given the fact that more and more individuals publish their online summaries in search of a better future. E-recruitment can be included in any or all of the major processes of attracting (planning / recruiting), selecting and evaluating (screening and selection), socializing and integrating the newly recruited, and supporting the systems for monitoring applicants and workers processes. The most comprehensive coverage of the essence of the term e-recruitment is its definition as a practice of using web-based resources for activities related to search, recruitment, interviewing and employment of new employees. Until recent years, E-recruitment was divided into two types of uses: corporate web site for recruitment and commercial jobs boards for posting job advertisements (Kaur P, 2015). With the emergence of SNWs, e-recruitment practices are under constant evolution and revision, implementing these platforms in every step of the process. In summary, e-recruitment encompasses the following digital human resource management (HRM) practices: advertising job opportunities for job databases, career portals, social network pages, corporate websites and intranets, and other online resources; e-recruitment systems for submitting applications, monitoring, evaluating and managing the candidate, summary database and web browsers, etc. (Holm, 2012).

3.1 E-recruitment advantages

Possibly the biggest advantage of implementing the e-recruitment process is **time and cost reduction**. Due to the rapid exchange of information, applications are

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sent directly to the recruiter or mediator (internet portal), and thus the candidate receives a response significantly faster. On average, the e-recruitment process is about 70% faster than traditional methods, and the recruitment cycle is accelerated at every possible stage, from the release of the vacancy, to the acquisition of biographies, filtering and managing contacts and workflows (Ramaabaanu and Saranya, 2014). Using a few key words when looking for job positions online is considered significantly easier and faster than newspaper search, as applying for online advertisements is much simpler than delivering resumes in paper form (Marr, 2007).

Another significant advantage of e-recruitment is the **ability to access a wider group of candidates and employers**. Unlike traditional methods, e-recruitment allows the storage of databases with data on current, future, active and passive talents that cover all geographic regions and industries. This advantage is crucial for those companies that need to attract specific or highly qualified personnel (Holm, 2012; Dhamija, 2012). Experience shows that not only e-recruitment attracts a larger group of applicants, but also often they are more qualified than those recruited through traditional methods (Delion, 2013).

E-recruitment also appears as a **powerful tool for promoting and strengthening corporate image**, brand and reputation. Website design and corporate image play a key role in the impression that companies leave to job seekers (Thompson, Braddy, & Wuensch, 2008). Undoubtedly, the brand is of paramount importance to companies, and this is indicated by the fact that 56% of global talent leaders consider it a top priority (Gager et al., 2015).

Another advantage of e-recruitment is attracting the interest of highly skilled people who do not require active work, still known as **passive candidates**. This phenomenon is closely related to the concept of SNWs that occurs when a particular individual subscribes to receive notifications and information regarding newly created positions of a particular company and then transfers the information to friends and colleagues or recommends a potential candidate directly to the company (Kaplan - Leiserson, 2005). The majority of global professionals consider themselves passive talent, and yet, only 61% of companies recruit passive candidates. Companies can close the gap by developing a strategy for recruiting active and passive candidates (Gager et al., 2015).

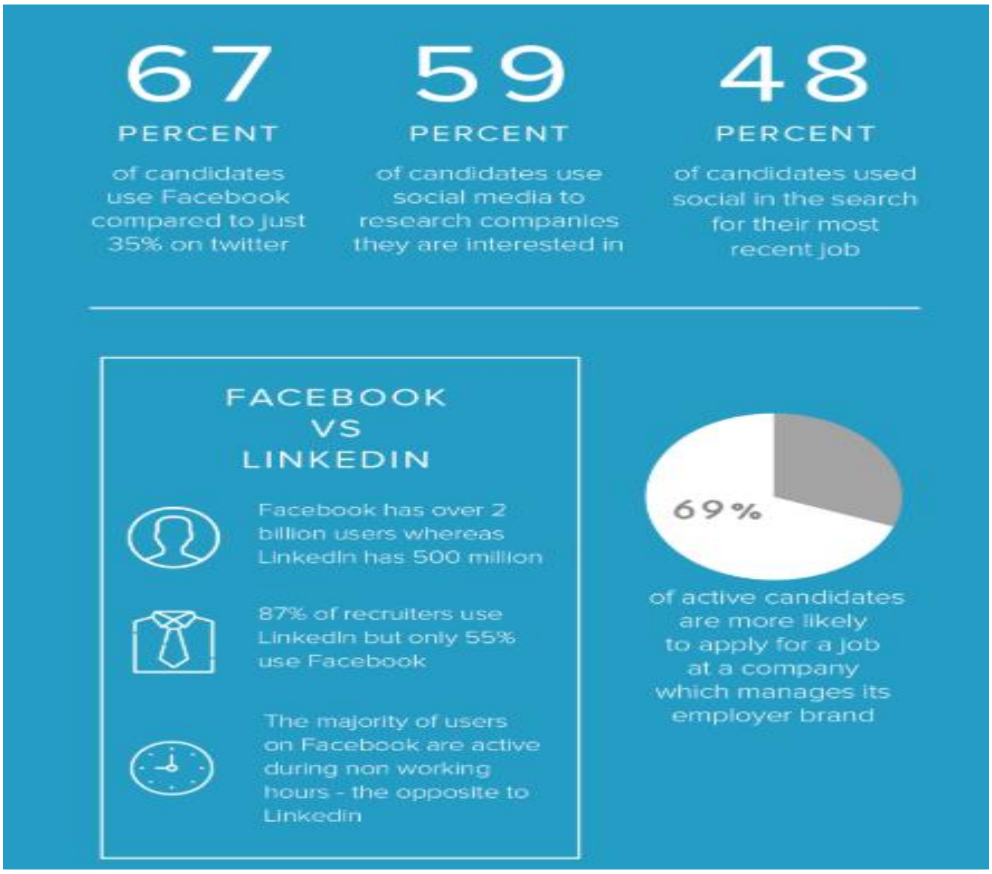
3.2. Implementation of SNWs in the e-recruitment process

Internet technologies significantly reduced the time required to search and reduced costs and offered a transparent method for informing candidates (Salmen, 2012). Modern Web technologies or Web 2.0 has forever changed the way of acquiring talent. Most Global 500 companies use some form of online recruiting. Experts state the recruitment process can be optimized by as much as 20% more via SNWs and that companies should take this strategy into account (Sills, 2014). 80% of employers say social recruiting helps them find passive candidates, 67% of recruiters expect competition for candidates to increase, while 70% of hiring managers say they've successfully hired with social media[1]. LinkedIn is the most popular and most used social network for recruitment that experts claim that as many as 60% of recruiters have successfully employed a candidate through her (Lewis et al., 2015).

SNWs can be generaly utilized in three different ways during the recruitment process (Grensing-Prophal, 2009). The first is posting open positions on SNWs, although applications should be selectively used, instead of being treated as a game of numbers and posted on the entire web-site (Lewis et al., 2015). The second way is to headhunt potential candidates. This strategy is more targeted because social networks have tools that allow companies to search for individuals by qualifications, work experience and geographical location and similar features that companies are looking for. Alternatively, companies can use employees who have profiles on social networks, in a way that employees will share their posts with open posts, creating a potential spiral of sharing (Breaugh, 2009). Lastly, companies can screen potential candidates, since SNWs make it easier to find information for applicants in order to speed up the recruitment process. However, since the introduction of GDPR and data protection laws, screening candidates on social media usually violates the rights of the candidate (Josimovski et al., 2018).

[1] https://www.linkedin.com/pulse/17-social-recruiting-statistics-2018-laurie-wood/?trk=aff_src.aff-lilpar_c.partners_pkw.123201_net.mediapartner_plc.adgoal%20GmbH_pcrid.449670_learning&veh=aff_src.afflilpar_c.partners_pkw.123201_net.mediapartner_plc.adgoal%20GmbH_pcrid.449670_learning&irgwc=1

Graph 1. SNWs e-recruitment statistics



Source: http://www.jobcast.net/26-social-recruiting-stats-and-facts/

As shown in graph 1, SNWs become the prime location to uncover job seekers and potential candidates. 87% of recruiters utilize LinkedIn in their recruiting process, compared to Facebook with 55%, making them the two most popular SNWs. Worth noting is also that 48% of candidates looking for employment used SNWs to search for open job positions.

3.3 Influence of smartphones in the e-recruitment process

The rise of the mobile revolution is due to the fact that many active jobseekers are interested in applying through their mobile devices (smartphones). Regardless of whether it is an active or passive candidate, the use of smartphones does not change, with 72% of active job seekers and 62% of passive job seekers stating they visited a corporate website in order to learn more for a career in the particular company (Sonru, 2014). A survey conducted by Deloitte shows that 90% of candidates are checking their mobile device in the first hour of awakening. Individuals between the ages of 18 and 24 check the mobile device every 5 minutes. 50% of respondents check their smartphones at least 25 times during the day, and 10% do it more than 100 times a day. It's easy to notice how this affects the e-recruitment process:

- 45% of job seekers say their smartphones is utilized in the process of finding a job at least once a day;
- 89% believe that mobile devices are an important tool in the search for work;
- 59% say it is particularly important to be able to save a job (advertisement) from their mobile device and then to apply from their computer; and
- 48% think mobile devices will become the most common way to recruit in the next two years.[2]

4. RESEARCH

To research the current situation regarding the usage of e-recrutiment in the Republic of Macedonia, a research questionnaire was constructed, from a semi-structured type and consisting a total of 18 questions of a mixed structure (including open and closed questions). The questionnaire was carried out in digital form through the platform Google Drive. The structure itself is in order to obtain concrete statistics on the level and manner of implementation of the recruitment process in Macedonian companies. Subsequently, a quantitative and qualitative analysis was conducted in order to obtain relevant research data.

The survey was conducted in the period from 30.06.2018 until 30.08.2018, and was sent to a total of 60 companies in Macedonia, regardless of their size. 38 companies responded successfully to the questionnaire, (63% of all companies). These companies are taken as a base for research and analysis of further statistics. As mentioned, the questionnaire included all companies regardless of their size, industry of activity or geographical position in the Republic of Macedonia. The only condition for participation in the sample was the company to function in the Republic of Macedonia. The aim is to analyze the extent of use of e-recruitment by small, medium and large enterprises in the Republic of Macedonia.

[2] http://www.davidgroup.com/wp-content/uploads/2016/06/Mobile-Recruiting-Best-Practices.pdf/ (accessed 25 October 2016)

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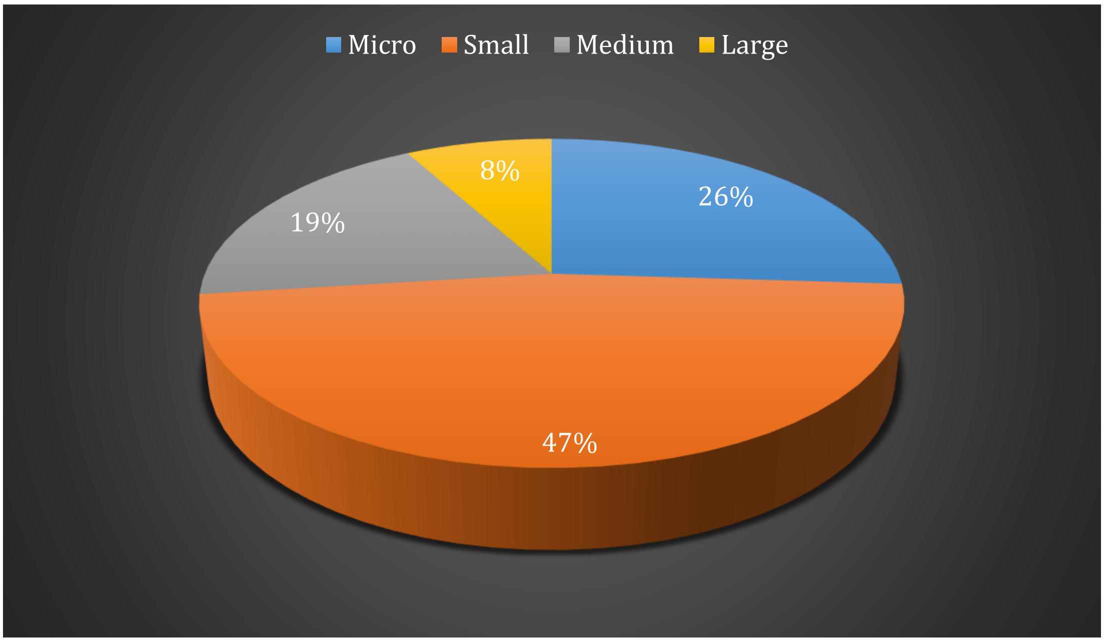
Graph 2. Company size



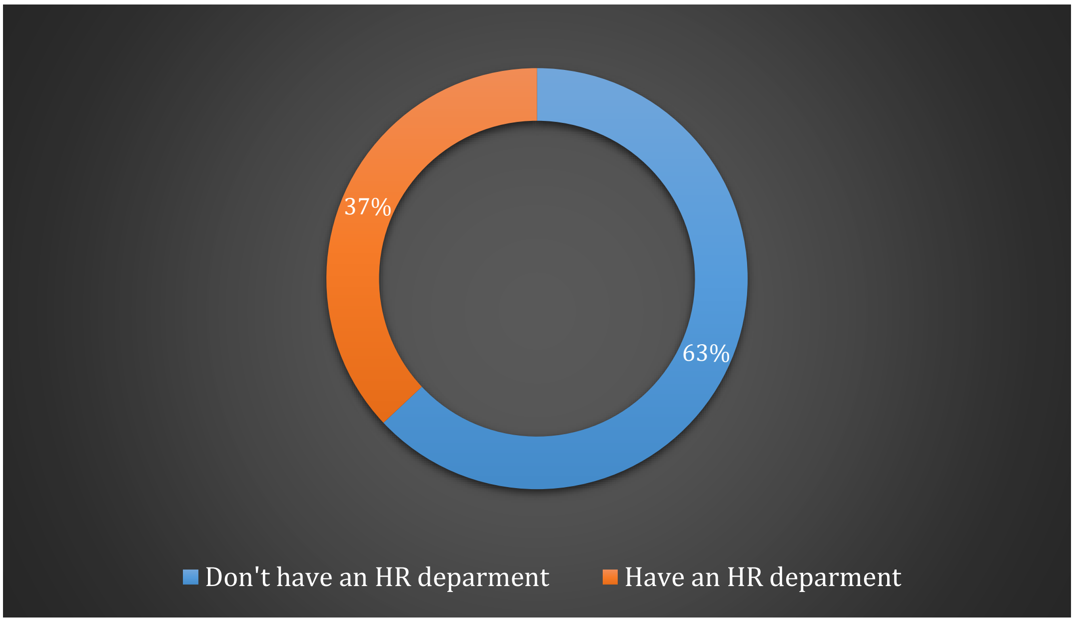
Source: Own research

Graph 2 shows that most of the analyzed companies fall into the ranking of small and medium-sized companies (66%). Micro-enterprises participate with 26%, while the smallest number of companies are in the range of large, with 8%. According to the latest data from the State Statistical Office, 79.3% are companies with 1 to 9 employees. Followed by companies without employees or an unspecified number of employees (without data for employees) with 11.0%, and companies with 10 to 19 employees with 4.5%, companies with 20 to 49 employees (2.9%), companies with 50 to 249 employees (1,9%) and only 0.3% of active companies have over 250 employees[3]. From the aspect of the activity of the companies, the survey includes entities from different industries, most of which are from the trade industry (19%). Included are companies from tourism, software companies, manufacturing, audio and video production, construction companies and etc.

Graph 3 demonstrates that in most of the companies there is no separate HR department (63%). This is understandable, especially because in the sample analyzed most of the companies are micro-enterprises, with up to 10 employees.

[3] http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=79

Graph 3. Does your company have an HR department?



Source: Own research

Only a small percentage of companies recruit through their website (39%), while most do not use their own recruitment website (65%). It is surprising that, however, many companies (71%) use recruitment web sites. This is a good indicator that companies, regardless of their size, are open to the initial stages of implementing e-recruitment methods. The analysis shows that the most used recruitment web sites are "Vrabotuvanje.com.mk" in 94% of the analyzed companies, and "Najdirabota.com.mk" in 86% of the analyzed companies. This means that if the company recruits through certain web portals, then it usually utilizes these two portals simultaneously.

Of the companies surveyed, 73% use social networks in the recruitment process. Graph 3.5 on the next page shows the most used social networks by the analyzed companies.

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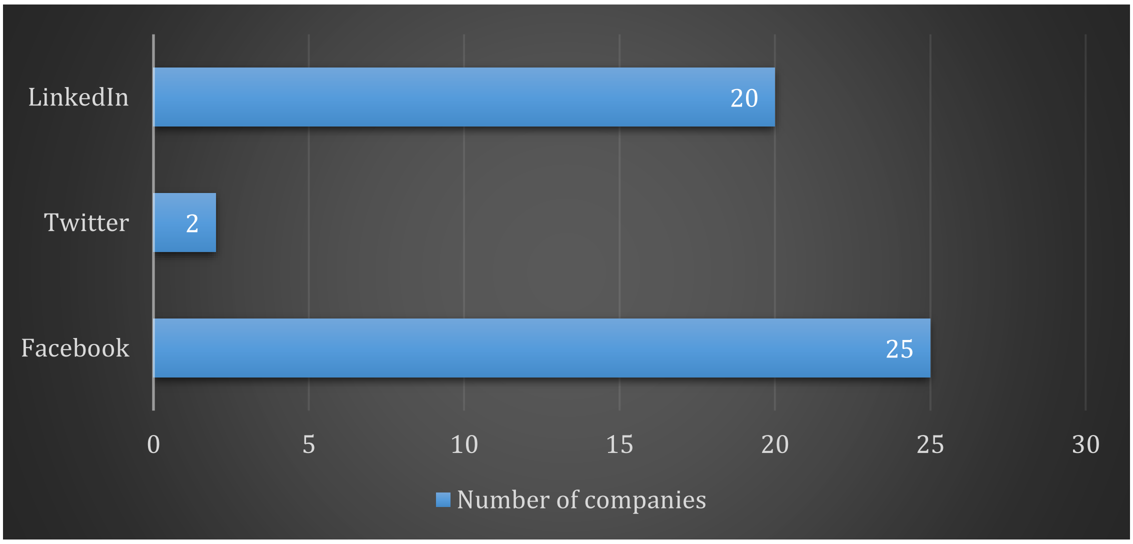
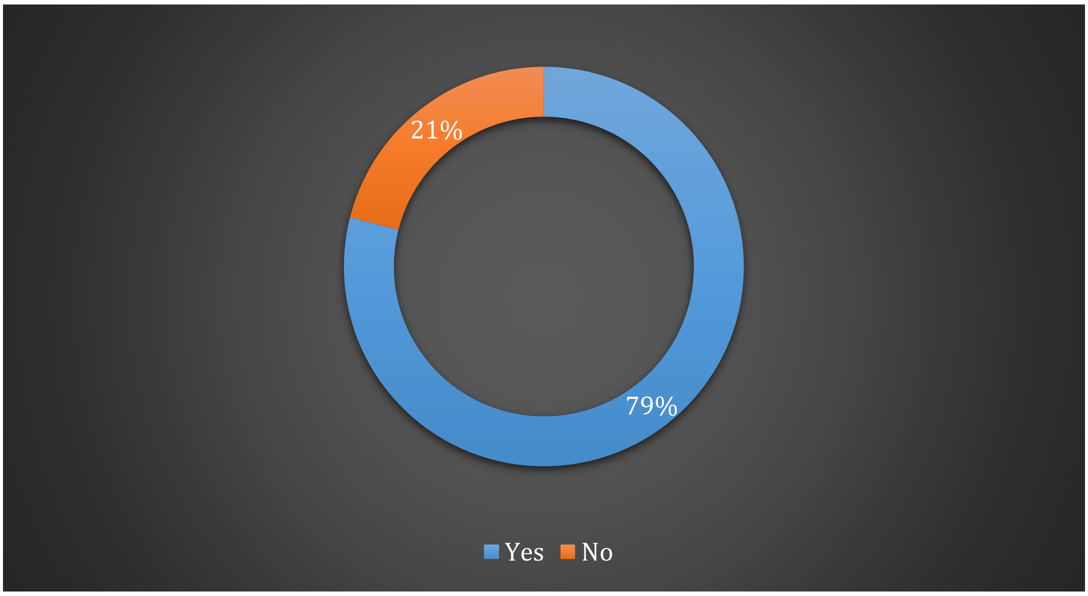
Graph 4. Social media networks utilized during the recruitment process



Source: Own research

Regarding the screening of candidates through SNWs, 65% of the companies surveyed stated that usually they screen candidates. With the introduction of the new laws for data protection at the level of the European Union, this process is heavily regulated and companies have to perform screening very carefully not breach candidate privacy.

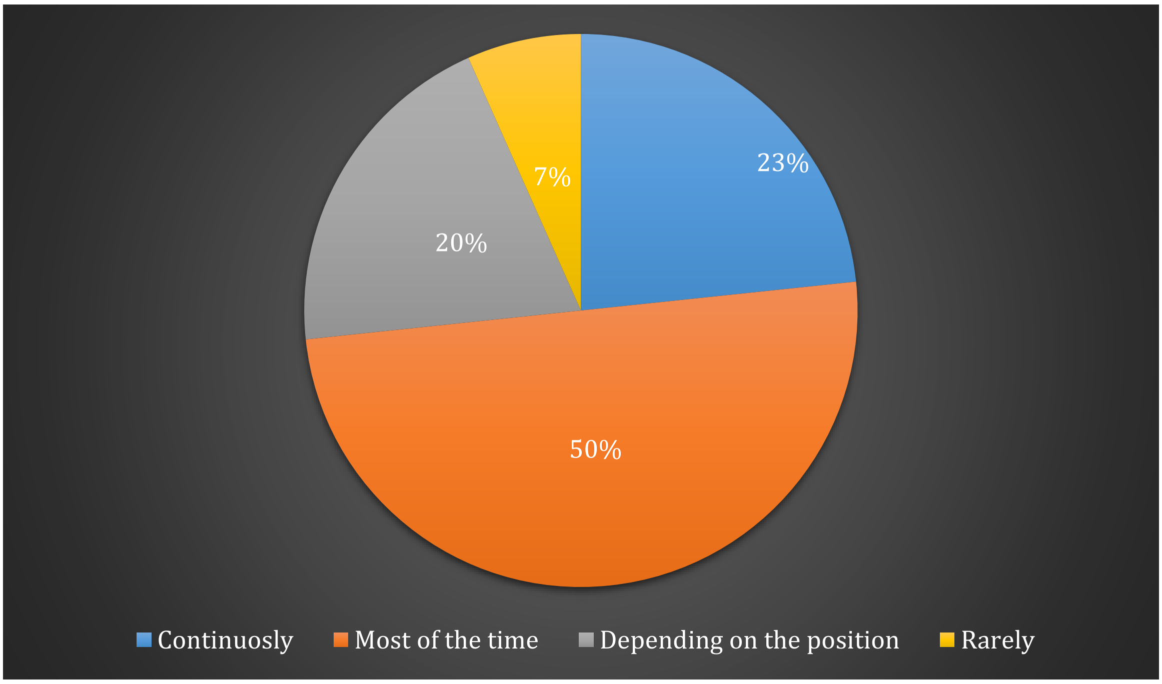
Graph 5. Does your company utilize e-recruitment processes?



Source: Own research

Graph 5 shows the use of the e-recruitment process by Macedonian companies. As many as 79% of them claim that they are familiar with the process and implement it in the employment activities. This is commendatory, since it is evident that Macedonian companies follow recruiting trends. Since the last few questions are focused specifically with e-recruitment aspects, only the companies that responded positively on this question are taken in regard for further analysis (30 companies). Graph 6 shows a brief analysis of the frequency of use of e-recruitment.

Graph 6. How often do you utilize e-recruitment?

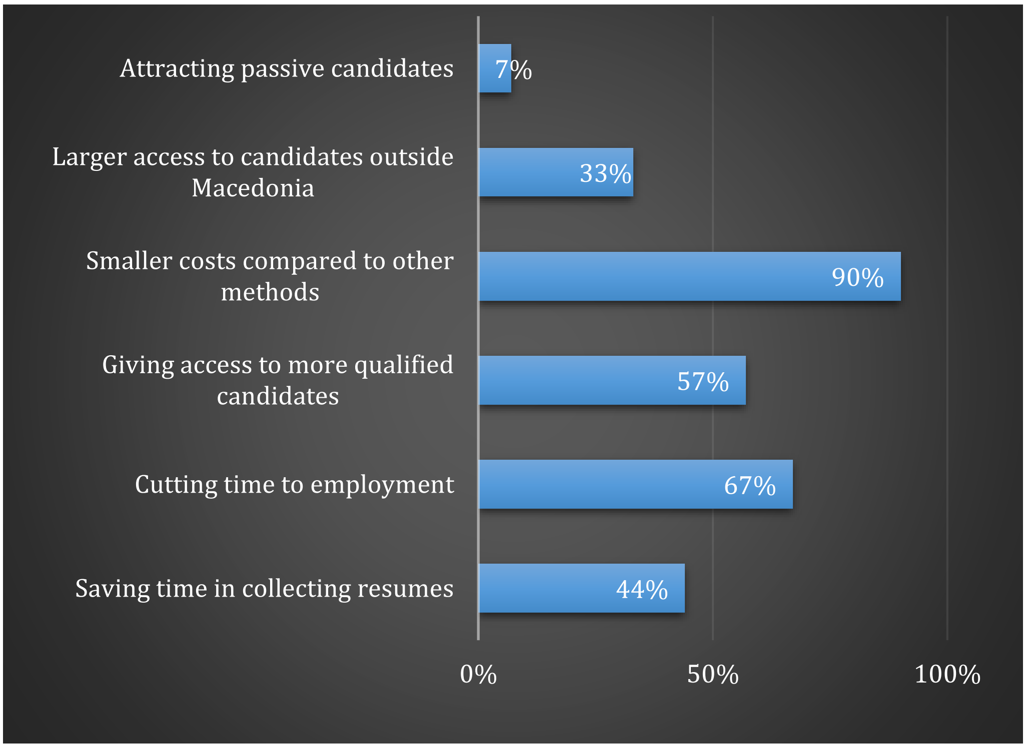


Source: Own research

Companies utilizing an e-recruitment system do it most of the time (50%) or continuosly (23%). Certain companies utilize it depending on the position (20%) and a small number of companies use it rarely (7%). From the point of view of the recruitment position, the e-recruitment system is mostly used for candidates in middle level positions (86%), then for candidates for senior positions (60%) and, finally, the least for candidates in low level positions (27%) . Conclusions can be drawn that candidates applying for higher positions have the knowledge and experience in utilizing Internet technologies, working with computers and using digital tools.

Graph 7 on the next page illustrates the advantages offered by the e-recruitment for the analyzed companies.

Graph 7. E-recruitment advantages

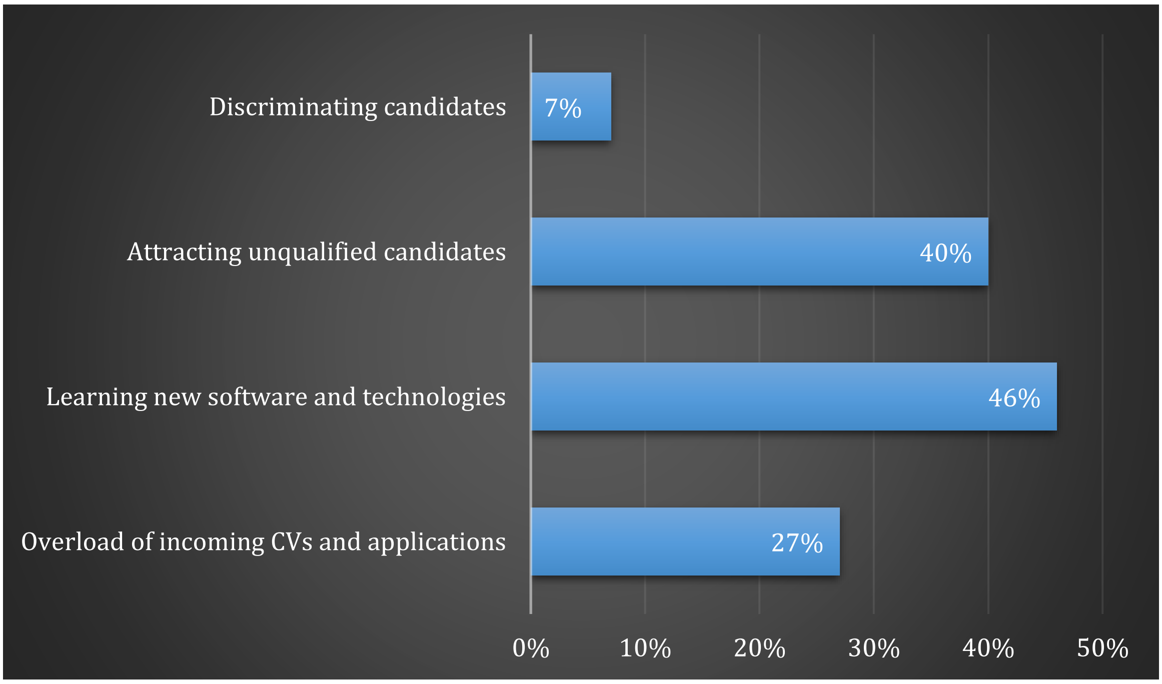


Source: Own research

From the analyzed companies that utilize e-recruitment in the Republic of Macedonia, the biggest advantage is lower costs compared to other (traditional) recruitment methods, with as much as 90%. The second advantage is the shortening of the cycle that is needed from the moment of announcement, until the right candidate is found with 67%, and on the third place is that e-recruitment gives access to more qualified candidates. From the companies surveyed, the smallest benefit is attracting passive candidates with 7%.

Regarding the legal regulations, most of the analyzed companies using the e-recruitment process stated that they are familiar with them (74%). Finally, Graph 8 presents the difficulties and barriers faced by the analyzed companies.

Graph 8. Difficulties in implementing e-recruitment



Source: Own research

Companies state the problem of learning new software and technologies connected to e-recruitment as the most common (with 46%). In second place is attracting unqualified candidates with 40%, while the third place is the overload of applications with 27%. Candidate discrimination is not seen as a problem for most of the companies with 7%.

5. CONCLUSION

Based on the data obtained from the primary and secondary research, the following conclusions have been drawn on the utilization of e-recruitment process by the companies in the Republic of Macedonia:

- **Better resource utilization is the primary benefit of e-recruitment** – Macedonian companies that utilize e-recruitment state that the biggest advantage are cost-savings with 90%, followed by cutting the time to employment with 67% and saving the time to collect resumes with 44%. Time and finances are the of paramount importance of every company, so e-recruiting could yield immediate results with its' implementation.
- **Focus on mobile recruiting –** Research demonstrates that younger candidates are spending most of their free times on smartphones, usually checking their phone between 18-25 times a day. Advertising job positions on this platform can prove as a cost-effective alternative, compared to existing traditional or e-recruiting methods.
- **Revise the connection of e-recruitment methods and the current laws and regulation for data protection –** Although companies utilizing the e-recruitment process have declared that they are familiar with existing laws and regulations (54%), the question is to what extent are they familiar with the legislation and how much they adhere to it. Authorized workers, as well as all other employees working with the database of personal data and other sensitive data, should be informed by the employers about their legal obligations in the handling of personal data, in accordance with the internal acts for personal data protection. The recommendation for the employers, as well as the recruiters, is to familiarize with the Law on Personal Data Protection and to visit certified CSCU computer security training courses organized by the Directorate for Personal Data Protection of the Republic of Macedonia. In addition, the Directorate recommends that all employees

working with personal data sign a confidentiality and secrecy clause of personal data or employment contracts to insert such a provision[4]

- **E-recruitment as an upgrade rather than a substitute for traditional methods** – The exclusivity of one or the other process in the implementation can be noticed. In particular, companies often consider that they should choose between one of the two processes, ie that e-recruitment is a substitute for traditional recruitment methods. The new course of activities allows companies to redistribute tasks among members of the recruitment team, which should then be continuously viewed and changed, if need be.

The paper raises new questions for research in the area of privacy laws and protection of personal data, especially for recruiting through social networks and whether they are regulated in Macedonia and the world. Also, this paper can be used for further research on the development of e-recruitment and usage of SNWs in the process, as well as to offer guidance to recruiters and human resources managers who are considering implementing e-recruitment, as well as stimulating cultural and behavioral changes within the department HR, at the company level and at the level of the business community.

[4] https://dzlp.mk/mk/temi_1_kont (accessed 10.10.2018)

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USER PREFERENCES FOR BANKING SERVICES OFFERED BY NON-BANKING COMPANIES AND TECH GIANTS

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ABSTRACT[1]

Technological growth has huge impact on the manner of providing financial services. Namely, financial services are perpetually provided in innovative ways helped by the new technologies. Concurrently, technological growth and the facilitating regulations allow for non-traditional institutions to create their own financial services. Fintech industry notes a significant progress resulting from the aforementioned changes. The gist of providing financial services by non-banking companies lies in the ever-growing competition on the financial services market and the supply of more efficient and quality services for the users. This paper seeks to identify the preferences and the reasons behind using banking services offered by non-banking companies. Furthermore, the aim is to examine the products and services that would be used by the users and that are provided by companies other than banks. To meet the set goal it is necessary to conduct a questionnaire survey of users of banking services - natural persons. The survey was conducted by way of a survey questionnaire comprised of 12 questions. The survey included 111 respondents - natural persons, banking services users from the Republic of Macedonia. The results from the conducted survey clearly indicate that the banking services users will use services offered by non-banking companies and tech-giants in the area of payments and funds transfer. Users, will however, remain loyal to the banks when it comes to deposit and loan products. Trust, stability, and safety are the key motives behind the commitment of the users to the traditional banks. Relatively younger users who have an extensive knowledge of the new technologies will be the first to accept banking services offered by the non-banking companies and tech-giants.

KEYWORDS: fintech, banking services, non-banking companies, tech-giants, users, research

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INTRODUCTION

The financial services sector has noted drastic changes as a result of globalization as well as a development of new and modern technological solutions. The rapid growth of technology has significantly influenced the way in which financial services are being delivered. Undoubtedly, new and innovative services, created by the new technologies, are emerging on the financial services market on a daily basis. The phenomenon of using new technologies with the aim of creating financial services is known as “fintech” or financial technologies (European Banking Federation, 2017). "Financial technology tries to reinvent financial services by using technology applications..." (Seth, 2016, p. 1). Also, *European Banking Federation* states that "Financial technology has the potential of making financial services more attractive and more accessible for clients" (http://www.ebf.eu/fintechconsultation/, accessed on 23 June 2018).

The main creators of banking services have always been the traditional commercial banks. However, an increasing number of requirements and expectations from the customers cannot be fully met by traditional financial institutions, including the traditional commercial banks. Consequently, today, more than ever, non-banking companies and tech giants are entering the financial services market. They are also offering financial products and services by using new technologies. The new and innovative technologies, often used by the fintech sector for providing financial services, include: "cloud computing; robotics; artificial intelligence (AI) and machine learning; mobile applications; big data analytics; blockchain or distributed ledger technology (DLT); cryptography; and quantum computing" (DTCC, 2017, p. 3).

The structural changes on the financial services market were caused by the rapid growth of the financial technology sector. Namely, the fintech sector has been going through accelerated growth especially in the last two to three years, even though the sector itself became more appreciated after the world’s economic and financial crisis since the year of 2009. After this period, the financial technology sector became characterized by loads of emerging new start-up companies, which are not banks, but still managed to enter the financial services market and "deliver financial products and services directly to businesses and consumers" (Bernardo, 2017, p. 17). There is no doubt that the digital technology companies, such as Apple, Google and Facebook are getting interested in taking part in the financial services market (Vlerick Centre for Financial

Services, 2015). To highlight the importance of the industry, one merely has to mention the fact that "...global investment in financial technology has increased more than twelvefold, from 930 million in 2008 to more than 12 billion in 2014..." (Luigi, 2017, p. 42).

Fintech companies, which are actually non-banking companies, have succeeded in attracting unserved and underserved banking customers. A study of the renowned magazine Forbes, entitled *How FinTech Companies are Closing the Banking Gap*, states that "According to the World Bank, there are two billion people globally who currently have no access to banking services" (https://www.forbes.com/sites/stephaniemacconnell/2017/10/23/financial-inclusion-do-good-make-money/#661c55f03fc3, accessed on 23 June 2018). In fact, the non-banking sector has noted growth in the most profitable banking areas (https://www.mckinsey.com/industries/financial-services/our-insights/remaking-the-bank-for-an-ecosystem-world, accessed on 23 June 2018). Banking services users have acquired outstanding benefits from the development of fintech sector due to the fact that they have obtained a wide and various choice of better, innovative and new services. Nevertheless, the users have still not been completely familiarized with the pros and cons of the new services because it is a relatively new sector. As a result, this issue is very topical in research both at a global level and in the European Union, and simultaneously becoming a pioneering topic in Macedonia where the fintech sector is in its initial stage of development. The *European Commission*, clearly states that it is inevitable to enable fintech activities on the financial services market (European Commission, 2017). Namely, PSD2[2] directive of the European Union allows non-banking institutions to enter the payment services market. *Ralf Jacob*, the Head of Unit D3 (Retail Financial Services and Payments), European Commission, Directorate General for Financial Stability, Financial Services and Capital Market, has noticed that: "*Pursuant to the new PSD2 European regulation, banks will not anymore be the sole providers of payments services, but those*

[2] "PSD2 is legislation, which at a technical level, seeks to increase competition and reduce the cost of payments in the EU" (https://bankinnovation.net/2017/05/what-is-psd2/, accessed on 23 June 2018). It is considered that "as the PSD2 (Revised Payment Service Directive) becomes implemented, banks' monopoly on their customer's account information and payment services is about to disappear. The new EU directive opens the door to any company interested in eating a bank's lunch" (https://www.evry.com/en/news/articles/psd2-the-directive-that-will-change-banking-as-we-know-it/, accessed on 23 June 2018).

could also be performed by third parties i.e. fintech companies, technology companies i.e. social networks such as Facebook, Google, etc., and all other players on the market interested in tasting a piece of the cake i.e. the business of payment services. All these changes are introduced to increase the competition and innovation in the financial sector, until meeting the final goal of attaining quality and cheaper services for the users" (http://kapital.mk/google-i-facebook-bi-mozhele-da-bidat-bankite-na-idninata/, accessed on 23 June 2018).

In accordance with the global and European regulations, the Central Bank of the Republic of Macedonia also encourages non-banking companies to provide banking products and services in order to increase the competition and offer better, more efficient and innovative banking products and services on the financial services market in the Republic of Macedonia. Most certainly, the Central Bank of the Republic of Macedonia constantly strives to align its regulations with those of the European Union, including the PSD2 directive. The former governor of the Central Bank, *Mr. Dimitar Bogov*, has warned the banks to be prepared for the new fintech companies emerging on the market, in order not to put themselves in the same situation as the telecommunication operators: "Banks have to be ready for these changes and have to accept partnerships and collaboration with the fintech sector, to make good use of the changes that arise from the digital era, instead of trying to destroy the competition. Otherwise, they will face the same situation as the telecommunication operators, that have not timely predicted the "danger" of introducing *Viber, Skype, Facebook Messenger* and the other services that have stolen a significant part of their profits, by using their infrastructure" (http://kapital.mk/bogov-bankite-da-se-spremat-za-konkurentsijata-od-fintech-kompaniite/, accessed on 23 June 2018). By implementing the appropriate regulations, the Central Bank expects that a great number of non-banking companies will emerge on the financial services market. In the Republic of Macedonia, currently, there are several non-banking companies that offer products of short-term lending, however, the real boom is expected to appear in the near future. Consequently, the issue regarding the fintech sector and the new non-banking companies will definitely become more popular for research in the Republic of Macedonia.

1. LITERATURE REVIEW

The financial services market is being reconstructed as a result of provision of services via new technologies, but it is simultaneously a consequence of non-banking and technological companies entering the market and offering innovative banking services directly to the users. Since we are discussing a relatively new topic, which has been popular over the past few years, the previous research of this topic is rare and it is generally conducted by companies specialized in analysis and market research in the area of financial services. Thus, the most important conclusions and outcomes of the research, immanent to this thesis topic, will be presented herein. Previous research data regard the last three years, while excluding the current year, and they will be presented chronologically.

Ernst & Young agency's research (2015), as presented by *The Financial Board*, clearly highlights that the main hindrance due to which customers do not use fintech solutions is because they are not aware of their existence. Certain research indicates that technological giants and new companies are the biggest threat to the reconstruction of the financial services market (Efma & Backbase, 2015). According to *Lee & Shin's* work (2017), *Holland Fintech's* research (2015) points to the fact that approximately 660 billion-dollars income may migrate from traditional financial service to fintech services. Concurrently, the research itself states that fintech services are mostly used by young and wealthy consumers, and at the same time pinpoints that the consumers, first to accept fintech services, are the ones who have an extensive knowledge of technologies, who are younger, urban individuals with higher incomes.

Pursuant to the survey conducted by *Ernst & Young* (2016) in Great Britain, concerning how fintech services are accepted by users, 14% of the digitally active consumers are fintech users. For the purposes of their research, they define fintech users as users who have used at least two fintech products within the last six months. Also, they emphasize that the rate of accepting fintech services in London is about 25%. This percentage, in general, reflects younger and wealthier population who are in fact the first users to accept fintech services. In terms of the area, the users mostly use fintech services in the areas of funds transfer and payments.

The global fintech report, entitled *World Fintech Report 2017*, organized by the companies *Capgemini, LinkedIn & Efma* (2016) has presented significant conclusions regarding fintech services preferred by users. Hereinafter, the most valuable results of the report in this area will be presented. First and foremost, according to this source, at a global level, half of the consumers (50.2%) stated that they are using financial services from at least one non-traditional institution for banking, insurance, payments or investment management, whereby the highest percentage is in the region of Pacific Asia (58.5%). As it comes to countries, the consumers mostly used fintech services in China and India (over 75% in total), followed by the United Arab Emirates, Hong Kong and Spain. The lowest rate of accepting fintech services is seen in France (36.2%), Belgium (30.4%) and the Netherlands (29.8%). These facts indicate that fintech, as well as other technological innovations follow the trend of First the Rest and then the West, similarly like the services offered by the companies *Ant Financial* and *Paymtm*, were first widely accepted in China and India, and then they spread over to the West. Along these lines, this report stressed that in general, consumers who are younger, familiar with technology, and are wealthy, are more likely to perform their basic financial activities via fintech services offered by the companies. The individuals, having greater knowledge of technology, use the services by fintech companies twice as more in comparison to the consumers who are not very familiar with technology. Still, this research highlights that traditional companies have a slight advantage over the fintech companies when it comes to trust. However, the situation changes when both traditional and non-traditional companies offer positive experience to the customer. In this event, in accordance with this research, trust in fintech companies is higher than trust in traditional companies.

Quesada (2017) notes that users of banking services at the age of 25 to 34 mostly prefer personal, private banking, fast and express service and transparency. With respect to transparency, the author states that users are bothered by hidden expenses by the banks, which is not the case with the big companies who define the prices of their services in a clear and precise manner. *Ernst & Young's* studies (2017) regarding the acceptance of fintech services by users disaggregated by age, confirm that relatively the younger users are keener on using these services. Users at the age of 25 to 34 , according to this study, mostly accept and use fintech services (48%), while, users at the age of over 55 very seldom use services of this kind, of 55 to 64 years of age - 22%, and of 65 to 74 years of age only 15% of the users accept fintech services. The same study indicates, as to the acceptance of fintech services by country, China (69%) and India (52%) have the highest rate of fintech services acceptance. On the other hand, Japan (14%) and Canada (18%) are countries where fintech services are used at least.

Following the analysis of the literature and research results in the area of using and providing services from non-banking fintech companies, it is easy to conclude that at a global level users already use these services. Likewise, it can be established that relatively younger users having broad knowledge in the area of technology, accept banking services from companies which are not banks, i.e. fintech companies, including tech giants, much faster and more easily.

2. RESEARCH METHODOLOGY

This research seeks to detect the preferences of banking services users in the Republic of Macedonia, in terms of banking products and services offered by non-banking companies. The research will include only users of banking services - natural persons. For the purposes of this research, the term non-banking companies will denote companies offering banking services provided by new technologies, while the term technological giants will denote the big tech companies such as *Google, Facebook, Amazon* and *Apple*.

To meet the set goal, research was conducted which entailed banking services users - natural persons from the Republic of Macedonia. A prerequisite for the users to take part in the research was for them to be banking services users. The research was conducted by way of online questionnaire in the period from March to April 2018. The research covered a total of 111 banking services users - natural persons in the Republic of Macedonia.

The questionnaire was structured and comprised of 12 questions. The first two questions from the questionnaire referred to the age of the users as well as to their technological skills. The rest of the questions (the other 10) referred to the viewpoints of the users regarding their use of banking services from non-banking companies and tech giants, as well as to the type of services and the reasons behind the use thereof.

3. ANALYSIS AND PRESENTATION OF RESEARCH FINDINGS

The results obtained from the conducted research have been summed up and statistically processed so that valuable and relevant conclusions can be made. The most significant results obtained from the conducted research data analysis will be presented hereinafter. Concurrently, the adequate conclusions for each question will be underlined.

Firstly, the structure of respondents in terms of their age and their understanding and usage of the new technologies will be displayed.

In line with the *age* of the respondents, they have been grouped in four age categories and the age structure of the respondents have been provided in table 1. It is clearly visible that most of the respondents are at the age of 25 to 34, while on the other hand, a lower percentage of respondents are at the age of over 35.

Table 1 – Age structure of respondents

Age groups	Number of respondents #	Percentage of respondents %
18 - 24	17	15
25 - 34	71	64
35 - 50	10	9
Over 51	13	12
Total	111	100

Source: Own research

In terms of *understanding technology*, the respondents were given the chance to determine their level of understanding technology, regarding the use of new technologies, by themselves, that is to make a self-evaluation to answer this question. The results of this question have been summed up in table 2, where it is explicitly obvious that the highest number of respondents have good understanding of the new technologies (40.5%), while on the other hand, only 13% need assistance when using the new technologies.

Table 2 – Understanding and usage of new technologies by the respondents

Provided optional responses	Number of respondents #	Percentage of respondents %
No, I do not know how to use them	2	2
Yes, but I need assistance when using them	13	12
Yes, I use them independently	28	25
Yes, I have good understanding of the new technologies	43	39
Yes, I am highly skilled at using the new technologies	25	22
Total	111	100

Source: Own research

Now that we have presented the basic characteristics of the respondents in terms of their age and knowledge and skills for using the new technologies, hereinafter we will present and elaborate on the results of the other ten questions from the research. However, the characteristics of the respondents will allow for more real and detailed conclusions to be made for the next questions on using banking services from non-banking companies and technological giants. An additional analysis of the age and knowledge of technology will be made for each of the questions.

Concerning the question of *whether they have ever used, or whether in the future they would use a banking service from a non-banking company*, half of the respondents (50.5%) responded that so far they have not used a service of this kind. Still, the same percentage of respondents replied that in the future they are planning to use banking services from non-banking companies. Great number of respondents, 32% to be exact stated that so far they have not used this kind of services, but in the future they will also not use the services from non-banking companies. In terms of age, 75% of relatively young respondents to 34 years of age stated that they will use these services in the future, while 57% of the older users will stay loyal to the banks. 44% of the respondents who are not skilled in technology will not use services from non-banking companies.

When it comes to *using banking services from tech giants*, one third of the respondents replied that so far they have not used a service of this kind, but maybe they would use such if they get positive feedback from some another user. The same percentage of respondents, that is, one third replied that they would use only the low risk services from tech companies. The percentage of respondents (25%), who would regularly use these services from tech giants, is not low at all. An additional analysis has shown that 61% of the older respondents over 35 years of age, would not use banking services from tech companies since they considered them unsafe. When talking about technology, 92% of the users who have good or extensive knowledge of technology would use banking services from tech companies.

Most of the users (53.2%), when stating *the reasons behind using services from non-banking companies* said that they would use such services due to lower interest rates and commissions, on the other hand, 56% of the respondents would use these services if available 24/7. Two thirds of those 56% are younger respondents, while for older respondents over 51, the most important reasons would be lower interest rates and commissions as well as the huge lines when waiting in the bank branches. On the contrary, 59% of the respondents who have good or extensive knowledge of technology responded that 24/7 online access to products is the crucial reasons behind using banking products and services from non-banking companies.

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On the other hand, data security (48.6%), stability of banks (39.6%) and trust in the banking system (37.8%), are listed *as reasons because of which the users would not replace their banks with a non-banking or tech company.* Reasons such as a huge variety of choice of products and services at one place as well as fulfilling the wishes and meeting the needs of the consumers, have been the least selected options by the respondents. It can be concluded that trust, stability and security of the banks are the key features due to which the users opt for remaining loyal to the banks. An additional analysis has indicated that only 29% of the youngest respondents to 24 years of age stated that they would not replace their bank due to data security, while 56% of the respondents who do not have good knowledge or skills for using the new technologies said that data security is their key priority because of which they stay loyal to the banks.

To answer the question of *which banking service from a non-banking or tech company would the users use,* the highest percentage of respondents listed the following services: paying bills (52.3%), transferring funds abroad (40.5%), debit/credit card with cash-back upon each purchase (36.9%) and transferring funds in the country (30.6%). The results explicitly indicate that most of the respondents would use services in the area of payments and funds transfer. On the other hand, loan and deposit products would almost not be used at all by the users, as proven by the fact that they have been selected by a minimal number of respondents, for example consumer loans up to 10,000 Euros (4.5%) or a housing loan (4.5%). On the subject of age, 40% of the group aged 25 to 34 stated that they would use debit/credit card with cash-back upon each purchase. Also, only 18% of the respondents having good or advanced knowledge of the new technologies would use a loan or a deposit product from a non-banking or tech company.

Contrary to the previous question, data provided for the question of *which banking service from a non-banking or technological company would users never use*, relatively overlap with the replies to the previous question, but of course *vice versa*. Here the loan and deposit products have the highest percentage, i.e. the respondents would never use these products from non-banking services or tech giants. The banks can rest assured that the housing loans will continue to be used from banks only, for a longer period, because 44.1% of the respondents would never take a housing loan from another company. Along these lines, all types of loans, consumer loans up to 10,000 Euros (24.3%), consumer loan over 10,000 Euros (37.8%), as well as car loan (33.3 %), will not be used by respondents if offered by non-banking companies. It is an interesting fact that only 3% of the responders would never use a debit/credit card with a cash-back upon each purchase from a non-banking company, which means that as many as 97% of the respondents would venture into this product when offered by a non-banking or a technological company. This is a very significant data for banks, but also for non-banking companies, when forming their strategy on the type of products and services they will offer in the future. Only 24% of the youngest respondents at the age between 18 and 24 declared that they would not use an allowed overdraft on accounts when offered by a non-banking or tech company. 40% of the users highly skilled in technology would never use a consumer loans from non-banking and technological companies.

The next question is explicit and direct, it aims to find out *whether the respondents would pay a bill via their Facebook account*. A huge percentage of the respondents, 37.8%, answered that they would never pay a bill by using their *Facebook* account, but simultaneously, a much higher percentage of the respondents 39.6% would pay a bill in such a way in the future, if they get positive feedback from other users. It is important to highlight that commission does not play a huge role for the respondents in using their *Facebook* accounts for paying bills, since only 8.1% of the users would pay a bill via their *Facebook* accounts if there is no commission for such payment. A broader data analysis regarding age indicates that 52% of the older respondents over 35 years of age would never pay a bill via their *Facebook* accounts. Along these lines, 26% of that same group of respondents would pay a bill if commission is not paid or if the commission is lower. In view of respondents with poor technological skills, 44% of them would never pay a bill by using *Facebook* accounts. This percentage is lower when taking in mind the users who have good or advanced knowledge of new technology.

With reference to *submitting the respondents' personal data by their bank to the technological company, such as Amazon, with an aim of allowing the respondents an opportunity to directly use banking services from Amazon*, interesting information is obtained. One third of the respondents would never allow their bank to submit their personal data and a bank account to the company *Amazon,* while, half of them would perhaps do so in the future only if they get positive feedback from other users. Around 35.5% of the respondents answered this question affirmatively, i.e. that they would allow their banks to submit their personal data to the company *Amazon*, but only if the bank guarantees their funds. Thus, it can be concluded, for this question also, that the prices of services do not play an important role for the respondents when it comes to using these services from tech companies. Only 4.5% of the respondents would allow submitting of their personal data and bank account to the company *Amazon*, under a sole condition that the prices for banking services from Amazon are lower. In terms of age, 54% of the oldest respondents of over 51 years of age, declared that they would never allow their banks to submit their personal data to the company *Amazon*. Still, an additional analysis regarding the knowledge and skills for using the new technologies indicates that 78% of the users who have good or advanced knowledge of the new technologies, in the future, would allow, under certain conditions, that the bank submits their personal data and account information to the company *Amazon*.

The next question more tangibly explores the *reason why the respondents would take a loan from a non-banking or a technological company, and not from their banks*, although as indicated by the findings from previous questions a large number of respondents would not apply for a loan in a non-banking company. Data indicate that if users take a loan from a non-banking and technological company, the reason behind this would be a lower interest rate (49.5%), and the second reason that is indicated is lower administrative fees (33.3%). Also, a significant number of respondents (25.2%) who would opt for this step due to and easier and faster manner of loan granting. These findings also answer the question that the respondents would not venture into applying for a loan in a non-banking or tech company, even in the case that the bank would refuse their application, since only 15% of them replied that they would apply for a loan in a non-banking company if the bank refuses their application. An additional analysis has indicated that due to fully online service only one user at the age between 35 to 50, and none over 51, would take a loan from a non-banking company, but this reason has been pinpointed by more than 16 users at the age up to 34. As to technology, of the total number of respondents who replied that an online service is key in taking a loan from a non-banking or technological company, 76% have good and advanced knowledge of the new technologies.

When it comes to *the institution which users trust the most in terms of banking services*, the respondents are unanimous. 77.5% of the respondents have the biggest trust in traditional banks, while 15.3% have the biggest trust in tech giants. The findings show that the respondents have almost no trust in online banks, start-up companies and non-banking companies who have been providing banking services for a longer period. Therefore, it can be concluded that respondents have the biggest trust in traditional banks, but also the respondents have bigger trust in technological companies rather than in other non-banking companies offering banking services. A follow-up analysis has pointed to the fact that over 85% of the respondents over 51 have trust in traditional banks, but none of them trust non-banking companies. In addition, of the total number of respondents who replied that they trusted technological companies, 71% of them have good or advanced knowledge of the new technologies.

CONCLUSION

Considering the initial analysis, contained in the introduction of the paper, it can be easily concluded that the Central Bank of the Republic of Macedonia by implementing the necessary regulations, will allow the financial services users the opportunity to use the services, provided by the non-banking companies, in the near future. The research, conducted for the purposes of this paper, reveals significant information and conclusions in terms of the preferences of the banking services users – natural persons in the Republic of Macedonia. The most important conclusions derived from the analysis of the findings will be scrutinized from four different aspects.

As to the users' preferences of products and services from non-banking and technological companies, it can be concluded that half of the respondents would use such kind of services in the future. This percentage is even higher when taking in consideration the younger respondents as well as the respondents that have good and advanced knowledge of technology.

Moreover, the main reason for using banking services from non-banking and technological companies, as identified by the respondents, is lower interest rates and commissions. However, the respondents, having good or advanced knowledge of technology, have noted that a 24/7 online access to products is also a very important reason for using these kinds of services. On the other hand, trust, stability and security are the key characteristics due to which the users would stay loyal to banks.

Concerning the types of products and services from non-banking and technological companies, the users would mostly use the products and services in the area of payments as well as of funds transfer. On the contrary, the users would not use loan and deposit products provided by non-banking companies and tech giants. To compare, the product from a non-banking or technological company that would be mostly used by younger respondents in particular, is a debit/credit card with cash-back upon each purchase.

When it comes to trust in the institutions that offer banking services, more than three quarters of the respondents have the biggest trust in traditional banks. This percentage is even higher for the older respondents. Nevertheless, a low number of the respondents trust the technological companies, while even a lower number of them put their trust in online banks, start-up companies and non-banking companies that create banking services. However, data indicate that the respondents have greater trust in technological companies when compared to the trust in the other non-banking companies.

Finally, it may be summed up that by introducing and aligning the necessary regulations of the Central Bank with those of the European Union, non-banking companies, offering innovative and efficient products and services directly to the users, are expected to emerge on the financial services market in the Republic of Macedonia. As indicated by the research results, some of the users will accept and use this kind of services, especially the younger users that have advanced knowledge in technology; however the rest of the users will stay loyal to traditional banks. Nonetheless, the banks in the Republic of Macedonia are supposed to get prepared for the competition from non-banking companies. In addition, the banks should cooperate with their competition when inventing creative and accessible products and services for the users, by way of using the new available technologies. Undoubtedly, structural changes will occur in the financial services market in the Republic of Macedonia, and these changes will be mostly beneficial for the users of these services, which will have the opportunity to use more innovative, quality and efficient banking products and services offered at low prices.

Similarly like most studies, this research has certain limitations. Two of these limitations, which have to be taken into account, are quite significant since they may affect the results of the research.

First and foremost, the questionnaire used in the research was answered by exactly 111 respondents – users of banking services. However, if we take into account that there is a much greater number of banking services users in the Republic of Macedonia, the replies of those 111 respondents seem like a relatively small portion thereof. Namely, the outcomes as well as the conclusions from the research might not reflect the real situation of the financial services market in the Republic of Macedonia in terms of the preferences of the users towards using services from non-banking companies and tech giants. In particular, it has to be highlighted that the number of the older users that took part in the research is especially low, only 9 % of the respondents are in the age group of 35 – 50 , and 12 % of the respondents are over 51. Consequently, the conclusions on the preferences of the older banking services users which were derived by this research must be taken with a grain of salt, due to the limited number of respondents from these age groups.

Another drawback of this study regards the level of technological know-how of the respondents. In fact, the respondents were free to assess their understanding and usage of the new technologies by themselves. There was a question where each of the respondents had to assess their own knowledge and skills connected to their usage of new technologies. This provided the respondents with an opportunity for being subjective in the self-assessment on their skills for the new technologies.

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