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Managing Global Transitions (MGT) is a quarterly, scholarly journal that covers diverse aspects of transitions and welcomes research on change and innovation in increasingly digitalized and networked economic environments, from a societal, organizational, and technological perspective. MGT fosters the exchange of ideas, experience and knowledge among developed and developing countries with different cultural, organizational and technological traditions. MGT invites conceptual, theory-development, empirical and review papers and case-based studies advancing the field of transitions in societies, organizations and technologies.

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Initial Financing of Croatian SMES: Financial Reports Evidence


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When starting a business, one of the major decisions that need to be made is how such business will be financed. Entrepreneur can consider different possibilities, the most commonly used sources of financing include own resources of entrepreneur(s) and combination of own resource and borrowed resources. Due to legal requirements, in Croatia it is theoretically impossible to start a company without own resources, although it is possible to start a company with symbolical amount of own resources. For a new company it could be hard to lend money from financial institutions due to the lack of business experience and asset, which could serve as collateral. Considering different available ways of financing new business, the aim of this paper is to analyse how new established Croatian SMES are financed. The conducted research has shown that new entrepreneurs are using more borrowed resources to finance their asset compared to own resources.

Key Words: entrepreneurship, financing, financial reports, SMES, Croatia

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Introduction

Starting a business it is not an easy decision, it is a well-considered decision accompanied by risk taking, perceived market opportunity, good business idea and designed financial construction. It is not unusual that persons have fear of failure, but this fear can be also bigger and at the same time blocking, in particular if you come from a transition country as it is Croatia. In early nineties' of last century Croatia started its path to an open economy country carrying along the way the heritage from another system. So living and doing business in a relatively young democratic and market economy state can have it is own challenges.

One of the things, which entrepreneurs think and rethink before starting a business it is initial financing. Such decision is very important since 'proper financial capital structure is crucial for obtaining better operational performance' (Burżacka 2017, 8). Entrepreneurs can choose to start their business with their own capital (equity), or with combination of own capital (equity) and debt. Not having own capital, entrepreneur is forced to be open for other financing possibilities. Smaller companies are faced with different challenges regarding the use of equity and/or debt financing, and often the decision to use one of this sources is driven by necessity rather than by choice (Coleman, Cotei, and Farhat 2016).

In line with Croatian legislation, it is impossible to start a business without own resources, with an exception of a newly introduced legal form in which subscribed capital is symbolic and encourages people to open something on their own. Therefore, depending of a legal form that entrepreneur choose to setup its business in Croatia, there are different amounts of subscribed capital, often not leaving them other choices than to borrow money from financial institutions, mostly banks. Being new and small on the market makes them hardly visible and uncertain, based on available assets to the key financial players. On the other hand, alternative financial sources are not so developed and spread at Croatian business scene.

In this paper, the aim is to analyse which source of financing is mostly used in Croatian new companies. Also, the authors perceiving the specifics of different industrial sectors will make the analyses between the major ones, regarding the mentioned topic.

This paper is composed of six sections which emphasis the small and medium enterprises sector in Croatia through conducted primary and secondary research. For primary research purposes, the authors used the companies' financial reports of active Croatian entities that were established during 2019. The conclusion of the paper brings possible way of business model transformation for new companies on Croatian market regarding the sources of initial financing.

Research Background

THEORETICAL BACKGROUND

In literature, different theories can be found to explain the debt-equity choice; however, there is no universal theory for explaining it (Myers 2001). Some of these theories include: trade-off theory, pecking order

theory, free cash flow theory. The trade-off theory states that companies 'seek debt levels that balance the tax advantages of additional debt against the costs of possible financial distress' (Myers 2001, 81). However, due to little or no revenues generated in the first year of operation, new established companies are less likely to have advantages of using tax benefits (Coleman, Cotei, and Farhat 2016). According to the pecking order theory 'companies will borrow, rather than issuing equity, when internal cash flow is not sufficient to fund capital expenditures,' while free cash flow theory states that 'dangerously high debt levels will increase value, despite the threat of financial distress, when a firm's operating cash flow significantly exceeds its profitable investment opportunities' (Myers 2001, 81). According to Coleman Cotei, and Farhat (2016, 108), the pecking order theory is more suitable to 'explain why small firms tend to prefer equity to debt capital if external financing is required.' Evidently, each of these theories recommends different structure of financing sources (debt-equity).

One of the main characteristics of new established SMES is that they are usually owner-managed. Due to that, they are more prone to issue external debt compared to external equity aiming to preserve both ownership and control (Coleman, Cotei, and Farhat 2016). Although, internal financing, when it is available, is preferred over external financing, companies limit future excess of slack as it constitutes a potential source of conflict (Gaud, Hoesli, and Bender 2007).

The most often emphasized benefit of using debt financing is related to tax deduction, since majority of world's countries allow deduction of paid interests on loans from the corporate tax base, while returns on equity typically do not have such benefit (Hebous and Ruf 2018). However, also equity financing has its benefits as well. When companies do not have obligation to return loans (principals and interest), managers have free cash flow to pursue other goals (Mande, Park, and Son 2012). There are also some other benefits of lower leverage ratio, including greater financial flexibility and higher prestige to the company (Hovakimian, Opler, and Titman 2001).

DEFINING SMES IN EUROPE

European Commission categorize small and medium enterprises (SMES) sector in 3 categories by 3 criteria; number of employees, turnover and balance sheet. The size categories are from small, with less than 10 employees, turnover and balance sheet less than 2 million Euros. The next category includes small business from 10–50 employees and turnover and

TABLE 1 SMES categories

Category	Employees	Turnover	Balance Sheet
Micro	0–10	< €2 million	< €2 million
Small	10–50	< €10 million	< €10 million
Medium	50–250	< €50 million	< €43 million

NOTES Adapted from European Commission (2020a).

balance sheet less than 10 million Euros. The category with the highest numbers in this sector are medium enterprises that employ between 50 and 250 employees, have a turnover less than 50 million Euros and balance sheet less than 43 million Euros (table 1).

Although it is possible to make differences among the SMES regarding their performances, all of them contribute to the development and rise of employment. Small and medium enterprises are seen as the major factor of economic development on different administrative levels – from regional to national (Feeney and Riding 1997) and further. Often are also mentioned the benefits on socio-economic development of this business sector (Cook and Nixson 2000).

SMES contribution to the development it is characterized through different advantages (Keskin et al. 2010) like that SMES provide the strength of element-of-balance income spectrum, they make decisions more quickly, they also boost private initiatives and compose an effective way to expand the manufacturing and industrialization to the whole country. Furthermore, SMES are the manufacturer of intermediate goods and inputs of large industrial enterprises, they can be effective in increasing quality of life and from the financial point of view SMES possess a significant role to fulfil the function to reflect small and family savings directly to the investments.

In EU-28 there are 25 million SMES that employ 100 million people. Of these 25 million SMES, 93% are micro businesses, while SMES make 99.8% of all businesses in the EU-28 in the nonfinancial sector. The situation is similar in all Member Shares, where the share of micro SMES is the largest, from 82 to 97.4% depending of country.

According to European Commission (2020b) small and medium enterprises gain more than half of Europe's GDP, add value in every sector of the economy, bring innovative solutions and spread them throughout Europe's regions. Also, they are seen central to the EU's twin transitions to a sustainable and digital economy, but also essential to Europe's compet-

itiveness and prosperity, economic and technological sovereignty. Small and medium enterprises are resilient to external shocks and in the European Union's industrial strategy are core parts of its achievement (European Commission 2020b). In 2018, that is last reported year, micro business had the majority of the impact in increase of value added and employment, so it is the change in SMES size classes (European Commission 2019).

SMES IN CROATIA

In Croatia SMES sector is defined through 2 different legislation frames; the Accounting Act which regulates and classifies entrepreneurs and groups of entrepreneurs ('Zakon o računovodstvu' 2020) and Small Business Development Promotion Act. According to Small Business Development Promotion Act the small and medium economy sector is presented by physical and legal persons who independently and permanently perform permitted activities for the purpose of making a profit or income on the market ('Zakon o poticanju razvoja malog gospodarstva' 2016).

These two acts recognize same categories with the exception of large entities that are not included in The Small Business Development Promotion Act. The criteria for classification the size category in these two acts are also same, only the numerical values for them differ. The Small Business Development Promotion Act follows the European criteria, but in this paper authors followed the criteria defined by Croatia Accounting Act as the research methodology is based on accounting perspective.

The Accounting Act recognizes 4 categories of businesses in the SMES sector; micro, small medium and large enterprises selected by amount of total assets, amount of income and number of employees. The micro enterprises are those with less than 10 employees, with the income up to 639,333.00 Euros and the amount of total assets up to 346,666.00 Euros. The other two categories are small enterprises, with less than 50 employees, amount of income up to 8,000,000.00 Euros and medium enterprises with less than 250 employees, with the income up to 40,000,000.00 Euros and the amount of total assets up to 20,000,000.00 Euros. The large enterprises are those that show larger amounts in at least 2 categories regarding the medium enterprises (table 2).

As the important part of Croatian development, the number of micro and small enterprises has been growing in the last 5 years, together with the SMES sector, although the percentage of this sector in the total number of enterprises in Croatia is constant 99.7% (Singer et al. 2019). Increase

TABLE 2 Classification of Enterprises in Croatia According the Accounting Act

Type	Amount of total assets	Amount of income	Number of employees
Micro	€346,666	€693,333	10
Small	€4,000,000	€8,000,000	50
Medium	€20,000,000	€40,000,000	250
Large	Entrepreneurs who exceed boundary indicators in at least two of the three conditions from the definition of medium entrepreneurs		

NOTES Adapted from 'Zakon o računovodstvu' (2020).

in SMES sector influenced the rise of employment from 422,238 in 2014 to 494,211 in 2018 which was followed by increase in total income and rise of total income per employee from 511,103 in 2014 to 556,159 in 2018. On the other hand, average number of employees has decreased through the years showing the tendency of entrepreneurial activity in which is employed 3.8 employees.

The number of medium enterprises has been rising like the number of small and micro enterprises though is smaller because the percentage of medium enterprises in SMES sector is smallest regarding the size category. Indicators as number of employees in medium enterprises, total income, total income per employee have been rising from 2014 to 2018. Only the average number of employees has varied.

Entering in business with a product or service can have different starting points, that is, enterprises can enter at the market with new product or the one that is already familiar to them. In Croatia, the innovation is something that should be more in focus in the next period, as the entrepreneurs are not innovative and they don't offer new products to the market.

Croatian government has for years been looking on the SMES sector as a strategic point in economic development. *The Strategy of Entrepreneurial Development in Croatia 2013–2020* (Ministry of Entrepreneurship and Crafts 2013) introduced 5 strategic goals which will enhance Croatian entrepreneurial potential, entrepreneurial environment, competitiveness of the sector. The goals are harmonized with those of European Commission and are focused on improvement of economic performance of small businesses in manufacturing and service sectors by investing in R&D, boosting innovation, export and business networks. The Strategy aimed to improve access to finance developing a variety of financial opportunities for small business entities and closing the financial gap

for retail economy. The strategic goal to promote entrepreneurship is visible through the law which was introduced in 2013 and edits the categories and roles of entrepreneurial infrastructure as the way to balance the interregional development, followed by boosting entrepreneurial skills by supporting the lifelong learning and enhancement of entrepreneurial environment which was burdened by administrative procedures.

Different entrepreneurial infrastructure have been defined by the Law on Entrepreneurial Infrastructure Improvement ('Zakon u unapređenju poduzetničke infrastrukture' 2018), helping the establishment and development of businesses but also their environment with a significant impact on entrepreneurial activity. TEA index in Croatia has improved through the years and in the last monitored year has been bigger than EU average (Singer et al. 2019); Croatian 9.6 versus 7.6 EU. The reason of entering in business for most of Croatian is still seen opportunity at the market (TEA Opportunity 6), so it's an index greater than EU average (5.7) but smaller than GEM average (8–9). Due to economic situation and long term unemployment in Croatia, some people have no choice, than to start something on their own. This is the reason why the TEA Necessity index for Croatia (3.1) is double than EU average (1.4), though is equal to GEM average (3.1). For the complexity of entrepreneurial environment and climate in Croatia the motivational index (1.9) is lower than EU average (2.3) and GEM average.

No matter the reason or the height of motivation, for starting a company in Croatia there are multiple options defined by the different criteria and different amount of subscribed capital defined by the law. Starting the most common business in Croatia owned by one or multiple persons, limited liability company (in Croatian: *društvo s ograničenom odgovornošću* – d.o.o.) is possible with start-up capital of 20,000 HRK (2,660 Euros). A type which is relatively newly introduced is simple limited liability company (*jednostavno društvo ograničene odgovornosti* – j.d.o.o.) that has the smallest amount of startup capital 10 HRK (1.3 EUR). The biggest start-up capital of 200,000 HRK (27,000 EUR) as lowest amount of shared capital, is for joint-stock companies.

FINANCING SMES

When starting the business in the absence of enough own money, the possibilities are to borrowed it from family and friends as the most common financial source (Hisrich, Peters, and Shepard 2008). Also, some of start-ups can decide to borrow money from banks, search for alternative source

<i>Micro, small and medium enterprises</i>			
Experimental and initial phase of enterprise development; startups	Expansion phase	Phase of significant recapitalization	Takeover phase
Own resources, friends, family, business angels, crowdfunding incentives, microcredit, ICO – Initial Coin Offerings	Venture capital, funds, bank credits, microcredit, new platforms, ICO	Equity funds, strategic partners	Strategic partners, IPO – going public
<i>Large enterprises</i>			

FIGURE 1 Sources of Financing and Enterprise Development Cycle (adapted from Croatian Bank Association 2018)

of financing or apply for different kind of supports. The hardest thing to SMEs, which governments have recognized, is to be financed by external sources because of the lack of collaterals, the presence of greater information asymmetry with investors and insufficient cash flows (Schwienbacher and Larralde 2010).

In Croatia, the traditional sources of financing are the most important ones, such as: own sources of financing, loans and financial leasing (Croatian Banking Association 2018). On the other hand, the sources that could help in the initial phase and become common in other countries such as venture capital funds, business angels or crowdfunding platforms are still underdevelopment, leaving not so many choices to enterprises in their earliest phases. As figure 1 shows in the experimental and initial phase of enterprise development SMEs sector use own resources, friends, family and also the non-traditional sources. The types of financing sources are different in stages that follow. From accounting perspective resources are divided as own resources (capital and reserves) and borrowed resources (liabilities). The own resources are capital from entrepreneurs, their family and friends, business angels, crowdfunding, etc., while borrowed capital (liabilities) are loans and credits from financial institutions and other borrowers, suppliers, etc. As mentioned before, the research is made by accounting point of view so these are terms that authors will use.

Methodology and the Results

RESEARCH SAMPLE

Taking into account the aim of this paper, i.e. determining how new established entrepreneurs in Croatia are financed, the research sample in-

TABLE 3 Representative Sample Size

Accepted margin of error	10%
Confidence level	95%
Population size	6.688
Response distribution	50%
Recommended sample size	95

NOTES According to Raosoft (2004).

cluded entrepreneurs in initial phase of development. More precisely, active entrepreneurs established during the year 2019 (the latest year for which the financial data are available) were included. In an attempt to exclude entrepreneurs without business activity, only entrepreneurs with one or more employees were considered.

Based on data from Croatian Chamber of Commerce there were in total 6,689 entrepreneurs established in year 2019 that met the following conditions: (1) active entrepreneurs, (2) submitted annual financial statements for year 2019, and (3) one or more employees. Out of this total number of new established entrepreneurs only one is large sized, meaning there were 6,688 new established entrepreneurs from group SMES. Regarding the legal form of considered new SMES, 3,550 entrepreneurs were established as simple limited liability company (j.d.o.o.), 3,078 entrepreneurs were established as limited liability company (d.o.o.), 2 as joint-stock company (d.d.) and 58 entrepreneurs were established in other legal form (see <https://digitalnakomora.hr>).

For purposes of this research the sample of 100 SMES established in year 2019 was included. Considering the whole population of 6,688 entrepreneurs meeting previously defined criteria, the representative sample size should comprise all least 95 entities with 95% level of confidence (table 3).

Data were collected from entrepreneurs' financial statements for year 2019 through the service of Financial Agency (FINA) during September, October and November 2020. As criteria for selecting 100 SMES from the population, the value of total revenues was used. Therefore, 100 new established SMES with highest total revenues were included. However, due to missing data, two companies were skipped, and replaced with subsequent entrepreneurs. Entrepreneurs from all industry sectors were considered. The descriptive statistics of data used in this research are presented in table 4.

TABLE 4 Descriptive Statistics (in 1000 HRK)

Item	N	Mean	Min	Max	Median	Std. dev.
Total asset	100	8,035	23	59,282	3,565	10,934
Subscribed capital	100	777	0.010	22,572	20	3,413
Capital and reserves	100	1,744	-21,996	23,713	570	5,441
Liabilities	100	6,222	26	48,994	2,441	9,120
Long term liabilities	100	1,011	0	29,583	0	3,524
Short term liabilities	100	5,211	26,421	48,994	2,257	8,221

As evident from previous table, differences between included SMEs are evident. Regarding the size of the entrepreneurs, measured with total asset, it ranges from 23,802 till more than 59 million, with mean value of 8.03 millions of HRK. The value of capital and reserves (own resources) ranges from -22.00 million till 23.7 million, with mean value of 1.7 million HRK. The minimal value of capital and reserves is negative, indicating that some entrepreneurs have larger value of liabilities than total asset (and negative position of capital and reserves). Such situation is reported for 9 out of 100 included entrepreneurs (9%). As for value of total liabilities, it ranges from 26,421 HRK to 48.99 million HRK, with average value of 6.22 million HRK. From the structure of liabilities, it can be seen that in average short term liabilities are higher than long time liabilities. Moreover, for 66 entrepreneurs no value of long term liabilities has been reported. Therefore, companies are mostly using borrowed resources to finance operational activities, and not for purposes of investments.

The values of subscribed capital are ranging from 10.00 HRK to 22.57 million HRK, with mean value 0.78 million HRK. There are only 4 entrepreneurs in the sample established as simple limited liability company (j.d.o.o.) which have subscribed capital lower than 20,000 HRK (minimal subscribed capital for limited liability company). Evidently, entrepreneurs are more prone to start their business as classic limited liability company with minimal subscribed capital of 20,000 HRK. Indeed, majority of entrepreneurs start their venture with minimal value of subscribed capital. Out of total number of entrepreneurs included into sample 76 of them are established with minimal value of subscribed capital (20,000 HRK).

From these descriptive statistics it is already evident that entrepreneurs are using more borrowed sources compared to own sources of financing (higher mean value of liabilities than capital and reserves).

TABLE 5 Research Results for Structure of Financing New Established Enterprises in Croatia

Item	N	Mean	Min	Max	Median	Std. dev.
Self-financing ratio	100	0.1702	-8.8425	0.9589	0.2108	0.9907
Leverage ratio	100	0.8298	0.0411	9.8425	0.7892	0.9907
% of subscribed capital in total asset	100	5.54%	0.00%	84.03%	0.73%	16.2643

RESEARCH RESULTS

In order to provide answers on defined research question regarding the structure of financing new established entrepreneurs, data from financial statements have been used. From accounting point of view, own resources include balance sheet position of Capital and reserves, while borrowed resources include position of Liabilities (Long term and Short term liabilities). These values have been put in relation with total asset in order to get information about the proportion of entrepreneurs' asset financed from own and from borrowed resources. Therefore, the following indicators have been calculated and analysed: Self-financing ratio (calculated as ratio between Capital and reserves and Total asset) and Leverage ratio (calculated as ratio between Liabilities and Total asset). Additionally, the ratio between subscribed capital and total asset has been calculated in order to identify how much of entrepreneurs' asset is financed from subscribed capital invested from owners. Table 5 contains the results of the analysis.

As evident from the previous table new established entrepreneurs are dominantly using borrowed resources for financing their asset. In average, 83% of total asset is financed from liabilities (borrowed resources), while only 17% of total asset is financed from Capital and reserves (own resources). Therefore, majority of asset, in average, is financed from borrowed resources that need to be returned to their owners in future. The minimum value of self-financing ratio is negative (-8.8425) and this is situation where enterprises are reporting negative position of Capital and reserves in their Balance sheet (liabilities higher than total asset). The maximum calculated value of self-financing ratio is 0.9589 indicating that in this enterprise 95.9% of total asset is financed from own resources. The company with highest value of Self-financing ration, at the same time is exhibiting the lowest value of Leverage ratio (0.0411), indicating that the rest of this enterprises' total asset (4.11%) is financed from borrowed re-

TABLE 6 Research Results for Structure of Financing New Established Enterprises in Croatia for Leading Industry Sectors

	N	Self-financing ratio			Leverage ratio			Percentage*		
		Mean	Min	Max	Mean	Min	Max	Mean	Min	Max
(1)	38	-0.017	-8.843	0.769	1.017	0.231	9.843	4.37	0.00	81.73
(2)	21	0.348	-0.141	0.959	0.652	0.041	1.141	5.69	0.06	81.43
(3)	14	0.337	0.002	0.651	0.663	0.349	0.998	0.86	0.02	3.17
(4)	8	0.368	0.074	0.868	0.632	0.132	0.926	2.20	0.19	12.21
(5)	7	-0.063	-2.534	0.764	1.063	0.237	3.534	9.14	0.06	59.55
(6)	12	0.261	-0.110	0.804	0.739	0.196	1.110	14.61	0.04	84.03

NOTES Row headings are as follows: (1) wholesale and retail trade; repair of motor vehicles and motorcycle, (2) manufacturing, (3) construction, (4) transportation and storage, (5) accommodation and food service activities, (6) other sectors. * Of subscribed capital in total asset.

sources. The maximum calculated value of leverage ratio is 9.8425 (higher than 1) indicating that total liabilities are higher than total asset. Enterprises reporting higher values of total liabilities than total asset could experience significant financial problems since even if all of its asset would be sold it would not be enough to pay off all liabilities.

The indicator percentage of subscribed capital in total asset indicates that, in average, enterprises are financing only 5.54% of their asset from subscribed capital. The minimum reported values for this indicator is 0.00%, while the highest value is 84.03%.

STRUCTURE OF FINANCING NEW ESTABLISHED ENTERPRISES IN CROATIA BY INDUSTRY SECTORS

In addition to analysing the financing source structure for all set of companies included into research, a more detail analysis financing source structure for leading industry sectors has been performed. The results are presented in table 6.

As can be seen from previous table, the most favourable structure of financing resources is within Transportation and storage (Sector H) where in average 37% of asset is financed from own resources, and 63% from borrowed resources. Just a little less favourable results are reported for Manufacturing sector (Sector C) where in average 35% of total asset is financed from own resources, and 65% from borrowed resources and for Construction sector (sector F), where 34% of total asset is financed from own resources, and 66% from borrowed resources. At least favourable sit-

uation is reported for Accommodation and food services activities (Sector I), where self-financing ratio has the lowest average value, and the highest leverage ratio. In average, within this sector the value of liabilities is higher than total asset. The average value of self-financing indicator is negative also for new entrepreneurs established within the biggest industry sector, i.e. sector of wholesale and retail trade; repair of motor vehicles and motorcycle (Sector G).

Discussion and Conclusion

The decision to start a new business adventure is not easy and a lot of different factors need to be taken into account. One of the major decision that entrepreneur needs to make is how to finance its new business. There are different possibilities which entrepreneurs can consider when starting a business, such as using their own resources and resources from their friends and family, collecting money using crowdfunding, alliance with business angels, lend money from financial institutions or other creditors, etc. From accounting point of view, different sources of financing can be grouped into two categories: capital and reserves (own resources) and liabilities (borrowed resources). Sources of financing entrepreneurs' asset are presented in balance sheet which entrepreneurs are obligated to prepare on annual basis.

The main aim of this research was to explore how new established entrepreneurs are financed. The research was conducted on a sample of 100 active Croatian entrepreneurs that were established during year 2019. The financing structure was analysed based on data from financial reports (balance sheet) for year 2019. Based on collected data an attempt to provide answer whether Croatian new established entrepreneurs are more using own or borrowed resources to finance their new established business. Majority of new established business start as micro or small enterprise, and grow as their business activities are spread and more developed. Because of that, in focus of this research will be new established SMES.

New business can be established in different legal form, including limited liability company, simple limited liability company, publicly listed company, etc. Depending on the chosen legal form, different amount of minimal required subscribed capital is required by the law (10 HRK for simple limited liability company, 20,000 HRK for limited liability company and 200,000 HRK for publicly listed company). Based on entire population of new established entrepreneurs in 2019, simple limited liability companies and limited liability companies are mostly used form to

start a new business. However, when considered only 100 biggest new entrepreneurs (in terms of total revenues), limited liability companies dominate and there are only few entrepreneurs established as simple limited liability enterprise. Research has shown that majority of new entrepreneurs are set up with minimal required amount of subscribed capital what results with low level of creditors protection and increased exposure to larger set of risks.

The research results have also shown that using borrowed resources (liabilities) dominate as a source of financing asset. Moreover, in average majority of new entrepreneurs (82.3%) are financed from borrowed resources (liabilities). Considering security of doing business, such indicators point out to potential problems with continuation of business operations in the future. Entrepreneurs will be obligated to pay off borrowed money and it is questionable if they will have enough liquid assets to do so. The optimal solution for this situation is to increase own resources by additional capital payment by the owners (or including additional owner(s)). Additionally, some entrepreneurs have self-financing ratio negative and leverage ratio higher than one, indicating that total liabilities are higher than total asset. These entrepreneurs are in greater risk of bankruptcy, and decisions regarding future operations should be made. If entrepreneur expects that in following years it will generate profit, these future profits can be used to cover the loss generated in first year of doing business. Additionally, entrepreneurs in these situations can also increase the value of subscribed capital.

As it has been shown, in average entrepreneurs' liabilities are higher than capital and reserves. Another potential problem that has been identified is related to the structure of these liabilities. Majority of these liabilities are short-term liabilities which are primary result of acquiring resources for production or providing services, including accounts payables, taxes payables, liabilities toward employees, etc. Such situation indicates that entrepreneurs have problems with financing every day's business operations.

Obtained results are in line with the ones obtained by Robb and Robinson (2014) who found that those companies in their start-up phase rely more on external debt sources and less on friends and family-based sources. However, there are also studies that identified opposed results. For example, Cotei and Farhat (2017) found that entrepreneurs in their start-up phase mostly rely on initial insider capital sources.

A research that involved 8,000 small and medium enterprises in

United Kingdom, showed that majority of high growth SMES rely strongly on debt-based finance for their funding (Brown and Lee 2019). In Australia, 46% of SMES are interested in equity funding (Dwyer, Duncan, and Southam 2020). Comparative analyses of two countries United Kingdom and China showed how types of financing change during the company life cycle. Regarding initial funding big percentage of included companies relied exclusively on financial support from their immediate family (Hussain et al. 2006). As the research followed the companies for 5 years, the same one showed that after 2 years in business, they higher rely on own savings and the financial support of bank and other financial institutions than family. At the end of five years of business continuity, most of the companies in the UK sample relied for their borrowing needs primarily on financial institutions and to a lesser extent upon their own savings. On the other hand, China's companies depended mainly upon financial support from their immediate family and to a smaller extent on financial institutions.

From all presented results, it can be seen that new entrepreneurs are facing certain problems related to financing their asset. This situation could be improved by promoting and providing asses to own resources. Firstly, entrepreneurs could join their capital (own resources) and start joint ventures and in such a way own resources would be higher and risks reduced, but also divided. Next opportunity is alliance with business angels. Entrepreneurs could start their new business with the support of business angels, which could contribute with financial equity and be a partner in new business. There is also possibility of using equity based crowdfunding which is a great opportunity for new business. Equity based crowdfunding or crowdinvesting represents 'a financing method for young ventures and other commercial projects that supports the acquisition of equity by coordinating the submission of different forms of shares to an undefined group of possible investors through social virtual communities' (Hagedorn and Pinkwart 2016, 72). However, the use of equity based crowdfunding may be limited with the availability of crowdfunding platforms for some country, but also with regulation of doing business in certain country. Croatia, as a relatively young country, doesn't have such developed scene of alternative, non-traditional sources of financing. On the other hand, this is something that is more connected with high tech companies that grow and develop fast. So, thinking about it should be limited by branch in which a new business in established. But, as the need for more available financial sources emerges, there should be

initiatives to make a transition to a business ecosystem that is boosting innovation, with a synergy of different actors. The difference could happen introducing to the ecosystem universities as an active part of the puzzle with a high potential of contribution to the creativity and orientation to innovation of the youth. Developing ecosystem could contribute to better results of doing business and lower level of indebtedness. Governments (national, regional and local) as a significant part of business ecosystem could boost the entrepreneurial potential, make the environment more business friendly, especially for new established enterprises.

Availability of entrepreneurial infrastructure, like business or technological incubators, could also facilitate doing business, but also reduce costs and liabilities of new business. In such a way, structure of financing resources could also be improved. With an existing Law on Entrepreneurial Infrastructure Improvement and Register of Croatian entrepreneurial infrastructure, there were made improvements regarding systematization, transparencies and utility of elements of entrepreneurial infrastructure that can facilitate business, not only in their early stages, but also after, when they are in need to transfer to a more wider space and make connections with other entities (example business zones). As a part of entrepreneurial infrastructure activities or different curricular and extracurricular programmes, entrepreneurial and financial education of entrepreneurs could also contribute to the improvement of business activities in some early stages of business.

So, by increasing the proportion of own resources (firstly learning how and why do it), the structure of financing sources would be improved and risks decreased. Additionally, entrepreneurs could also exhibit other financial benefits, like improved liquidity and/or profitability.

There are several contributions of this research. Firstly, the results have reveal that new established enterprises have high levels of leverage, i.e. they mostly rely on borrowed resources to finance their asset what could result with financial problems in the future. Secondly, research has shown that majority of new enterprises are established with minimum required amount of subscribed capital what leads to the problem of low level of creditors protections and raises question about capital adequacy of such companies.

Additionally, research has been conducted on a sample of SMEs operating in Croatia, a small, transitional country. Croatia is a country with limited experience in capitalism, and just thirty years ago has started the process of transition, what makes it interesting area for this research. On

the other hand, this is also one of the limitations, the size of the country, which doesn't allow making general conclusions but can be a good starting position for further research, to compare Croatian situations with a similar neighbour country which has also been in transition cycles. Moreover, as during the operating years, some of company needs change, other possible direction for the future research could be to compare the same companies with the leg in time, to see if they are still profitable and liquid and if they have made the switch from initial financing sources to some other and how many of them.

To conclude, results of this research could be of interest for practitioners, but also for policy makers. Practitioners could get information how their competitors are financing their asset and to do benchmarking. Additionally, paper contains suggestions for improvements what could be of interest for practitioners. Policy makers could use results of this study as a base for improvement of current policies in order to make entire society more environmentally friendly, especially for new established business.

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Relationship between Municipal Governance and Assurance Quality

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This paper examines the relationship between municipal governance quality and assurance quality. The paper's pertinence lies in the deteriorating state of municipal service delivery and the Auditor General South Africa's (2016) recurring reporting of poor financial management in the vast majority South Africa's municipalities. Hence, the objective of the paper is to analyse the relationship between municipal governance quality (with quality of performance reports as the proxy) and the municipal assurance quality (with financial statement quality as a proxy). Data was collected from the archives of the Auditor General's consolidated municipal audit reports for the 2016/2017 and 2017/2018 fiscal years. The data was subjected to quantitative analysis using the fixed and random effects panel data regression methods. Findings from the statistical analysis in both models show that the quality of performance reports is significantly related to the quality of assurance, with a p value of less than 0.05. The findings suggest that real improvement in municipalities' public service delivery and financial management depends on the level of improvement in governance quality, and the latter requires that bureaucrats tackle the now perennial issue of poor governance quality. This paper offers practical and research-based recommendations, most important of which is the need to implement quarterly quality-of-governance and assurance checks in the municipalities, thus avoiding the extended delays associated with the annual audit cycle. The second recommendation is for further research to examine the relationship between governance quality and assurance quality in the national government sphere, to determine the degree to which the challenges experienced are similar to those at the municipal level.

Key Words: financial statement, financial management, municipal governance, assurance report, performance report, service delivery

JEL Classification: H79, H83

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Introduction

There is a growing recognition that the heart of good working relationships within and between municipal structures requires (and generates) good governance practices. Such relationships ought to be built on effective communication systems, monitoring systems and interactions within governance structures (Wong 2017). Meanwhile, municipal governance oversight has become an integral part of municipal administrations (Nealer 2009), and trust of governance structures should be built to ensure that accountability becomes a reality (Schmidt and Zakayo 2018). Jackson (2018) states that establishing effective and accountable governance structures and processes are at the core of building good municipal government. Although municipalities are complex institutions with a wide range of powers and duties, this paper addresses the important issue of knowing who the officials and role-players in municipalities are and understanding their duties and responsibilities. According to Ter Bogt (2018) councillors, mayors and other administrative functionaries in municipal structures are key to the successful implementation of controls in municipal governance. Grimmelikhuijsen and Feeney (2017) explain that municipal governance more often than not, is seen as the reviewing of the municipality's compliance with its own policies, rules and regulations, while Matovu (2018) states that the key role of municipal governance structures is to be conscious of and proactive about the state and implementation of municipal laws and regulations. Van der Jagt et al. (2017) state that these role players should have an understanding and appreciation of both budgets and financial information in order to provide insightful support. Guragain et al. (2017) further observe that effective working relationships within municipal authorities are a key aspect of effective municipal governance. However, it is unfortunate, but true that some key governance structures within municipalities conduct their oversight work without an appreciation or understanding of budgets and financial information, and with no formal interaction with each other. Hence, this paper investigates the role-players associated with municipal governance in South African municipalities. Davies (2009) states that good working relationships are the cornerstones of effective municipal governance. According to Nurudin et al. (2017) the strength of the state rests largely on its ability to implement good governance principles and this then helps in the building of good relationships (Davies 2009). According to Goddard (2005) establishing such professional relationships contributes to the achievement of good governance and accountability.

Whiteoak (1996) observes that the responsibility to report on financial management and to audit management rests with internal and external assurance providers, and Motubatse (2016) observes that the strength of assurance and the quality of formal communications within an entity are mutually supportive. Despite the fact that assurance providers have a good level of understanding of the business environments in which they operate, poor coordination of work assignments and a lack of accountability among various assurance providers are still widespread.

Poor governance impacts negatively on both accountability and transparency (Chowdhury 2017). Porumbescu (2015) observes that local government structures should view transparency and accountability as means of connecting with their public/customers. According to Leck and Roberts (2015) those entrusted with municipal governance are the enablers of municipal administration. Natal'ya et al. (2016) state that the condition of municipal administration is reflected in the quality of the governance structures: if these are performing their roles effectively in supporting the administration, the administration will be similarly effective and efficient. For example, if governance structures such as audit committees and public accounts committees are able to achieve an improved and improving level accountability in key assurance providers (Degeling, Anderson, and Guthrie 1996), this is usually because they understand how assurance providers perform their work in local municipalities (Davies 2009).

Therefore, the objective of this paper is to examine the relationship between municipal governance and the quality of assurance the municipality is provided. Hence, the research question is whether a significant relationship exists between the quality of municipal governance and the quality of assurance the municipality receives.

The rest of the paper is organized as follows: the next section presents a literature review covering the diverse concepts addressed in this paper. Thereafter, the research method and the results are presented. The final section of the paper presents the conclusion and identifies some issues requiring further research.

Literature Review

GOOD GOVERNANCE

In many respects, good governance will eventually improve relationships between governance structures and municipal service delivery structures, and create a workable environment thus enabling municipalities to achieve their service delivery targets. However, good governance is

not only important for the smooth-functioning of municipalities, it is also important for the public as well. To begin with, good municipal governance improves the public's confidence in the municipality. According to Rotberg (2014), good governance means efficient performance and delivery of positive results, and good governance codes usually end with a list of agreed public values (De Graaf and Paanakker 2015). Of particular interest in this respect is the role of local councillors. As elected representatives, councillors embody the commitment of authorities towards the public (Aars and Fimreite 2005). Cash (2016) explains that good governance is essentially the equitable, sustainable and efficient use of resource. According to Leitão, Alves, and Pereira (2016) good governance includes the right to participate in the process of agenda-setting and in decision-making. De Roo (2017) also contends that participatory decision-making and shared governance processes should be the cornerstone of good governance. This need (and often leads to) open, innovative governance structures, and transparency in municipalities' affairs (Leitão, Alves, and Pereira 2016).

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Prior research has generally examined the roles fulfilled by public accounts committees in public and government sector entities. Degeling, Anderson, and Guthrie (1996) record that research into public accounts committees in Australia, as elsewhere, usually discuss and assess their contributions in terms of effectiveness in holding ministers and their departments accountable to Parliament, whereas Gilchrist and Coulson (2015) find that public accounts committees' work compliments the work of the Auditor-General by following up on issues reported with respect to performance information and financial management. Pelizzo and Kinyondo (2014) investigated the statutory roles of public accounts committees in Eastern and Southern African states, and found that the committees all have the power or authority to examine accounts and financial affairs.

Chohan and Jacobs (2016) examine how an institution's public accounts committee fulfils two important roles: first, it assists in the oversight of the budget preparation process; and second, it supports coordination efforts among key accountability institutions, such as the public accounts committee and the Auditor-General, in their fiscal oversight roles. Chohan and Jacobs (2016) also found that the budget preparation and monitoring process fits very well into the committee's commit-

ment to enhancing accountability of constitutionally established entities by strengthening these institutions. Thus, the public accounts committee is usually recognised to be at the centre of financial accountability (Degeling, Anderson, and Guthrie 1996). In a study of public accounts committees in Eastern Africa, Pelizzo and Kinyondo (2014) also validate the ideal that the committee has the potential to promote good governance, curb corruption and to increase the trust of citizens, by exercising their unrestricted rights (and obligations) to examine the economy, and the efficiency and effectiveness of policy implementation.

Moreover, the public accounts committee plays a key role in public sector accountability, and by its very nature its role is as a public spending watchdog. Within the South African municipal context, the public accounts committee is established in terms of section 79 of the Municipal Structure Act (Republic of South Africa 1998), and its key activities include oversight and interrogation of any unauthorized, irregular or fruitless and wasteful expenditure by the council, the executive mayor, executive committee or any politically appointed office bearer of the municipality (National Treasury 2006). Just as Khalo (2013, 593) affirms, the committee's function is also to restore public trust. National Treasury (2006) records that public accounts committees have a role to play in improving governance through holding local governments accountable. This can be achieved through performance monitoring, and determining the effectiveness and efficiency of service delivery efforts. As Gilchrist and Coulson (2015) conclude, the relationship between the Auditor-General and the public accounts committees should be strengthened so that when the Auditor-General provides them with reports the committees in fact do follow up, assessing the extent to which the Auditor-General's recommendations have been carried through into the day-to-day work of the executive.

AUDIT COMMITTEE

According to Beasley et al. (2009) audit committees play a key role in assisting the board to fulfil its corporate governance and oversight responsibilities with respect to a company's financial reporting, internal control systems, risk management systems and the internal and external audit functions. Gendron (2009) states that audit committees should be strong advocates of good governance, and should actively support the work of the entity's auditors (DeZoort, Hermanson, and Houston 2003). He et al. (2017), for example, examine whether social ties between en-

agement auditors and audit committee members shape audit outcomes in a predictable manner. They found that social ties between engagement auditors and audit committee members do impair audit quality. Their results show that where social ties are more prominent, governance is relatively poor and agency conflicts are more severe. Fiolleau et al. (2019) and Hoang and Pomeroy (2019) also investigate the influence of the audit committee's oversight approach on the auditors' communications to the audit committee, and their study reveals that the auditor's communication with the audit committee has the ability to build the committee's willingness to rely on the auditor's report. On the other hand, Kamarudin et al. (2018) also examine the relationships between corporate governance (focusing on chairman duality, audit committee size, independence, and frequency of meetings, and on-time financial reporting). Their study found that firms whose financial statements are released on time are more likely to have larger audit committees which have a lower proportion of independent non-executive directors; in addition, these audit committees meet less frequently, and the entities are audited by industry specialist auditors. Kamarudin et al. (2018) also found that audit committees in municipalities are being used by councils as sounding boards with respect to understanding financial information.

MUNICIPAL MANAGER

In a recent study, Connolly (2016) assesses the impact of local politics on the principal-agent relationship between the council and its manager in the municipal government arena. In terms of South African legislation such assessment serves as an important role in the initial creation of an agency relationship within the municipalities' hierarchies (National Treasury 2006). Nelson and Svara (2015) remind us that the municipal managers form part of the (sometimes fraught) political/administrative relationship. Mahdavian, Mirabi, and Haghshenas (2014) examined the impact municipal managers' strategic thinking has on the functioning of a municipality, and found that they are fundamentally important to the achievement of improvements in the performance of the municipality. However, Siegel (2015) expresses his concern that the work of municipal managers is almost always overlooked, not well understood and mostly over-shadowed by the activities of the councillors. Thus, the things that work well from the perspective of the municipal manager's office are invisible from the public's perspective (Siegel 2015).

Hirsch, Nitzl, and Schaufß (2015) studied the influence of management

accounting departments within German municipal administrations – over 743 municipalities in total. The study revealed that an effective management accounting department can only exert a positive effect when the municipal administration employs an accrual accounting regime. Examining another metric, George, Desmidt, and De Moyer (2016) surveyed 89 municipalities in Flemish speaking Belgium, and found that strategic planning improves decision quality if both top policy-makers and municipal managers are involved. Thus, the earlier the municipal manager is involved (as the person/office who is responsible for implementation of council policies) the better the outcomes.

In South Africa, the municipal manager is accountable to the council for implementing specific agreed outputs, and for the overall administration of the municipality. The municipal manager reports directly to the executive mayor and indirectly, through the mayor, to council (National Treasury 2006, 9–10). According to Dweba (2017), the municipal manager is part of the leadership team tasked with implementing municipal strategies. Liao (2018) recognises that the municipal manager is responsible for that public body's responsiveness to citizens' demands, and for the effective administration of the municipality. Thus, the municipal manager is accountable for the municipality's income and expenditure, and the management of its assets; in addition, the manager must also fulfil other obligations such as ensuring compliance with all legislation applicable to municipalities. On top of this list of duties, this position is viewed as a valuable source of support and assistance to councillors in their efforts to make informed decisions.

MAYOR

Egner et al. (2018) state that the mayor has substantial influence over the governance parameters adopted by the municipality. According to Bobonis, Cámara Fuertes, and Schwabe (2016), a mayor governs the municipality from political point of view. The mayor enjoys significant discretionary power over the budget allocations of this local government sphere (Bobonis, Cámara Fuertes, and Schwabe 2016). The mayor is also expected to oversee the municipal manager's office, ensuring that he is indeed delivering on the mandate of council, and that the agreed outputs are being achieved with the appropriate use of allocated resources (National Treasury 2006, 20). Steyvers et al. (2006) observe that the mayor functions as a pivotal player in the governance efforts of municipalities. Thus, the mayor requires great leadership and negotiating skills and expertise

to encourage all municipal councillors to work together in the interests of the municipality; additionally the mayor must also be able to provide guidance and support to efforts to resolve disputes.

MUNICIPAL COUNCIL

Maserumule (2008) recognises that municipal councillors, as members of council committees, contribute to the effective operation of this the local government sphere, and to municipal administration. As recognised by Meloche and Kilfoil (2017), municipal councillors are elected officials serving in the local government structures. Thus, the council holds the mayor responsible for achieving promised outcomes and the municipal manager for specific outputs. The Municipal Finance Management Act (MFMA) and other legislation require municipal councils to be open and transparent in the performance of their duties and deliberations, and to encourage the involvement of the local community in municipal affairs (National Treasury 2006, 13). The municipal council is the highest governing body of a municipality. The members of the council make all the major decisions affecting the municipality. This includes decisions on education, the bylaws regarding construction of new buildings, or local tax levels. Within their responsibility for the municipality's financial affairs, they have powers to pass by-laws, approve budgets and to increase municipal service fees (National Treasury 2006). According to Maserumule (2008) these councillors are expected to have the requisite knowledge to perform the specific functions associated with their office.

Research Method

Data for the research and subsequent analysis described in this article was collected from the 2016/2017 and 2017/2018 consolidated general reports on the local government audit outcomes of the Auditor General South Africa, and is required in terms of the Municipal Finance Management Act (MFMA). The data covered audit outcomes for the municipalities in all nine provinces of South Africa for the two most recently concluded financial years. The volume of data suggested it was pertinent to apply a cross sectional panel data approach, comparing outcomes from two methods of panel data regression, namely the fixed effect and random effect methods (table 1 and table 2). The motivation for using these specific data sets (the two financial years 2016/2017 and 2017/2018) arises from the AGSA's 2015 mandate to strengthen the level of governance. In his 2014/2015 municipal audit report, the AGSA lamented that governance

quality had declined and that this had contributed to the low level of service delivery in many provinces of the country. He implored municipal leaders to ensure the restoration of good governance practices in subsequent fiscal years (Auditor-General South Africa 2016).

In the following analysis, governance quality is represented by the quality of municipal performance reports; and since, according to PricewaterhouseCoopers (2014), assurance resonates with the quality of financial statement, the paper uses financial statements as a proxy for assurance quality. Thus, these two variables – quality of performance reports and quality of financial statements – were measured and reported in the audited general reports of 2016/2017 and 2017/2018. Since these variables have been certified and reported by the Auditor General, these variables are thus deemed to be valid.

Results and Discussion

The main objective of this research is to examine the relationship between municipal governance quality and assurance quality in South African municipalities. Data reported in the consolidated municipal reports by the AGSA were collected from the AG's report archives. Table 1, table 2 and table 3 present the results of panel data regression analysis. Table 1 presents the result using the fixed-effect panel data regression; table 2 present the result for random-effect panel data regression. The purpose of using the two methods is to select the method that gives the best result, using the indicators generated by the Hannan-Quinn ratio, Akaike criterion ratio and the Schwarz criterion ratio (also presented in tables 1 and 2). Expert recommendation is that the alternative with lower ratios of Hannan-Quinn and Akaike criterion and the Schwarz criterion is a better model (Anderson, Burnham, and White 1998). Accordingly, a comparison of the indicators generated by these three model show the following: Schwarz criterion is 124.76 in the fixed effect model and 115.07 in the random effect model; Akaike criterion is 115.85 in the fixed effect model and 113.29 in the random effect model; Hannan-Quinn is 117.08 in the fixed effect model and 113.53 in the random effect model. Based on these comparisons, it is clear that the random effect model (table 2) presents the best regression model to analyse the link between governance quality and assurance quality. Therefore, although the two models show a significant relationship between governance quality and assurance quality, the conclusions drawn in this paper are based on the random effect model (table 2).

TABLE 1 Result of the Relationship between Quality of Performance Report (QPerfRep) and Financial Statement Quality (FSQ): Model 1

Item	Coefficient	Std. Error	<i>t</i> -ratio	<i>p</i> -value
Const.	4.34745	2.12739	2.0436	0.07526*
QPerfRep	1.14471	0.182984	6.2558	0.00024***
Mean dependent var.	15.22222	SD dependent var		11.02167
Sum squared resid.	216.5686	SE of regression		5.202988
<i>R</i> ²	0.895130	Adjusted <i>R</i> ²		0.777151
<i>F</i> (9, 8)	7.587196	<i>P</i> -value(<i>F</i>)		0.004482
Log-likelihood	-47.92872	Akaike criterion		115.8574
Schwarz criterion	124.7611	Hannan-Quinn		117.0851

NOTES Model 1: Fixed-effects, using 18 observations. Included 9 cross-sectional units. Dependent variable: FSQ.

At an alpha level of 0.05, table 2 shows that quality of the performance report (a proxy for governance quality in this paper) is significantly related to financial statement quality (a proxy for assurance quality) at a *p*-value of 0.00001, which lower than 0.05. This indicates the relationship enjoys a high level of significance, and shows that municipal governance quality does have a high influence on the quality of assurance provided, which in turn resonates with the quality of audited and published financial statements (holding other factors constant). This finding concurs with research based on private sector entities' reports, in which it was found that corporate governance quality affects the quality of audited financial statement (Cohen, Krishnamoorthy, and Wright 2002). Table 3 presents the model's validity tests, namely the Breusch-Pagan test for heteroskedasticity, the Hausman test for endogeneity, and the normality test. The results from table 3 show the following *p*-values: 0.87, 0.92 and 0.91 for Breusch-Pagan, Hausman and normality tests respectively. Since these *p*-values are all above the alpha level of 0.05, this indicates that there is no heteroskedasticity, no endogeneity and that variables are normally distributed. Therefore, table 3 adds validity to the research results.

Conclusion

This paper has evaluated the relationship between municipal governance quality (with performance quality as its proxy) and the municipal assurance quality (using financial statement quality as its proxy). According the AGSA, South Africa's municipalities' levels of performance regarding

TABLE 2 Result of the Relationship between Quality of Performance Report (QPerfRep) and Financial Statement Quality (FSQ): Model 2

Item	Coefficient	Std. Error	t-ratio	p-value
Const.	4.42643	1.94159	2.2798	0.03667**
QPerfRep	1.1364	0.148217	7.6671	<0.00001***
Mean dependent var.	15.22222	SD dependent var		11.02167
Sum squared resid.	456.8726	SE of regression		5.184097
Log-likelihood	-54.64719	Akaike criterion		113.2944
Schwarz criterion	115.0751	Hannan-Quinn		113.5399

NOTES Model 2: Random-effects (GLS), using 18 observations. Included 9 cross-sectional units. Dependent variable: FSQ.

TABLE 3 Validity Tests

Breusch-Pagan test	Null hypothesis: Variance of the unit-specific error = 0 Asymptotic test statistic: $\chi^2(1) = 0.0239722$ with p-value = 0.876956
Hausman test	Null hypothesis: GLS estimates are consistent Asymptotic test statistic: $\chi^2(1) = 0.00824316$ with p-value = 0.927658
Test for norm. of residual	Null hypothesis: error is normally distributed Test statistic: $\chi^2(2) = 0.172386$ with p-value = 0.917417

service delivery, compliance with regulations and financial management has deteriorated over the years. Hence, in 2015, the AGSA highlighted the urgent need to improve the quality of municipal governance as this was recognised as a catalyst for improving municipal performance (service delivery). This AGSA report prompted this paper, the purpose of which was to determine whether the level of governance quality in 2016/2017 and 2017/2018 had contributed to an improvement in the assurance quality. Two models of panel data regression analysis were presented and both models show p-values of less than the alpha level of 0.05. This then shows that the quality of governance has a significant effect on the assurance level as reflected on the quality of the financial statements for the years 2016/2017 and 2017/2018. This finding compares favourably with research findings from the private sector. Thus this indicates that municipalities will be able to improve their service delivery levels and the quality of their

financial management if there are improvements in their governance. The implication for municipal governance is that in order to improve governance quality, service delivery and the management of public funds, those in charge of appointing municipal leadership should consider appointing only personnel with relevant knowledge and experience. Doing so will increase the social and economic welfare of citizens and general economic growth.

A practical recommendation in support of this desire for improved governance is the recommendation that municipalities be required to undergo quarterly quality-of-governance and assurance checks, without waiting for outcomes of the AGSA's annual audits. Such a quarterly governance and assurance quality audit will identify quality weaknesses in key positions of leadership and allow for immediate corrective plans and actions to be undertaken, while the problems are still current, and before such weaknesses accumulate into enormous service delivery problems, and financial costs that are ultimately to the detriment of the citizens. In addition to this practical recommendation, the authors of this paper recommend that further research is undertaken to examine the relationship between governance quality and assurance quality at the national government level, to see if the same results apply. If the problems are similar to those identified at the municipal level this might then prompt the search for solutions that are more generally applicable.

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Omnipresent Social Media: Is Travelling Imaginable without Smart Devices?


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As earlier people went on holidays for the relaxation and the feeling of escape from the ordinary weekdays, nowadays most of them cannot imagine to spend a few days without internet connection or their smartphones during travels. The benefits of using smart phones and social media cannot be questioned, however, the drawbacks have to be also considered. To reveal the cons and pros of the phenomenon, first a brief theoretical overview of the topic is introduced, and then the analysis of the results of the empirical research involving 386 people in Hungary are put into the focus of this paper. The online survey conducted in Autumn 2019 gave the opportunity to study the mobile phone and social media usage habits of the Hungarians during their holidays. Simple descriptive statistics and the method of multidimensional scaling (MDS) with ALSCAL procedure were applied to illustrate the perceptions and attitudes of the respondents, and to interpret the hidden relationships among the variables. The results show that the smart tools and social media are organic parts of the holidays: 90% of the respondents use social media platform like Facebook daily, and 48% said that they use their mobile phones less during holidays compared to the everyday. However, only 13.5% of them would be willing to mitigate the usage of smart devices totally, while in case of social media usage this proportion is higher, 37.9%.

Key Words: tourism, smart tools, social media, consumer behaviour, digital detox

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Introduction

Digital transformation is not optional anymore; all sectors are highly exposed to it, which brought considerable changes in consumer behaviour and in the whole environment of the industries (Tomičić Fur-

jan, Tomičić-Pupek, and Pihir 2020; Marušić et al. 2019; Bach et al. 2019; Gössling 2021). The importance of using modern technology, social media in tourism sector is recognised by most service providers (Paliokas et al. 2020). However, there are still some cultural institutions in the world, which are reluctant to use digital solutions which could make them to be more visible (Akca 2020).

In the digital era, the info-communication and technological (hereinafter ICT) innovations have also significantly changed the consumer behaviour of tourists. The opportunities provided by the smart tools, the applications and the different online platforms make the travel decision-making process easier, faster and more transparent. The tools are colorful: travel recommender systems, even data mining applications were developed (Renjit, Sreekumar, and Jathavedan 2020; Bach et al. 2019). People often choose their next destinations based on others' reviews, photos or suggestions, book their flights and the accommodations on their mobiles, and share their real-life holiday experiences via smart tools. A research made in Malaysia revealed, that the social media is the strongest influencing factor for millennials when making domestic travel decisions (Moorthy et al. 2020).

Social media had an important role even in case of group travels, since in certain situations it is vital in replanning the on-site activities, getting information about local news and connecting to travel mates and family at home (Fardous, Du, and Hansen 2020). Furthermore, social media can also contribute to getting knowledge about the destination, and to sociological adaptation (Li et al. 2020).

Thanks to the Internet and social media, more and more destinations can open their gates for potential travellers. Travellers may reach destinations, they have never heard about before, and make them known for others by sharing their experiences immediately on site, which facilitates the phenomenon of overtourism. Therefore, it is important to make decisions consciously and think over their long-term effects in the sake for sustainable development and responsible behaviour (Moric 2013).

The tourists' behaviour and their needs have gone through a considerable change that also have made a shift in the supply side of the destinations. In the mid of the 20th century, when mass tourism started to flourish, people wished to travel to destinations providing the combination of 'sun, sea and sand' (Aguiló, Alegre, and Sard 2005). The destinations and service providers struggled to build their activities on this combination that strongly depended on seasonality and the tourism infrastruc-

ture. Therefore, many destinations left out of tourism due to the lack of 'basic' elements of the touristic operations. More and more destinations recognized the potential in tourism and started to consciously build out the basic and touristic infrastructure. Not only the 'sun and sand' destinations benefited from tourism, but also the destinations with natural or cultural attractions can enter the tourism market. Destination marketing organizations, national tourism organizations also use social media as a marketing tool, meanwhile it could also be utilized as a customer service tool (Usakli 2017; Ćurlin, Pejić Bach, and Miloloža 2019; Molina et al. 2020).

Social networks can also help in the branding of different destinations or service providers (Blace, Coric, and Juric 2015; Huerta-Alvarez, Cambra-Fierro, and Fuentes-Blasco 2020; Peco-Torres, Polo-Pena, and Frias-Jamilena 2020; Barreda et al. 2020; Moro and Rita 2018; Yu, Xie, and Wen 2020). Seo, Park, and Choi (2020) conducted a research among airline social media users about 'the effect of social media usage characteristics on electronic word-of-mouth (e-WOM), trust, and brand equity.' It turned out, that the e-WOM had determining impact on trust, brand awareness and brand image (Seo, Park, and Choi 2020).

However, the attractions themselves are not satisfying for the tourists anymore. They want experiences that they can share offline (with their travel companions) and online (with their fellows on social media (Falk and Hagstein 2020). Behind the travel motivation, there is often a push from friends on social media, who post their travel experiences on photos or videos (Aggarwal and Gour 2020; Latif et al. 2020). Mainly the younger generations do not want to lag, and target the next tourist destinations under this pressure. Being continuously online and using our smart tools without stop pervade our holidays, as well. Using the navigation, searching for good-rated restaurants, reading QR codes for getting information on site are all the parts of holidays for better tourist experiences and satisfactions. Moreover, these experiences have to be or must be shared on social media that also needs the inevitable use of smart tools. Social media has become a fundamental attribute of holidays, which creates an interactive platform for communication being beneficial to all parties (Ai, Lv, and Gursoy 2020). Reviews, feedback written by the users are not only useful for other tourists, but also the service providers can benefit from them (Leung et al. 2013). Social media can support the increase in effectiveness of knowledge management and business operations of the companies, services providers (Kaščelan et al. 2020). To be able to maintain

the competitiveness and increase the market share on the market, service providers have to keep up with the latest social media trends and to identify the opportunities and react in time (Mabić, Gašpar, and Lucović 2017).

The advantages of the Internet and social media are undoubted, however, the focus has started to divert from the original purpose of holidays just, for example, stepping out from the weekdays, relaxing or discovering. This paper aims to study the role of social media and mobile use in tourism based on a literature overview, and to reveal the tourists' habits of use of smart tools, as well as social media on holidays. 386 Hungarian people were involved in the empirical research.

Literature Review

THE IMPACT OF MOBILE USAGE ON TOURISTS' BEHAVIOUR

By the spread of smart phones and tools, calling and texting have become secondary functions, and the opportunities provided by these smart tools (e.g. social networking, information search, weather forecast) got into focus (Yang 2013; Tan et al. 2017). By using mobile devices during travel gives the opportunity the tourists to be more connected, confident, informed and safe (Wang, Xiang, and Fesenmaier 2016). However, there are several benefits of mobile usage, that can make our lives and holidays more convenient, the number of disadvantages is not negligible. According to Travelers Today (2019), people use mobile devices for navigation, translation, information search, booking, as well as to keep in touch with friends, to share on social media, either to download travel applications or use travel guides. Nevertheless, the (excessive) use of these tools can cause distraction, poor concentration on attractions, the lack of experience, and less mindfulness.

Travel experts, portals predict that the importance of modern technology will even increase in the post-COVID world. It will be essential for travellers to get the latest travel information (Tourwriter 2020). A survey carried out by Censuswide revealed, that the trust of more than 80% of travellers would be heightened because of modern technology in the next year. Regarding this trust, most of them (42%) have referred to a special mobile application giving them alerts, notifications during their trip about possible safety and security threats. Contactless payments and mobile boarding would also be suitable to 'increase their confidence to travel' Amadeus 2020). The role and the significance of mobile use are de-

cisive only during travel, but it has an impact on the whole travel decision-making process, too.

Making travel decision can be regarded as a quite complicated process that requires various information sources in different phases. The information search process is very crucial from the destination choice's point of view (Bieger and Laesser 2004; Jacobsen and Munar 2012). The Internet and ICT tools have brought a fundamental shift in consumer behaviour of tourists already from the first step of the decision-making process. The smartphones in people's pockets have become a perfect travel companion throughout the whole journey (Thinkwithgoogle 2016).

Mobile devices are important tools of getting tourism information (Lin, Juan, and Lin 2020). According to the findings of 'think with Google' research among US people, the 60% of destination information searches were carried out by mobile devices, while the 31% of the leisure travellers and more than half of the business travellers booked on smartphones. Regarding the top travel activities, 44% of the respondents searched for discounted offers, 35 and 32% looked for destination-related information before visiting the destination and during their staying. The key findings of this research show that people desire simplicity and convenience while they use their smartphones in connection to travel.

While Thinkwithgoogle (2016) analysed usage habits from a practical perspective, Pavelka (2016) studied smartphone use during travel from the psychological side, as well. The feeling by using smartphones during travel was in the focus of the research. Based on the results of the survey conducted in the UK, 98% of the UK respondents, the travel is more comfortable by using smartphones; 78% of them feel safer with using a smartphone.

Other research in the UK (Dickinson et al. 2014) analysed the importance of mobile applications during travel that has to be more personalized, and have to keep up with the latest consumer trends and needs. Mobile apps with numerous functions drive tourists to download them since with their usage the trip can be easier. Even though these applications are getting more popular, 82% of US people have never paid for downloading apps, rather use free options (Thinkwithgoogle 2016). According to this UK research, the top motivating factor for downloading travel apps is to make a specific activity or task easier (36%). 32% of the respondents was motivated to download by other recommendations and to access discount and offers during travel. Using mobile applications undoubtedly make the trip easier, and might make it more meaningful and

informative, however, the questions arise, how tourists can live the experiences while they are stuck to the screen.

SOCIAL MEDIA AND TRAVEL DECISION-MAKING

Millions of people use social media sites daily, which became the primary communication platforms among the most of age groups (Balan and Rege 2017). Social media has affected consumers' lives in many ways: how they perceive the world and their surrounding environments, how they see others, how they manage the daily tasks, just as purchase processes (Månsson 2011). The research of Yang and Wong (2020) revealed a special aspect of social media during the COVID pandemic: the social media presence and activity functions as a means of distraction the negative stress regarding COVID-19 quarantine.

The role and the impact of social media in tourism is unquestionable. On the one hand, it influences tourists' behaviour and business performance, on the other hand, it has an effect on the way how the tourists perceive the experiences, what posts they do, what content they share (Law, Buhalis, and Cobanoglu 2014). Businesses, service providers already recognized that how they can influence their customers and how they engage them to choose their services (Nayak, Nayak, and Jena 2020).

Deciding on the potential target destination is never easy since it is based on a multistep model influenced by many factors (Woodside and Lysonski 1989). Technological innovations (e.g. the evolution of Web 1.0 to two-way communication sites (Web 2.0 and 3.0) brought new concepts on the tourism market as well. Under the concept of Travel 2.0 consumers are empowered by information, they can easily have access to everything (e.g. experiences, services, and everybody (other travellers and non-travellers) (Miguéns, Baggio, and Costa 2008; Roblek et al. 2013). Creating, consuming and diffusing travel information through the Internet in the frame of consumer generated content (CGM) all contribute to a new approach to the travel decision-making (Al-Tit, Omri, and Hadj 2020). The feedback given by the tourists on social media can boost the service quality in the future, which increases revisit intension, as well (Markus et al. 2019).

More researches were conducted about the topic, in which travel phases tourists use social media most (Balouchi and Khanmohammadi 2015; Hussain, Li, and Wang 2018). The decision-making process can be divided into three main phases (before, during and after) in which social media has certain roles according to Dwityas and Briandana (2017).

In the pre-trip phase, collaboration and interaction are mostly determining. The first trait of social media in this process can be traced back to the birth of motivation. In many cases, people are motivated by a photo uploaded on Facebook or Instagram, and then start to gather specific information about the destination itself, and make the final choice. Travel communities, blogs, booking or comparative websites all can help the decision-making. In this phase, the trust in social media is very important, because the reliability and the relevancy of information are questionable (Tang and Liu 2015). Consumers interact with each other, share their past experiences, make ratings.

In the 'during trip' phase, content sharing gets more importance. Li's academic studies have focused on the analysis of the motivations lagging photo-taking and sharing behaviours during travel (Munar and Jacobsen 2014; Li 2020; Sotiriadis 2017; Pan, Lee, and Tsai 2014). Based on their findings, the recognition and status, the enjoyment, the disclosure and the information-giving, external expectations drive people to post and share photos and videos about their trips.

Furthermore, another study pointed out the significance of sharing and posting in the post-trip evaluation. According to Kim and Fesenmaier (2017), those travellers who share their experiences on social media give more positive post-trip evaluations than who do not share. Taylor investigated the effects of certain psychological features of travellers regarding sharing photographs in social media. The research strengthened, that narcissism, envy contribute to the sharing travel photos in social media as a tool for self-promotion (Taylor 2020).

Tourism experience, which is regarded as a multi-phased, activity-based process and phenomenon (Wang, Park, and Fesenmaier 2012; Gretzel, Fesenmaier, and O'Leary 2016), does exist in all stages of trip (pre, during and post). It is highly affected by social media through the stages that evokes emotions and physiological processes (Holbrook and Hirschman 1981; Kim and Fesenmaier 2017).

DIGITAL DETOX IS THE NEW TREND

As it was mentioned, digital tools are organic parts of our lives that eventually force us to be continuously online and available for everyone in every minute. The use of modern tools is both a blessing and a curse in our lives, because on the one hand, they help to make our daily lives easier, on the other hand, they have taken control of us, they demand participation in almost every moment of our lives.

Involving in the digital world starts at a younger age: research conducted by Huawei Technologies Hungary among Generation Y parents shows that about 90% of preschoolers between the ages of 4–6 use smart devices. In spite of this fact, the parents themselves believe that these kinds of smart tools should be put in the hands of children much later (Világgazdaság 2020).

Continuous digital existence, digital ‘readiness’ is also typical during travel. In addition, many find it difficult to bear the ‘continuous’ presence of modern technology, the never-ending ‘online’ state, which is quite exhausting, as in many cases it is already at the expense of rest and complete relaxation.

However, the continuous ‘readiness’ has been a trend, there was an urgent need to compensate its adverse effects, so a new trend against it appeared, which is called as digital detox (Pawlowska-Legwand and Matoga 2020; Egger, Lei, and Wassler 2020; Fan, Buhalis, and Lin 2019).

More and more people have recognized the need for giving up to be online and to escape from the digital world for a while. Even if we do not eliminate the usage of smart tools and social media platforms from our weekdays, the holiday is an excellent time to start excluding. Wilcockson, Osborne, and Ellis (2019) studied the so-called heavy mobile-users in laboratory after 24 hours from the smart tool withdrawal. After the withdrawal, the feelings and the general mood of the participants immediately decreased, however, by the end of the day, they started to be more relaxed and less stressful. Another research (Cai, McKenna, and Waizenegger 2019) examined the emotional states of the survey participants in three phases during their travel after the withdrawal of digital tools and social media platforms. The research brought similar results, the participants became more relaxed as the time went by, they enjoyed the holidays, and spent more meaningful time with their travel companions.

Methodology

In this chapter, the focus is on the introduction to the research instruments, the data and the sample characteristics, the applied statistical methods, as well as the validity of the research.

RESEARCH INSTRUMENTS

Our research aimed to reveal and analyse the smart device usage habits of people during their travel. A quantitative research was conducted in 2019

TABLE 1 Structure of the Online Questionnaire

Question block	Description
1 General travel habits	Frequency of travel Motivation
2 Mobile phone usage habits during travel	Used smart devices Used smart phone functions Willingness to mitigation of smart phone
3 Social media usage habits during travel	Used social media platforms Frequency of posts Willingness to mitigation of smart phone
4 Socio-demographic data collections	Age, gender, education, occupation

Autumn in the frame of an online survey involving 386 respondents in Hungary. Based on the theoretical overview, question blocks with specific items were defined for compiling the questionnaire (table 1). The following research questions were drafted:

- RQ1 *How much does smartphone pervade the holidays of the respondents and which functions are determining concerning the usage?*
- RQ2 *How much do social media and mobile usage affect the holidays? In what degree are the tourist able to mitigate their usage? How does age affect it?*

DATA

Regarding the demographics (table 2) of the survey sample as shown in table 1, 71.2% of the respondents were female, 28.8% was male. Most of them (69.9%) belong to the youngest age group (18–25), 8.3% represents the age group between 26–35 years. The respondents aged between 36–45 years are up to 8.3% in the sample, people above 45 represent ca. 10%. Based on the highest education level of the respondents, those who have secondary school education showed the highest proportion, which is resulted in the large proportion of the youngest in the sample. Concerning the travel habits, the 61.7% of the respondents travel once or two times a year, 22.5% travel three or four times.

STATISTICAL METHODS

To get a reply to the research questions above and to reveal the attitudes and perceptions of the respondents, descriptive statistical analyses (e.g. frequencies, crosstabs – Chi-square test) and the method of multidimensional scaling (MDS) with ALSCAL procedure were applied. The MDS

TABLE 2 Sample Profile

Category	Item	<i>n</i>	%
Age group	18–25 years	270	69.9
	26–35 years	32	8.3
	36–45 years	45	11.7
	46–55 years	21	5.4
	55–65 years	13	3.4
	>65 years	5	1.3
Gender	Female	275	71.2
	Male	111	28.8
Education	Primary school	11	2.8
	Secondary school	302	78.2
	College/university	70	18.1
	Postgraduate/PhD	3	0.8
Occupation	Student	240	62.2
	Entrepreneur	9	2.3
	Public sector employee	42	10.9
	Private sector employee	88	22.8
	Retired	1	0.3
	Other	5	1.3
Frequency of travel	Not every year	8	2.1
	1–2 times a year	238	61.7
	3–4 times a year	87	22.5
	>4 times a year	53	13.7

model by creating a perception map illustrates the perceptions and preferences of the respondents in two-dimensional space (Malhotra 2002). Stress-value is the goodness-of-fit statistic that MDS tries to minimize; its value varies between 0 and 0.2. The less the value of stress is, the better the fit is (Wilkinson 2013, 188). The statements in the questionnaire had to be evaluated by the respondents on 5-point Likert scales. For the analysis of relationships one-way ANOVA is used on 5% significant level.

VALIDITY

The research questionnaire was compiled based on the relevant literature and earlier market researches introduced in the previous chapters, fur-

TABLE 3 The Popularity of Daily Usage of Different Smart Tools among the Respondents

Item	No	Yes
Smart phone	2.1	97.9
Tablet	84.2	15.8
Smart watch	92.0	8.0
Activity tracker	94.3	5.7
Other	97.9	2.1
None	98.7	1.3

NOTES In percent.

thermore, the applied methods followed them by using 5-point Likert-scale, which is generally accepted and validated measurement scale.

Results

ANALYSIS OF TOURISTS' HABITS BASED ON SMART DEVICES' USAGE: THE ROLE OF SMART FUNCTIONS

Regarding the usage of smart devices, smartphone usage is the most determining, 98% of the respondents use it daily. Using other smart tools like tablet or activity tracker is not so popular, only 5–15% of them use these tools daily (table 3).

Smart devices provide several opportunities that make holidays more comfortable and easier for tourists (table 4). 82.64% of the Hungarian respondents uses smart devices for contacting others. Navigation function can be regarded as important as chatting, since approximately 79% takes advantage of it. The results show that having smartphones or other smart tools makes people more confident, even though they do not bring it in parallel to the sense of safety and security. Surprisingly, the majority of the respondents (75%) do not use smart devices for gathering information during travel.

As the result of the MDS configuration (figure 1), we can see that the respondents link certain items together in their perception. The stress-value is 0.01220 meaning that the map is more than suitable for reliable interpretation, the results are significant.

According to the perceptions (distances between the points along the coordinate axis) survey participants differentiate four areas regarding the smart phone functions in two dimensions. Dimension 1 can be interpreted as the degree of importance of the smart phone functions. To

TABLE 4 Smart Device Functions Used during Travel

Function	1	2	3	4	5	Mean
Information	3.9	0.5	13.0	35.8	46.9	4.2
Photos, videos	3.1	4.1	13.5	26.9	52.3	4.2
Navigation	3.9	3.9	14.2	30.1	47.9	4.1
Sense of security	6.0	5.7	5.7	5.7	5.7	3.9
Chat	10.1	15.5	23.6	24.6	26.2	3.4
Confidence	15.8	18.4	27.5	23.1	15.3	3.0
Post	35.0	28.8	21.5	9.6	5.2	2.2
Play	55.4	20.2	13.5	5.7	5.2	1.9
Payment	57.8	17.6	11.1	9.1	4.4	1.8

NOTES 1 – not at all agree, 5 – totally agree.

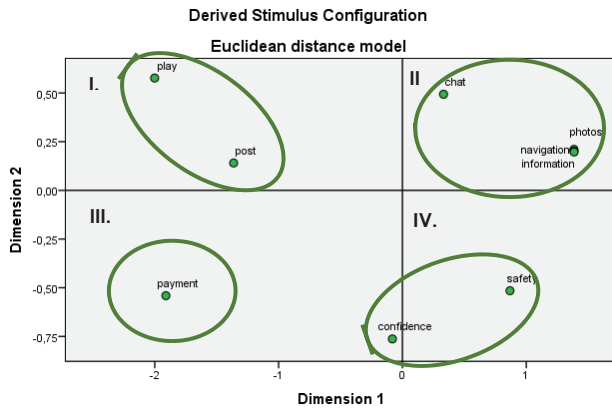


FIGURE 1
Perceptual Map
of Smart Device
Functions

the right of the origo, those functions are located which are more important for the participant, at the opposite side of the dimension, the less preferred items can be found. The interpretation of Dimension 2 is more theoretical. The two opposite end-points of the axis can be regarded as 'safety' (below) and 'pastime or entertainment' (above). We can see that the Hungarians perceive photo-taking, information-getting and navigation exactly in the same way. Not only they are just as important for the tourists, but also the respondents associate them with very similar content and needs. Eventually, these three functions (information, navigation and photo/video-taking) are the core and essential activities during travel. However, the chat function is located in this quarter of the coordinate system (perceptual map), it is further from the previous three functions.

TABLE 5 Cluster-Based Approach of Functions Based on MSD Results

Main cluster	Sub-cluster	Items
1 Fully emotional	Entertainment	Playing Posting
2 Emotional & functional	Communication & information	Chat Photo-taking Navigation Information-search
3 Fully functional	Payment	Payment
4 Emotional & functional	Safety	Feel of safety Feel of confidence

According to the interpretation of the dimensions, chat has more entertainment function. Playing on smartphones and posting on social media are perceived not only less important, but also playing is particularly for entertainment. In the below quarters, the safety element of the functions is dominant. Using smart phones provides safety and makes people more confident, just as the payment function of them does. Nevertheless, the last one is less important for the survey participants. According to the results of the perceptual map, functions can be categorized based on the degree of emotional benefit (table 5).

SOCIAL MEDIA AND SMART PHONE USAGE HABITS DURING HOLIDAY – THE DEGREE OF WILLINGNESS OF USAGE MITIGATION

As it was described in the literature overview, social media is the organic part of our lives. The survey results also underpin this statement, hence almost 90% of the respondents use Facebook daily, 64% of them use Instagram. Concerning the social media presence during the holiday, 48% of the Hungarians never post from holidays, 19% does every day. The perceptual map also illustrated, that posting on social media is not really important ($m = 2.2$).

According to the replies, the Hungarians try to mitigate the usage of smart tools during the holiday, since 78% said that they used less them compared to everyday habits. The analysed age groups did not show any significant differences based on one-way ANOVA analysis ($p = 0.054$) on 5 percent significance level, each group struggles to use less. Even the elders (aged above 65) represent the highest mean value ($m = 2.50$) (table 6).

However, only half of the respondents (50.8%) would be willing to

TABLE 6 ANOVA Table for the Mitigation of Social Media and Mobile Usage by Age Groups

Category		(1)	(2)	(3)	(4)	(5)
Mitigation of smart devices	Between Groups	14.805	5	2.961	2.195	0.054
	Within Groups	512.534	380	1.349		
	Total	527.339	385			
Mitigation of social media	Between Groups	26.959	5	5.392	4.090	0.001
	Within Groups	499.602	379	1.318		
	Total	526.561	384			

NOTES Column headings are as follows: (1) sum of squares, (2) degrees of freedom, (3) mean square, (4) *F*, (5) significance.

TABLE 7 The Willingness to Mitigate Smart Devices and Social Media Use During Travel

Item	1	2	3	4	5
Smart Devices	8.3	19.9	21.0	37.3	13.5
Social Media	3.9	12.5	16.1	29.6	37.9

NOTES 1 – not at all, 5 – totally. In percent.

eliminate its mobile usage during holidays. This proportion is higher (67.5%) in case of the mitigation of usage of social media platforms (table 7).

The younger people testify more active social media presence than the older respondents. The respondents aged 18–25 post more frequently, hence sharing experiences more times a day characterizes them mostly. Respondents above 55 years do not post at all during their holiday.

In case of social media mitigation, the ANOVA analysis showed significance difference between age groups ($p = 0.001 < 0.05$) (table 6). The biggest gap based on the means plot analysis, there is between the respondents aged 18–15 and people above 65 years. Besides, the age group between 46–55 also stands out in the sample, after the youngest people, they are those who are willing to mitigate the least the social media usage during their trip.

Discussion, Implication and Conclusion

Technological innovations, the appearance of smart devices fundamentally changed the tourism industry, including the consumer behaviour of tourists. In our accelerated world, potential tourists are empowered

by more information than ever, they can reach any destinations they want, and they can do all this via a smartphone or a smartwatch. They go nowhere without their smart ‘buddies,’ not even on holiday. Unfortunately, the holiday seems to lose its traditional value meaning relaxing or discovering with friends or families, instead, people travel to a destination just to show an image on social media, and keep up with others.

The present study confirms the current trend and the literature review, earlier market researches that smart devices undoubtedly became the organic parts of our lives. The survey results also justify the fact that people’s holiday and related habits have considerably changed due to technological innovations and devices. During the holiday, smart devices can provide many advantages that make the holiday more comfortable. Navigation and chat functions are the most popular among the respondents, but they also prefer to take photos or play with smart devices.

Some forms of social media platforms are known by all respondents, but Facebook is the most beloved among them. Posting and sharing experiences on social media are rather preferred by the youngest tourists (18–25 years), the quarter of them post from holiday daily.

The results suggest that people want to get rid of using smartphones/devices so much during holiday, however, only a minority of them would be willing to eliminate its usage during travel.

Not only researches confirmed that the consumer behaviour of the people changed due to the digitalization, but also consumers often admit that the disadvantaged and the excessive use of smart devices, especially during the holiday. The constant online mode can alter the quality of life and human relationships, too. In 2021 ‘working from anywhere in the world’ has created the special notion of ‘digital nomad visa, which creates the possibility of working from abroad for a longer period of time for remote workers’ (Etias News n.d.).

In the tourism industry, the answer given to the above-mentioned trend is a new trend in the form of ‘digital detox.’ The service providers recognized that organizing a camp or tour focusing on digital detox could be a new market niche that should be more utilized in the future. As the survey results showed people involved in the survey also drew up the hidden need by saying that they try to mitigate the usage of smart devices and social media platforms.

However, the results gave a general overview of the current situation of the consumer behaviour related to smart tool and social media usage, and they are consistent with earlier study result, we have to mention the

limitation of the research. The sample including 386 participants, but not representative for the Hungarian population (tourists). Furthermore, the survey questions focused only the ‘during-trip’ phase, while the before and after phases would be interesting from the perspective of social media usage.

Since the research was conducted in 2019 before the outbreak of COVID-19, many changes might have occurred in tourists’ behaviour. According to travel experts, portals, the importance of modern technology will even increase in the post-COVID world further. The phased of decision-making process and the travels themselves have already been considerably affected by smart tools, however, its significance will be more dominant, and will become more inseparable part of our travels. Therefore, regarding future researches, there would be worth to analyse the impacts of COVID-19 on technological developments related to tourism industry and the attitude of the tourists towards them.

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Global Transition to the Subscription Economy: Literature Review on Business Model Changes in the Media Landscape

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The business models of media corporations and organisations have undergone a pronounced transition that has resulted in significant change in the last decade, shifting from a model based on advertising revenue and printed copy circulation to a subscription-based model. As this article shows, legacy media is currently experimenting with 'various mixes of paywalls.' Among the models that media companies are switching to is the subscription economy model, i.e. the practice of charging audiences for access to online content which, until recently, was unlocked and/or freely available. Incidentally, the collapse of the 'advertiser model,' together with the consequences of the global recession, has brought about significant economic uncertainty for traditional media, pushing it to seek new business strategies for sustainable journalism, while also triggering a reflection on the overall future of media. The aim of this article is to delineate and present the actual changes in the media landscape in relation to subscription economy based on a literature review. Thus, we conducted a systematic literature review including terms as follows: 'subscription economy,' 'digital media,' 'theory of decision' and 'motivation theory,' which yielded 145 results of relevant scientific and research articles published in the last 15 years. The main findings revealed that the media landscape is changing rapidly, in particular in terms of the new digital tools being developed and implemented, and accordingly there is rapid growth in the 'non-conventional' competition to the conventional media, new generations' needs and their behaviour, and the urgent need for various new business models.

Key Words: subscription economy, digital media, theory of decision, motivational theory

JEL Classification: L82, L86

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Introduction

The business models of media corporations and organisations have undergone significant change in the last decade – due also to increasing digitalisation, which drives companies to digitalise and consequently internationalise their processes (Ojala, Evers, and Rialp 2018) – shifting from a model based on advertising revenue and printed copy circulation to a subscription-based model.

Subscription economy, which Ritter and Schanz (2019) consider to be a part of the sharing economy (a crucial part of the transition to sustainability), refers mainly to the practice of charging audiences for access to online content, which, until recently, was unlocked/freely available (Kammer et al. 2015), transforming readers into users. This could be connected to the finding of some scholars, specifically Kim, Jeong, and Ghani (2014), who in their work prove to some extent that relevant news is closely related to stock price movements in the market (Besimi et al. 2019), which could be understood as meaning that new-age readers use news to follow the economic information needed for their work.

The collapse of the ‘advertiser model,’ along with the consequences of the global recession, has brought about significant economic uncertainty for traditional media, pushing it to seek out new business strategies for sustainable journalism, while also triggering a reflection on the future of media (Franklin 2014).

Since no business model seems to be able to generate reliable revenue streams for online news services, many publishers turn to the subscription model as a last resort for survival (Chyi 2009). This raises the question posed in Alexander Manu’s *Transforming Organizations for the Subscription Economy: Starting from Scratch* (2017): ‘If you were designing your organization today, how would you design it? In other words, how would you create the future from the ingredients of the present alone?’

Furthermore, there are two modes of thought according to Kahneman (2012): system 1, which is fast, instinctive and emotional, and system 2, which is slower, more deliberate and more logical. Kahneman argues that our decisions, be it everyday decisions or more demanding cognitive processes, such as long-term planning of important home or work strategies, come from the intertwining of these two modes of thought.

According to Thaler (2019), behavioural economics begin with simple observation and continue with data gathering, so in this article, we present an overview of previous research in the field of *subscription econ-*

omy, digital media, theory of decision and motivational theory, in order to illustrate the changes in the media landscape in relation to subscription economy, which is recognised as a fundamental business model for future specialised digital media.

The emerging present is a rapidly changing context for existing organizations, especially in segments of the market where online behavior is replacing physical proximity, and users engage with digital platforms to acquire products and services. These platforms allow users to behave, to leave a mark and to participate in the community of others, which are the values that the people are looking for now (Manu 2017).

This brings us to our main research question, which is as follows: How and what changes have occurred in the media landscape and how have these changes affected business models? The aim of this article is to offer a systematic literature review that will offer answers to the above questions. Additionally, it aims to present the actual changes in the media landscape due to the subscription economy.

Methodology

For the purpose of this article, we conducted a systematic literature review. In order to find relevant scientific articles, we used the Science Direct database (<https://www.sciencedirect.com>), which widely supports the subject. Using the keyword 'theory of decision' produced 615,194 hits, using the keyword 'digital media' produced 180,290 hits, and using the keyword 'subscription economy' produced 10,151 hits (the searches were conducted between 9 and 24 November 2020). When we entered 'subscription economy' AND 'digital media' AND 'theory of decision' into the search bar, there were 808 results.

In order to solidify the previous research on the subject, we added the keyword 'motivation theory,' resulting in the search term: 'subscription economy' AND 'digital media' AND 'theory of decision' AND 'motivation theory.' This search produced 145 results of relevant scientific and research articles. Our aim was to gain the most up-to-date and relevant insight into the field, which we examined in detail, focusing on the papers whose date of publication did not precede 2004, so those published in the last 15 years. We thus focused on the period between 2004 and the time of our searches (9–24 November 2020).

We present the research in the same order as given in the Science Direct database. We observed that the largest number of publications was found in the *Journal of Cleaner Production* (7) and *Information & Management*

(7), followed by the *International Journal of Research in Marketing* (3), *the Journal of Retailing and Consumer Services* (3), *Futures* (3) and the *International Journal of Research in Marketing* (3), whereas the rest of the journals each feature one article from the selection of our results (see table 1 in the appendix).

Results and Discussion

Subscription economy and subscription services, two elements of the sharing economy which is a crucial part of the transition to sustainability (Ritter and Schanz 2019), are at the heart of some of the key findings of this review of previous research. As noted by Kumar, Lahiri, and Dogan (2019), ‘sharing economy services are mostly adopted by Generation Y, whereas other generations are still in the early phase of adoption,’ so it would make sense to invest in the ‘*relationship* between sharing economy firms (service enablers) and customers.’ Additionally, Liu et al. (2019) argue that ‘entering the third decade of the new millennium,’ the millennial generation, which is ‘in substantive ways unlike all earlier generations,’ is entering its most productive stage of life, so the authors ‘urge researchers to explore the unique characteristics of millennial entrepreneurs, their influence on entrepreneurial motivation, orientation, opportunity discovery and exploitation process and the global ambition of their entrepreneurial ventures.’

Additionally, in our review, we often come upon the concepts of circular economy and digital intermediation – also in relation to branding (Gielens and Steenkamp 2019) – as well as information economy, where personal data is the most valuable asset (Spiekermann and Novotny 2015). According to Rhue and Sundararajan (2014), different digital technologies have varying effects on individual freedom while affecting its diffusion via different political networks, and that the related changes in civil liberties can be affected by both media freedom and internal political institutions. This provides a basis for further exploration of the changes in the media landscape in relation to subscription economy.

While Venkatesh and Chatterjee (2006) argue that online content effectively complements printed content and that the wider the product line, the higher the prices of individual offers, Hong, Nam, and Kim (2018) note that once an online portal becomes a platform for the distribution of news to users, a conflict arises between the portal and newspaper companies regarding the value of the content provided by one and the other.

Furthermore, as Chyi (2009) found in her empirical study on the via-

bility of the subscription model and willingness to pay for online news, since ‘no business models seem to generate reliable revenue streams for online news services, many publishers see the subscription model as a last resort for survival although little evidence suggests users are ready to pay for online news at this moment.’ The author discovered, on the basis of a random-sample telephone survey of 853 Hong Kong residents, that ‘very few users actually responded to paid content and most had no intent to pay in the future.’ Moreover, regression analysis also revealed that age and newspaper use are related to paying intent, while income is not. Chyi (2009) therefore urges publishers to consider the economic implications before adopting the subscription model.

However, let us allow for the possibility that the social mindset, that is, the current mentality and stance of online users will change over the years, driven by the increasing popularisation of digital culture. After all, digital culture empowers people to deliver results faster, whereas companies risk transformation failure by ignoring it (Hemerling et al. 2018). Additionally, according to Lokuge et al. (2019), the emergence and proliferation of digital technologies could increase the innovation potential of most organizations.

As noted by Kammer et al. (2015) in their research article, ‘after more than a decade of giving online news away for free, legacy newspaper organisations in many Western countries have recently begun charging audiences for access to online journalistic content.’ Focusing empirically on the case of Denmark, the article uses one survey ($n = 1054$) and two focus groups to examine the audiences’ attitudes toward paying for online news. The analysis shows that the audiences’ general principles regarding paying for online news have a greater effect on their willingness to pay than the size of the subscription fee. Furthermore, the analysis reveals that younger audiences’ willingness to pay increases if they can combine content from different news providers, thus individualising their news products. According to the researchers, this can have practical implications – either by offering a way forward for economically challenged legacy newspaper organisations, or by compromising the democratic ideals of journalism (Kammer et al. 2015). This has also been observed by Pickard and Williams (2014), who say that paywalls or the subscription model can contribute to a ‘democratic deficit’ by using ‘the ability to pay to gatekeep exclusion from quality news.’

A problem also arises when there is no discernible improvement (‘no added value’) in the quality or uniqueness of the published – and paid for – news stories compared to those that are freely available else-

where online, making the rationale for ‘paying for news’ inexplicable, as noted by Franklin (2014) in ‘The Future of Journalism.’ Franklin (2014) also finds that there is no real agreement within the journalism industry or the academy about the appropriateness of particular alternatives to the advertiser model, as legacy media experiment with various mixes of pay walls (Myllylahti 2013; Pickard and Williams 2014), advertising on mobile devices (Nel and Westlund 2012; Reynolds 2014), selling newspaper apps (Franklin 2014), crowdfunding, crowdsourcing and co-creation (Aitamurto 2013), hyperlocal business models (van Kerkhoven and Bakker 2014), not-for-profit models which secure funding for journalistic projects from international non-governmental organizations (NGOS), private foundations and think-tanks (Requejo-Alemán and Lugo-Ocando 2014), using a mix of public funding, sales and subscription to finance minority language journalism (Zabaleta et al. 2014), efforts to monetise hyperlinks (Doherty 2014) and even the expansive provision of machine- or robot-written news (Clerwall 2014).

However, according to Franklin (2014), Picard (2014) remains optimistic, celebrating the diversity of business models and revenue streams. He concludes (Franklin 2014, 484):

What is clear is that news providers are becoming less dependent on any one form of funding than they have been for about 150 years. Multiple revenue streams from readers and advertisers, from events and e-commerce, from foundations and sponsors, and from related commercial services, such as web hosting and advertising services are all contributing income. It is too early to assess fully the efficacy and sustainability of these sources, but they provide reason to believe that workable new business models are appearing in news provision.

Additionally, Peekhaus and Proferes (2016) find that open-access scholarly publishing has grown steadily in academia in the past few decades as an alternative to traditional, subscription-based journal publishing, whereas Boissy et al. (2012), while examining whether publishing as a ‘big deal’ is dying, found that most participants (of their survey) believe that it is not dead yet, whereas some think it may never die completely.

Conclusion

In our literature review, we focused on conducted research on subscription economy, the theory of decision and digital media. The aim of this paper was to search and present *what research in the field of the subscrip-*

tion economy, digital media, the theory of decision and motivational theory has revealed so far. When conducting further research, however, it might be useful to expand our thinking and relate it to Kuzmanić (2019), who states: ‘The problem of our time in the sense that our current problems and crises are not at all possible to seriously grasp in economic terms, but primarily in the chrematistic categories and the possibilities of that new paradigm of thinking.’

Based on the conducted literature review, we reviewed in more detail 145 papers that focus on the subscription economy and users’ behaviour in terms of digital media. The main findings revealed that the media landscape is changing rapidly, in particular in terms of the new digital tools being developed and implemented, and accordingly there is rapid growth in the ‘non-conventional’ competition to the conventional media, new generations’ needs and their behaviour, and the urgent need for various new business models. In addition, we also learned that search engines, such as Google and Yahoo! Search, are more than just portals and information tools. They are – and probably will be for a while more – the agents of transformation in the changing media landscape, which actually make the business environment more transparent and competitive (Rangaswamy, Giles, and Seres 2009), with blogs also playing a part (Wohlmann 2012).

With all this in mind, as well as the findings of the literature review, including behavioural patterns and new generations, as mentioned by some researchers (Kumar, Lahiri, and Dogan 2019; Liu et al. 2019), even bloggers (Wohlmann 2012), we conclude by quoting the well-influenced thinker and author Rifkin (2007) who once wrote: ‘Science explores, technology executes, man conforms,’ and so the fundamental conclusion of this paper, in which we examined the findings of previous research in the field of the subscription economy, digital media, the theory of decision and the motivational theory, is that the age of media transformation is already well ongoing.

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TABLE 1 Review of Scientific Publications Based on the Keywords ‘Subscription Economy’ AND ‘Digital Media’ AND ‘Theory of Decision’ AND ‘Motivation Theory’ (2004–2019)

Authors (year)	Indicators/models/subjects
Bischof, Boettger and Rudolph (2020)	Subscriptions, curation, decision-making, risk, interval
Netter, Pedersen and Lüdeke-Freund (2019)	Sharing economy, collaborative consumption, conceptual boundaries business model
Ritter and Schanz (2019)	Business model, sharing economy, business model innovation, value creation
Martinez Dy (2019)	Digital enterprise, entrepreneurship, cyberfeminism, social embeddedness
Rossi et al. (2019)	Indicators, metrics, business model, sustainability, circular economy
Gielens and Steenkamp (2019)	Branding, digital intermediation
Saavedra and González (2015)	Willingness to pay (WTP), newspaper, subscription plans, consumer decision-making
Kumar, Lahir, and Dogan (2019)	Sharing economy, customer development, multigenerational marketing
Perryer et al. (2016)	Pedagogy, motivation, game-based learning, gaming
Ojala, Evers, and Rialp (2018)	Digitalisation, digital platforms, internationalisation, bottlenecks
Lokuge et al. (2019)	IT portfolio management, digital innovation, readiness, case study, survey, CIO
Phang et al. (2019)	Consumer behaviour, China, data analytics, digital economy, e-commerce, emerging markets, empirical research, machine learning
Phillips et al. (2019)	Economic landscape, agricultural systems, digital agriculture, interoperability, data
Goldfarb and Tucker (2019)	Internet marketing, digitalisation, digital economy, online promotion, digital distribution
Chipidza and Leidner (2019)	ICT projects (information and communication technology), literature, development, developing countries
Li et al. (2019)	Virtual acculturation, social media, social contact, social learning
Park and Armstrong (2019)	Consumer motivations, online shopping
Liu et al. (2019)	Millennials, entrepreneur, international entrepreneurship

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Kannan and Hongshuang (2019)	Digital marketing, internet/mobile (users), search engine
Galloway (2017)	Attention, attention span, visual communication, mobile PR
Brown, Woodhouse, and Sioshansi (2019)	Digitalisation, electricity, innovation, disruption, new business strategies
Nakano and Kondo (2018)	Multichannel shopping behaviour, purchase stages, behavioural data
Shukla and Drennan (2018)	Virtual consumption, multiplayer online role-playing games, social network theory, online communities
Spencer, Butalis, and Moital (2012)	Technology adoption, decision-making, leadership
Pick, Sarkar, and Johnson (2015)	Technology utilisation, spatial, socio-economic factors, policy
Tan et al (2018)	Mobile social media advertising, tourism products and services, social media, mobile commerce
Holsapple, Hsiao, and Pakath (2018)	Business social media analytics
DeVoss and Porter (2006)	Ethics, Filesharing, Napster, Plagiarism
Browder, Aldrich, and Bradley (2019)	Innovation, learning, expertise, collaboration, 3D printing, prototype, design
Nishida, Pick, and Sarkar (2014)	Japan, digital divide, ICT, ICT use factors, regression
Calvo-Porrá, Fai?a-Medín, and Nieto-Mengotti (2017)	Digital technologies, satisfaction, engagement, interaction
Aleem, Fai?a-Medín, and Nieto-Mengotti (2016)	Software game, video game, online game, empirical investigation
Rhue and Sundararajan (2014)	Democracy, internet, social media, influence
Laurent et al. (2015)	Centralised model, identity and web 2.0, socio-technical processes, user-centric model
Alderete (2019)	Internet use, internet access, digital divide, ICT, poor populations
Howard et al. (2006)	Automotive e-hubs, barriers, interaction
Bartikowski et al. (2018)	Digital divide, majority and minority consumers, mobile internet, wellbeing
Aguiar and Martens (2016)	Digital music, copyright, downloading, streaming

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Beltagui, Kunz, and Gold (2019)	Additive manufacturing, 3D printing, open source innovation, social sustainability
Salehan, Kim, and Lee (2018)	ICT, national culture, globalisation, technology adoption, technological innovation
Das and Drine (2020)	Catching-up, efficiency, stochastic frontier, human capital
Drachen et al. (2014)	Game analytics, auction house, business intelligence, game economy, player behaviour
Scheaf et al. (2018)	Signals, media coverage, interaction
Bartolini, Santons, and Ulrich (2018)	Property, intellectual property, copyright, trade secret, patents, dispute resolution, data protection
Kabbiri et al. (2018)	Extended technology adoption model, smart phone use
Hong et al. (2018)	Value of online news contents, internet portal, newspaper companies, revenue sharing
Jansen (2020)	Software ecosystem governance, focus area maturity models
Ding (2019)	Appraisal theory, information system continuance models, innovativeness
Hutchins (2016)	Mobile television, mobile media, copyright, football leagues, Australia
Carbonell, Sánchez-Esguevillas, and Carro (2015)	Emerging issues, weak signals
Mäntymäki and Salo (2015)	Virtual worlds, customer value, virtual purchasing, virtual items
Marchand and Hennig-Thurau (2013)	Video games, entertainment industry, digital distribution, social media
MacKay et al. (2018)	Fisheries management, non-compliance, behavioural insights
Alpar, Engler, and Schulz (2015)	Influence processes, reuse, social software
Sim et al. (2014)	Artificial neural networks, multilayer perception, perceived credibility
Ruotsalainen et al. (2017)	Renewable energy, social transformation
Benlian and Hess (2011)	Cloud computing, technology adoption, theory of reasoned action
Von Krogh and Spaeth (2007)	Open source software, interdisciplinary research, innovation

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Mabon (2020)	Climate information services, Japan, risk governance, social dimensions of climate change
Ivaturi and Chua (2019)	Online communities, norms, beliefs
Tyce (2020)	Political settlement, innovation, mobile money, Kenya
Osman et al. (2019)	Analytics, behavioural OR, data envelopment analysis
Panda and Jain (2018)	Personality theory, emotional ill-being, personalities, physical ill-being, India
Hinson (2010)	E-business, value chain, exports, internet, Ghana
Lyons, Hammond, and Mackay (2019)	MaaS, user perspective, travel behaviour, integration
Turner (2012)	Regulation, broadcasting, professional sport
Peekhaus and Proferes (2016)	Faculty experience, Library and Information Studies, open access
Hsiaofen Chen and Fu (2018)	Hedonic value, mobile value, sociability value, willingness-to-pay
Mahmood and Sismeiro (2017)	News, social influence, latent space approach
Bagwell (2007)	Survey, theory, empirical analysis
Konietzny, Caruana, and Cassar (2018)	Online gambling, enjoyment
Lee et al. (2019)	Positive computing, mobile and wearable technologies, IoT
Schröder et al. (2019)	Sustainable production, sustainable consumption, emissions, research
Funk (2017)	Sport, consumer, design, user, experience, technology
Tomiyama et al. (2019)	Product development, design
Li et al. (2016)	Cloud computing, cloud spot pricing
Ferranti et al. (2019)	European Union, Natura 2000, implementation experience
Zhang et al. (2019)	Manufacturing system, mass customisation, personalised customisation, model innovation
Meade and Islam (2015)	Diffusion models, mobile telephony, internet
Guo and Bouwman (2016)	Mobile payment, merchants, adoption, analytical framework

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Mohr (2007)	Motion pictures, marketing, promotion
Zhang and Liang (2012)	Green ICT, innovation system, green innovation, environmental sustainability
Wiener, Hoßbach, and Saunders (2018)	Dual business models, synergies and tensions, business model integration
Shin (2007)	Information policy, telecommunication policy, South Korea
Shin and Jung (2012)	Socio-technical systems theory, South Korea
Grajek and Kretschmer (2009)	Usage intensity, consumer heterogeneity, fixed-mobile substitution
Mesak et al. (2011)	Marketing, advertising, new subscriber services, optimal control theory, service costs
Al-Debei and Al-Lozi (2014)	Value dimensions, value-based approach, Jordan
Abu Bakar and Bidin (2014)	Mobile advertising, marketing, movie advertising
Shin and Kweon (2011)	Broadband ecology, South Korea, socio-technical perspective, structural equation model
Boissy et al. (2012)	Publishing, business, interviews
Binder (2016)	Fisher effect, gold standard, hyperinflation, great depression, debt deflation
Fedorowicz et al. (2014)	Digital government, public safety networks
Suddaby, Viale, and Gendron (2016)	Institutions, organisational fields, social position, social skill
Arena, Azzone, and Mapelli (2018)	Drivers for evolution, energy sector, institutional logics
Belleflamme, Omrani, and Peitz (2015)	Platform markets, network effects, asymmetric information, P2P lending
Wohlmann (2012)	Blogs, entrepreneur of the self, life writing, age awareness
Aczel, Peake, and Hardy (2008)	ICT for development, learning communities, pedagogical issues
Yue Zhang (2016)	Technological transition, 3G mobile networks, China
Rymaszevska, Helo, and Gunasekaran (2017)	IoT, servitization, manufacturing, creation
Currie (2012)	TEMPEST, technology, stakeholders
Keller, Lyoyd, and Bell (2015)	Gender, culture, feminism, productivism, symbolic boundaries

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Ojo, Janowski, and Awotwi (2013)	Mobile services, development, structuration theory, vulnerable groups
Rangaswamy, Giles, and Seres (2009)	Search engines, business impact
Stocker and Whalley (2018)	Internet access, broadband, consumer experience, Ofcom
Gupta, Seetharaman, and Raj (2013)	Cloud computing, Software-as-a-Service, Platform-as-a-Service, SMEs
Harris, Wang, and Wang (2015)	Multimodal transport, ICT, technological trends, cloud computing, Internet of Things
Borés, Saurina, and Torres (2003)	Technological uncertainty, strategy, ICT
Majumdar (2008)	ICT, public policy, US telecommunications industry, wage structure
Liburd (2012)	Tourism research, epistemology, web 2.0, paradigm
Spiekermann and Novotny (2015)	Personal data market, economics of personal information, privacy regulation
Messinger et al. (2009)	Virtual worlds, gaming, avatars
Jang et al. (2015)	Demand response, critical peak pricing, response index, heterogeneity
Tallberg et al. (2007)	Service adoption, regulation, competition
Chik (2011)	Google video search engine, internet intermediaries regulation, safe harbour, fair use
Ooi et al. (2011)	Broadband, Malaysia, adoption, consumer behaviour, structural equation modeling, developing countries
Sandvig (2004)	Innovation, popularisation, internet infrastructure
Otto et al. (2013)	Interoperability service utilities, business model, reference model
Godoe and Hansen (2009)	Innovation regimes, technological regimes, entrepreneurship, communications
Van Gorp, Maitland, and Hanekop (2006)	Internet, technology, firm, market, competition
Aapaoja et al. (2017)	ITS platform, business models, service concepts, e-marketplace
Palvia, Baqir, and Nemati (2018)	Socio-economic development, impacts
Clemons (2009)	Advertising, monetising the internet, online revenue without advertising, social networks

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TABLE 1 *Continued from the previous page*

Authors (year)	Indicators/models/subjects
Baron (2004)	Computers, culture, email address, integrational linguistics technology, writing
Shaffer and Arkes (2009)	Preference reversals, incentives
Kirs and Bagchi (2012)	Trust, ICT related phenomenon
Turner and Shilbury (2005)	Sports, broadcasting, Australia
Wang (2015)	Technology excellence, Service experience, mobile services
Kang and Downing (2015)	wiMAX, 3G, two-sided markets, market entry, indirect network effect
Singh, Payal, and Bharti (2019)	Cyber physical system, cloud computing, Internet of Things (IoT)
Green and Pelozo (2015)	Social responsibility, corporations, recession, advertising
Reed et al. (2012)	Identity, consumer behaviour
Servia-Rodríguez et al. (2014)	Social Web, data mining, tie strength, social spheres
Venkatesh and Chatterjee (2006)	Online content, print, offer
Sorescu et al. (2011)	Retailing, innovations, value creation
Acheson and Maule (2006)	International trade, cultural goods
Yang et al. (2018)	China, health, cities
Zoderer et al. (2016)	Ecosystem service mapping, Ecosystem service potential
Johnson (2005)	Libraries, Iraq, war
Purtova (2009)	Data protection, property in personal data
Brydon and Vining (2006)	Knowledge management, public good
Menell and Scotchmer (2007)	Innovation, patent, copyright, trade secret
Saha (2005)	Pervasive computing
McClellan, Low, and Tan (2004)	ICT, technological issues
Boccaletti et al. (2014)	Networks, processes, dynamics

Začetno financiranje hrvaških MSP-jev: dokazi iz finančnih poročil

Roberta Kontošič Pamić in Adriana Galant

Ena izmed glavnih odločitev, ki jo je treba sprejeti ob začetku poslovanja, je način financiranja dotičnega posla. Podjetnik lahko izbira med različnimi možnostmi, najpogosteje uporabljeni viri financiranja pa vključujejo lastna sredstva podjetnika (-ov) ali kombinacijo lastnih in izposojenih finančnih sredstev. Zaradi zakonskih zahtev je na Hrvaškem teoretično nemogoče ustanoviti podjetje brez lastnih sredstev, vendar pa je podjetje možno ustanoviti samo za simbolično količino vloženih lastnih finančnih sredstev. Zaradi pomanjkanja poslovnih izkušenj in premoženja, ki bi lahko služilo kot neko jamstvo za novo podjetje, bi le-to težko dobilo posojilo pri finančnih institucijah. Cilj pričujočega članka je analizirati, ob upoštevanju različnih razpoložljivih načinov financiranja novih poslov, kako se financirajo novouveljavljeni hrvaški MSP-ji. Izvedena raziskava je pokazala, da novi podjetniki za financiranje svojega posla uporabijo več izposojenih kot lastnih finančnih sredstev.

Glavne besede: podjetništvo, financiranje, poročila, MSP-ji, Hrvaška

Klasifikacija JEL: L26, M41

Managing Global Transitions 18 (4): 265–283

Razmerje med občinskim upravljanjem in kakovostjo zagotavljanja na občinski ravni

Kgobalale N. Motubatse in Collins C. Ngwakwe

Ta članek preučuje razmerje med kakovostjo upravljanja občin in kakovostjo zagotovil. Članek je relevanten zaradi poslabšanja stanja izvajanja občinskih storitev in ponavljajočih se poročilih generalnega revizorja Južne Afrike (2016) o slabem finančnem poslovanju v veliki večini južnoafriških občin. Cilj prispevka je torej analizirati razmerje med kakovostjo upravljanja občin (s pomočjo poročil o uspešnosti izvajanja) in kakovostjo občinskih zagotovil (s pomočjo kakovosti računovodskih izkazov). Podatki so bili zbrani iz arhivov konsolidiranih revizijskih poročil generalnega revizorja za proračunski leti 2016/2017 in 2017/2018. Ti so bili podvrženi kvantitativni analizi z uporabo regresijskih metod pregleda fiksnih in naključnih učinkov na podatke. Ugotovitve statistične analize v obeh modelih kažejo, da je ka-

kovost poročil o uspešnosti bistveno povezana s kakovostjo zagotavljanja, z vrednostjo p manj kot 0,05. Ugotovitve kažejo, da je resnično izboljšanje izvajanja javnih služb in finančnega upravljanja v občinah odvisno od stopnje izboljšanja kakovosti upravljanja, slednje pa zahteva, da se birokrati posvetijo zdaj že večletnemu vprašanju slabe kakovosti upravljanja. Pričujoči članek ponuja praktična in na raziskavah temelječa priporočila, med katerimi je najpomembnejša potreba po izvajanju četrtletnih pregledov kakovosti upravljanja in zagotovil v občinah, s čimer se izognemo podaljšanim zamudam, povezanim z letnim revizijskim ciklom. Drugo priporočilo je namenjeno nadaljnjim raziskavam, ki naj preučijo razmerje med kakovostjo upravljanja in kakovostjo zagotavljanja na področju državne uprave, s čimer bi se ugotovilo, v kolikšni meri so izzivi podobni tistim na občinski ravni.

Gljučne besede: računovodski izkaz, finančno poslovanje, upravljanje občin, poročilo o zanesljivosti, poročilo o uspešnosti, izvajanje storitev

Klasifikacija JEL: H79, H83

Managing Global Transitions 18 (4): 285–300

Vseprisotni socialni mediji: si lahko zamislimo potovanje brez pametnih naprav?

Zsuzsanna Marton in Ildikó Ernszt

Če so se včasih ljudje odpravili na počitnice zaradi sprostitve in občutka pobega od običajnega delavnika, si danes večina ljudi ne predstavlja, da bi med potovanji preživeli nekaj dni brez internetne povezave ali pametnih telefonov. V prednosti uporabe pametnih telefonov in družabnih medijev ni mogoče podvomiti, vendar pa je treba upoštevati tudi slabosti le-te. Da bi razkrili slabosti in prednosti pojava, je najprej predstavljen kratek teoretični pregled teme, nato pa je v ospredje pričujočega članka postavljena analiza rezultatov empirične raziskave, v kateri je sodelovalo 386 ljudi na Madžarskem. Spletna raziskava, izvedena jeseni 2019, je omogočila preučevanje navad Madžarov pri uporabi mobilnih telefonov in družabnih omrežij med počitnicami. Za ponazoritev dožemanja in odnosa anketirancev ter za razlago skritih razmerij med spremenljivkami smo uporabili preprosto opisno statistiko in metodo večdimenzionalnega skaliranja (MDS) s postopkom ALSCAL. Rezultati kažejo, da so pametna orodja in socialni mediji naravni del počitnic: 90 % anketirancev dnevno uporablja platformo socialnih medijev, kot je recimo Facebook, 48 % pa jih je dejalo, da med počitnicami manj uporabljajo mobilne telefone kot drugače. Vendar bi jih bilo le 13,5 % pripravljenih v celoti omiliti uporabo pametnih naprav, medtem ko je v primeru uporabe družbenih omrežij ta delež večji, 37,9 %.

Ključne besede: turizem, pametna orodja, socialni mediji, vedenje potrošnikov, digitalno razstrupljanje

Klasifikacija JEL: Z33

Managing Global Transitions 18 (4): 301–321

Globalni prehod na naročniško gospodarstvo: pregled literature o spremembah poslovnega modela v medijskem prostoru

Alenka Lena Klopčič, Jana Hojnik, Štefan Bojnc in Drago Papler

Poslovni modeli medijskih korporacij in organizacij so doživeli izrazit prehod, ki je v zadnjem desetletju povzročil pomembne spremembe, saj so se z modela, ki temelji na prihodkih od oglaševanja in naklad tiskanih kopij, preusmerile v model, ki temelji na naročnini. Kot je prikazano v tem članku, tradicionalni mediji trenutno eksperimentirajo z »različnimi mešanici plačilnih zidov«. Med modeli, na katere prehajajo medijska podjetja, je tudi model naročniškega gospodarstva, torej praksa zaračunavanja občinstvu za dostop do spletnih vsebin, ki so bile do nedavnega odklenjene in/ali prosto dostopne. Mimogrede, propad »oglaševalskega modela«, skupaj s posledicami svetovne recesije, je za tradicionalne medije povzročil znatno gospodarsko negotovost in jih spodbudil k iskanju novih poslovnih strategij za trajnostno novinarstvo, hkrati pa sprožil razmislek o celotni prihodnosti medijev. Na podlagi pregleda literature je cilj pričujočega članka opisati in predstaviti dejanske spremembe v medijskem prostoru v povezavi z naročninskim gospodarstvom. Tako smo izvedli sistematičen pregled literature, ki je vseboval naslednje izraze: »naročniško gospodarstvo«, »digitalni mediji«, »teorija odločanja« in »teorija motivacije«. Dobili smo 145 rezultatov ustreznih znanstvenih in raziskovalnih člankov, ki so bili objavljeni v zadnjih 15 letih. Glavne ugotovitve so pokazale, da se medijski prostor spreminja hitro, še zlasti glede na razvoj in implementacijo novih digitalnih orodij. V skladu s tem pa hitro naraščajo »nekonvencionalna« konkurenca konvencionalnim medijem, potrebe novih generacij in njihovo tozadevno vedenje ter nujna potreba po različnih novih poslovnih modelih.

Ključne besede: naročniško gospodarstvo, digitalni mediji, teorija odločanja, motivacijska teorija

Klasifikacija JEL: L82, L86

Managing Global Transitions 18 (4): 323–348