

Gazdasági válságok – Kockázati tényezők, vezetési gyakorlatok és társadalmi hatások

[Olivia Wilson-Flores: Economic Crises – Risk Factors, Management Practices and Social Impacts (Gazdasági válságok – Kockázati tényezők, vezetési gyakorlatok és társadalmi hatások). Nova Publishers, New York, 2017.]

*Nedelka Erzsébet*¹

Researches related to the crisis have their renaissance since 2008-2009. More and more analysis deal with the evolvement of crisis and try to find the answer to the following question: why alarm systems did not work appropriately and why the actors of economic life did not pay due attention to premonitory signs. These crisis analysis primarily approach questions only from one aspect and investigate processes within a given country, while in the other big group are those analyses which concentrate on corporate analysis. The latter works demonstrate the negative effect of the crisis (mainly the one in 2008-2009) from the side of companies, introduce the altered environment of competition and give recommendation to the applicable strategy or „ideas” in case of economic slowdown. However, only few publication were issued which introduced this topic widely and approaching it from more than one side. Therefore my opinion is that the book edited by Olivia Wilson-Flores is a stop-gap volume in the literature of crisis researches. In the book got the impact of crisis on welfare and security special attention which, after its falloff, falls increasingly into the background.

The book consist of 8 chapters in which both theoretical and practical studies, which work up and introduce countries as case studies, got place. In the

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first part the author, Christina Calvo Porral, deals with a very interesting issue. She analyses the practical effect of crisis on marketing strategy. She examines whether crisis influences applied marketing methods and instruments to any extent at all. The starting point for research is the change of consumer behaviour experienced during the crisis. Author identifies those factors to which consumers respond sensitively (prices, discounts, and brands) through an economic fall-back. The writer of the study offers different alternative strategies to companies depending on consumers whom the want to win – according to the sensitivity of consumers. The answer to the main question of study whether marketing strategy have to be changed is obviously yes.

In the 2nd chapter the author, Eva Kiss, analyses the impact of the crisis on corporations. The writer of the study emphasizes intervening changes in the Hungarian industrial environment, therefore in the structure of companies and in their economic activity on the one hand, while in the other hand she analyses crisis management techniques adopted by companies, finally she introduces their aggregate effect on these branches of industry. The basic assumption of work is that in Hungarian economy and within in the industry economic decline did not shape a classical V-letter, but it was W-shaped, which is getting more common in new age. Therefore deterioration which was experienced by companies was bigger compared to the previous fall-backs. In this chapter the transformation of the Hungarian industry and the showing up of branches of industry and industrial distinct are introduced since the change of regime to nowadays and she writes down their main features. The author concludes that those companies which are exposed to the changes of world economy in bigger scale (which are closer to the global economy) felt almost immediately and significantly the negative effect of the crisis. She draws attention to the fact that diversification of Hungarian industry must be strengthened, while the dependency should be weakened, in order to be not so sensitive for similar crisis in the future.

3rd chapter leads us from economic impact to social consequence of crisis. Through the analyzation of Slovenian better life quality, as an example, authors (Katja Rasic, Matjaz Mulej and Vesna Cancer) introduce the impact of crisis on society. They examine four main questions, the effect of technological researches, innovation and knowledge on economic growth and the relationship between economic growth and quality of life. After the normalization of variables they established the relation among them with Pearson-correlation analysis, and then, in order to determine the concrete effect, they did regression-analysis. Authors came to the conclusion that technological researches, innovation

and knowledge influence significantly economic growth and growth has positive impact on quality of life in Slovakian case. In point of fact, in order to determine the quality of life, the gross domestic products as an indicator has to be expanded with other variables like environmental component, human factor and health condition which were created by authors.

In the chapter 4 authors (Melissa Morone, Gabriele Giorgi and Javier Fiz Pérez) approach the effect of crisis from social side, they examine its consequences and the crisis related attitudes of employers and employees. Writers investigate stress situations caused by economic crisis, and the answers, reactions given to them and their relations to each other. From the side of employees special emphasis is placed on fear as a negative emotional factor which causes the loss of confidence, frustration, and unquietness and increases the possibility of developing mental problems (authors regard it as hot reaction). Approaching this topic from the other side, however crisis improves the quality of work because employees do not want to lose their workplaces, therefore they attempt to do better quality and more efficient work which is a positive change from the aspect of employers (this is referred to as cold reaction). After the analyzation of 2008's crisis they determined that hot reactions dominated and the health conditions of employees deteriorated unequivocally which was related to stress.

The 5th chapter approaches the social problems caused by crisis from the aspect of psychology. Authors (Marco Innamorati, Maurizio Pompili, David Lester and Bijou Yang) analyse the relationship between suicides and economic crisis with the assumption that there is not clear connection between the changes of economic processes and the number of suicides. Although, more studies refer to dangerous consequence of both economic decline and economic growth as well. In the literature review they introduce those authors' publications whose emphasize that crises have different impact on different age-groups, different genders and on employees of different employment forms. Writers after this review, determine that there is not clearly defined relationship between the number of suicides and economic processes.

Similar topic is unfolded on the Spanish example in the 6th chapter. Authors, A. I. Masedo Gutiérrez and B. Moreno-Küstner, examine the effect of economic crises on mental health. Spain struggles with serious economic and social problems because of the crisis which evolved in 2008. Unemployment and decreasing incomes of households put huge pressure on population. In the European Union, examination of poverty is not confined to minimum level of subsistence and to proportion of people who live below the poverty line but the organization determine the number of indulgent with deprivation survey. Based

on this, authors established that the ratio of population who is threatened by both deprivation and serious deprivation is increased and the same time the ratio of those people who live under poverty line and minimum level of subsistence as well. The regeneration is almost insignificant. Consequently the mental health of society is continuously deteriorating and the number of antidepressant users is increasing, similarly to the number of drug users. In spite that this statement is regarded as a fact in Spain only few study was written about suggestions in order to eliminate or at least handle the problem. Therefore, authors make proposal about solution in the final part of the chapter.

The authors, Ozgur Ozdamar and Eleftherios Giovanis, in the 7th chapter examine two main research questions. On the one part they study the impact of law on Austrian Health Fund, on the other part writers examine the impact of the 2008's crisis on the economy of vulnerable countries (like Hungary, Italy, France, Spain and Portugal) and they compare them with such countries which have similar characteristics but were less effected by crisis like the Polish or Czech one. The focus of investigation is on health, living conditions and quality of life. The base of the research is a European questionnaire which analysed the health conditions, aging and pension situation in European countries between 2004 and 2012. With Differences-in-Differences model they analyse the effect of crisis on mental health and living conditions. Related to the first research question, which examined the law about the Austrian Health Fund, they determined that the Fund provides protection in the maintenance of living conditions and quality of life, furthermore it helps to keep up mental health and improvement on affected areas can be clearly detectable after the law was issued. While in the case of other countries in the course of the analysis of both quality of life and living conditions deterioration could be obviously seen because of the crisis. Through the authors' research it has been established that the possibility of better living conditions, healthier life and better quality of life decreased among well-educated people.

In the 8th and last chapter we leave the European framework and we get an insight to Madagascar's economic process and we get to know with the effect of the crisis on society. Author, Michel Garenne, goes back to 1960s with long-term analyses and investigate the connection among social, demographical, health situation and political, economic crisis. She establishes that before the revolution of 1973 the country was above the African average based on economic indicators but after it an obvious deterioration was observable. Political crisis resulted decreasing social and demographical indicators. At the same time, the number of population increased during the analysed period.

Author explains it with those fields which were involved into agriculture and therefore food-supply improved. On the other hand infant and child mortality decreased except 1974-1986 period because of the developing medical science. In case of education and marriage trend changes unfavourable. Years spent in school by adults clearly decreased during the analysed period and got significantly below the African average. The age when women get married shows obviously rejuvenation since 1970, so women got married ever younger age in Madagascar which refers to contrary process of development from the aspect of society.

The diversity of chapters provides insight into those regions and economic peripheries which does not fit into mainstream literature. The book approaches the effect of crisis on society from a new aspect and therefore opens new ways and topics in researches which authors make proposal at the end of each chapters to. I recommend this book to those who are interested in economic crises and their impact on society and would like to get information about the consequences of economic decline in different geographical regions.

Risk Analysis for Islamic Banks

[Hennie van Greuning - Zamir Iqbal: Risk Analysis for Islamic Banks. Washington World Bank, 2008. 978-0-8213-7141-1]

Rafiei Arman¹

The authors of the book “Risk Analysis for Islamic Banks” are Hennie van Greuning and Zamir Iqbal. Hennie von Greuning is working at the World Bank since 1994; he is a senior advisor in the Treasury department. Zamir Iqbal is a principal financial officer with the Quantitative Strategies, Risk and Analytics (QRA) Department of the World Bank Treasury.

In the last few decades Islamic finance has gained a rapidly growing share in the financial sector in the world. Nowadays there are 250 financial institutions in over 45 countries that practice some form of Islamic finance.

This book explains the principles and functions of an economic, banking, and financial system operating under Sharia. It begins with two forewords. The first is written by Kenneth G. Lay, who is the vice president and treasurer of the World Bank, and the second is from the governor of the State Bank of Pakistan (in office 2006-2009), Dr Shamshad Akhtar, the first woman in this position. She was the former Director-General of the Asian Development Bank as well.

The book consists of four main sections. The first main section deals with the principles and stakeholders. The authors describe the rapidly growing Islamic finance sector and emphasize the importance of Islamic principle in daily finance. The main principles of the Islamic Financial system are the prohibition of interest and speculative behavior, risk sharing between the bank and the customer, social justice and sharia-approved activities.

The history of Islamic banking begins in the 1970s. The first Islamic bank was established in 1974 in the United Arab Emirates, followed by the establishment of the Islamic Development Bank in 1975 as a regional development bank. The accumulation of oil revenues and petrodollars increased the demand

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for Shariah-compliant products. The 1980s proved to be the beginning of a period of rapid growth and expansion of the Islamic financial services industry. In 2007 the annual turnover of all Islamic banks was estimated to be \$350 billion, compared to \$5 billion in 1985. The Islamic Republic of Iran, Pakistan, and Sudan have converted their Western type banking systems to an interest-free one. Since 1998 the number of conventional banks offering Islamic windows have been growing, as for example the Hong Kong and Shanghai Banking Corporation (HSBC). In the 1990s the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established in Algeria. The purpose of the organization is standardization and harmonization of international Islamic finance practices and financial reporting in accordance with Sharia.

The Islamic balance sheet differs from the conventional balance sheet, though both have two sides: assets and liabilities.

The assets are: cash balances; financing assets – murabahah (interest-free commercial credit, cost-plus sale), salaam (agriculture based sales contract), ijarah (leasing), istisnah (contract manufacturing); investment assets – mudarabah and, musharakah (partnership between bank and entrepreneur, profit and loss sharing); fee-based assets – joalah (agreement with an expert in a given field to undertake a task for pre-determined fee or commission), kifalah (stewardship Guarantee or Surety); non-banking assets – property.

The liabilities are: demand deposits – amanah (safe keeping); investments accounts – mudaraba; special investment accounts – murabaha, musharaka; reserves; equity capital.

The second main part of the book is about risk management. The authors summarize the types of banking risk exposure, namely financial-, operational-, business and event risks. The development of a risk-based analysis of the bank is necessary to meet the challenges of innovation and new developments and, partly, accommodate the convergence of international supervisory standards and practices.

The cornerstone of financial risk analysis is the bank's balance sheet. The issue of usefulness and transparency is critical, as is accountability (these are the basic principles of international accounting standards).

Similarly to conventional banks, Islamic banks are exposed to some form of asset-liability mismatch risk. Islamic banks prefer leasing, instead of trade-based instruments, as leasing is considered to be less risky and have less uncertain returns than partnership-based instruments. Mudaraba is the first choice of Islamic banks representing 41 per cent of all deals, followed by musharaka (11 percent), mudaraba (12 percent), ijara (10 percent) and others (26

percent). Beyond these, Islamic banks offer only a small number of long-term investment opportunities.

Liquidity risk emerges when the bank's ability to match the maturity of assets and liabilities is impaired. There are two types of liquidity risk in the Islamic Banking System: lack of liquidity in the market and lack of access to funding. There are some examples for reducing the liquidity risk: the Central Bank of Sudan has introduced the Shariah compatible securities; Malaysia also has taken steps to promote Islamic banks and reduce liquidity risk. The central bank, Bank Negara Malaysia, introduced the Islamic Interbank Money Market (IIMM) in early 1994.

The next chapter discusses the operational and Islamic banking risks. Islamic banks are more exposed to operational risks associated with the failure of controls, information technology systems and the specific risks of Islamic banking, such as displaced commercial risk, withdrawal risk, governance, fiduciary risk (fiduciary risk is the risk that arises from an institution's failure to perform in accordance with explicit and implicit standards applicable to its fiduciary responsibilities), transparency, Sharia risk and reputational risks.

The third main part is devoted to the problems of governance and regulation. According to the authors a stakeholder view of governance that is based on the principles of property rights and the sanctity of contracts, is fully supported by the Islamic economic system. Islamic corporate governance must promote transparency to provide healthy environment for stakeholders because transparency is necessary for accountability, especially to borrowers and lenders, issuers and investors, national authorities and international institutions. The authors discuss both capital adequacy requirement and the consequences of Basel II in case of the Islamic banking. As in conventional banking, adequate availability of capital is necessary for the safety and soundness of Islamic banks as well. The authors examine the Capital Adequacy Standards for Credit Risk, for Market Risk and for Operational Risk, in Basel II and in Islamic Financial Services Board. Islamic banks have established capital requirement standards considering the conventional Basel approaches. The Islamic Financial Services Board has created a capital adequacy standard in 2006. Islamic banks differ from conventional banks; an important difference is the one between their risk weights. For example, Islamic banks carry partnership and profit- and loss sharing assets that have a higher risk profile.

The final chapter of the third part deals with the relationship between risk analysis and bank supervision. The authors conclude that there is no difference in the risk analysis and the bank supervision between conventional and Islamic

banks. All banking systems have a regulatory and supervisory authority. The bank supervision is usually responsible for the issuance and withdrawal of banking licenses and; issuance and enforcement of prudential regulations and standards.

The final chapter introduces the future challenges. Islamic banks have to develop their instruments that enhance liquidity, money and interbank markets, and to perform asset-liability and risk management. Islamic banks are operating with a limited set of short-term traditional instruments, and there is a shortage of products for medium- to long-term maturities. Therefore Islamic banks are less liquid than conventional banks. The limited scope is also a problem in the case of Islamic banks, because they do not provide mixed financial services with non-banking services, although in conventional banking this is the global trend. We can find some countries in the Middle East, where the institutional environment is weak and the non-bank financial sector is poorly developed. Furthermore, Islamic banks have to improve the risk management and governance framework as well. Operational risk is as important as financial risk; however most Islamic banks do not pay enough attention to it.

The authors introduce the Islamic banks and their risk analysis understandingly. Due to its clear language, and simple expression it is good for practitioners. The book contains some comparisons between conventional and Islamic banks, these comparisons could be more, because this topic very interesting.

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