

BOOK OF ABSTRACTS

Student Conference on
Economics, Finance, Business and Social Sciences,
SCE-2018

25 June 2018 Economics Department of Epoka University



<http://eco.epoka.edu.al>

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COMMITTEES

Chair:

Assoc. Prof. Dr. Eglantina Hysa,
Economics Department, Epoka University

Scientific Committee:

Prof. Dr. Güngör Turan,
Economics Department, Epoka University

Dr. Spiro Brumbulli,
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PhD c. Kriselda Sulce

PhD c. Fatbardha Morina

Msc. c. Megi Hoxha

Msc. c. Erisa Gerbeti

PREFACE

Welcome to SCE-2018!

The conference on Economics, Finance, Business and Social Sciences provides opportunities for graduates & bachelor students, young researchers, economists, policy makers, and practitioners from various fields of social sciences to present their research contributions, experience and ideas on different panels, and interact with members inside and outside their own particular disciplines.

SCE-2018 helps to explore opportunities within and beyond your areas of specific research interest through discussion sessions and a variety of other events and learn about key issues in the industry as a professional. It also supports the innovative idea to further develop for future research activities.

The Student Conference on Economics, Finance, Business and Social Sciences, SCE-2018 is being organized by Economics Department of Epoka University in collaboration with Economic Society of Albania (ESA), Albanian Association of Banks and Young Economist Network.

I would like to thank all the students and young researcher participating in such a conference. I would also like to thank all the scientific and organizing committee members for their support given to this event. I wish us all a great conference!

Assoc. Prof. Dr. Eglantina Hysa

Head of Economics Department

TOPICS IN FOCUS

Some of the topics covered in this conference, but not limited to, are as following:

- Economic Development;
- Unemployment and Employability;
- Foreign Direct Investment and Business Climate;
- Determinants of Economic Growth;
- Poverty and Inequality;
- Wellbeing and welfare;
- Taxation and informal economy;
- International trade and business growth;
- Banking sector and financial actors;
- Etc.

PROGRAM OVERVIEW

Student Conference on Economics, Finance, Business and Social Sciences, SCE-2018	
25 June 2018	
Venue: Epoka University, E214	
9:30 pm to 10:00 pm	Registration and Reception
10:00 am to 10:30 am	Opening Ceremonies: Assoc. Prof. Dr. Eglantina Hysa, Epoka University/ESA Assoc. Prof. Dr. Salih Ozcan, Epoka University Keynote Addresses: Dr. Spiro Brumbulli, Albanian Association of Banks
10:30 am to 10:45 am	Break
Session 1: Population, Migration and Security Moderator: Dr. Timothy Hagen Venue: E211 Time: 10:45 am to 12:15 pm	
* Urban- Rural Migration in Western Balkan <i>Viola Alla</i>	
* Population Growth, Demographic Structure and Aging in Western Balkan <i>Esmeralda Jusha</i>	
* Security and Migration Management in Western Balkan <i>Megi Hoxha</i>	

*** Labor Market Dynamics and Unemployment in a Transition Economy: An Empirical Study of Albania**

Tea Rada

*** The Relationship among Human Capital, Education, Unemployment and Economic Growth in a small Transition Country: An Empirical Study of Albania**

Greis Rama

Session 2: International Trade

Moderator: Dr. Patrice Kandolo Kabeya

Venue: E212

Time: 10:45 am to 12:15 pm

*** Foreign direct investment in Western Balkan countries**

Haidi Alla

*** Foreign Direct Investment and Economic Growth: Case of Western Balkan Countries**

Alba Zenunaj

*** Determinants of foreign direct investment FDI: Empirical study case of Albania**

Edrina Tusha

*** Free Trade and Gravity Model: Case of Albania as part of CEFTA**

Nerajda Feruni

*** Trade Openness in Western Balkans**

Andia Pirja

Session 3: Economic Growth and Development

Moderator: Dr. Naqeeb Ur Rehman

Venue: E311

Time: 10:45 am to 12:15 pm

*** Determinants of Economic Growth**

Panajota Bajaj

*** Factors affecting economic growth: Case of Albania**

Xhoel Kushta

*** Poverty, Inequality and Development in Western Balkan**

Bardhyl Ahmetaj and Ylber Allushi

*** The Impact of Macroeconomic Indicators on Unemployment Rate: Case of Western Balkan Countries**

Eneda Vladi

An empirical study for a small Transition Country of Albania

Zenepe Murrizi

Session 4: Exchange Rates and Inflation

Moderator: Msc. Erjon Gjoci

Venue: E312

Time: 10:45 am to 12:15 pm

*** Exchange Rate pass through under the Inflation Targeting Regime: An Empirical Study for Albania**

Amela Dalipaj

*** Effect of regime in the economy of a country-South and North Korea case**

Adela Likaj

*** Interest rate pass-through under inflation targeting regime: An empirical study for Albania**

Suada Dajci

*** Post Brexit effect on European Market**

Egla Mansi

12:15 pm to 12:30 pm

Certificate Distribution and Closing Ceremonies

SESSION 1: POPULATION, MIGRATION AND SECURITY

Urban- Rural Migration in Western Balkan

Msc. (c) Viola Alla

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The focus on this paper is putted on the internal migration aspect of the Western Balkan countries and how this phenomenon has affected and changed the population structure of the region. It aims to analyze the main determinants of rural- urban migration in Western Balkans, how these countries have developed the urbanization process through years and how it has impacted the socioeconomic development in each country. A main emphasis is putted in historical reasons that had leaded the countries region in a general underdevelopment. The research also explains the internal migration geography by linking it with urbanization process and shows the internal migrants characteristics of the countries. There are data collected from different sources for each country which represent the main characteristics of internal migration process. Through analyzing those data we conclude that the region has had a lot of movement of individuals within the country since the post-transition period and the number of movements still larger nowadays. The destination of internal migrants seems to be the central regions (capital cities) of the countries since they offer better opportunities to work study and live.

Keywords: Urban, Rural, Migration, Urbanization, Internal Migration.

Jel Classification: R23, O18.

Population Growth, Demographic Structure and Aging in Western Balkan

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The aim of this paper is to analyze the development performance of Western Balkan specifically population growth, changes in the demographic structure and aging. Comparison in different years, different censuses between countries will help us analyzing and understanding reasons why is the Western Balkan population decreasing. Researches will give answer why these countries are located in the old aged group. This paper gives special importance to the political changes, new borders and transition series occurred in the last decade of 20th and the beginning of 21st century. Data are taken from different statistical Institutions, censuses and World Bank for all countries of Western Balkan.

Keywords: Population, Demographic Structure, Western Balkans, Aging, Statistical Institutions.

Jel Classification: Q56, J11.

Security and Migration Management in Western Balkan

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The main aim of this paper is discussing the main reasons for migration in the Western Balkans and respectively providing the pushing factors for this phenomenon. Another purpose of this paper is to give a clearer view with regards to security in the WB countries, assigning a high importance also to the new concept called “soft security”. Being that the literature provides a relation between the security in a country and the migration flow, it is essential to connect these two concepts even in the case of Western Balkans, considering security as one of the main drivers of migration. For this reason, it is crucial analyzing both concepts and providing possible solutions to these phenomena. On the other hand, both migration and security are two main issues that need to be overcome in order for the Western Balkans countries to become part of the European Union. The above mentioned reasons are the main drivers for conducting this paper.

Keywords: Security, Soft Security, Migration, Western Balkans, European Union.

Jel classification: F52, O15, F15.

Labor Market Dynamics and Unemployment in a Transition Economy: An Empirical Study of Albania

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In this thesis, it has been empirically investigated dynamics behind labor market performance in Albania by achieving its longer-term macroeconomic policy which is aiming higher economic growth and employment with price stability and low unemployment by applying VAR econometric approach and by using yearly data on unemployment, growth rate, GDP per capita (income), GDP per worker (labor productivity), CPI, foreign trade, labor force participation rate for males and females in Albania for the period of 1991-2015. In order to deal with unemployment issue the Albanian institutions are implementing policies for reducing unemployment, increasing employment, active program of training, or other measures to generate employment. From the results of the econometric analysis is expected that the main determinants behind labor market performance in Albania are economic growth, labor productivity, openness and economic stability in the reference period.

KeyWords: Labor market, unemployment, GDP per capita, GDP per worker, inflation, foreign trade, labor force participation, VAR model, Granger causality, Albania.

Jel Classification: E24, C22, F16.

The Relationship among Human Capital, Education, Unemployment and Economic Growth in a small Transition

Country: An Empirical Study of Albania

BA. (c) Greis Rama

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In this thesis, it has been empirically investigated relations among human capital, education, unemployment and economic growth in the Albanian economy in achieving its long-term macroeconomic policy which is aiming higher economic growth and employment, with price stability and low unemployment by applying VAR (or Johansen co-integration) econometric approach and by using yearly data on growth rate, unemployment, GDP per worker, educational attainment in Albania. By investigating all the variables and by analysing each one of them, it can be shown all the significant and insignificant variables that affect the GDP of Albania. Another key point is the study of all these variables throughout time, how they have changed and what impact these changes have in the growth rate of Albania. It has been concluded that all the variables taken in study in this paper are highly significant and have their own impact to a small transition economy such as the country's taken in study, Albania.

Keywords: Human Capital, Education, Unemployment, Economic Growth, Albania, Transition Economy.

Jel Classification: E24, C22, I25.

SESSION 2: INTERNATIONAL TRADE

Foreign direct investment in Western Balkan countries

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The purpose of this thesis is to analyse the effect of foreign direct investments and its indicators in Western Balkan countries. This research paper focuses in these countries of Western Balkan: Albania, Montenegro, Macedonia, Bosnia and Hercegovina and Serbia that are not part of European Union. This analysis covers the period between 2000-2016. Data for all the countries are taken by official sources like Global Economy, World Bank and UK data service. In this thesis is used a panel data and seventeen periods. The factors studied are foreign direct investments, labour force participation, secondary school enrolment, economic freedom and trade balances. The methodology used is an analysis of the descriptive statistics of the multiple regression equation and Hausman test. In this paper is used the logarithm format. All the variables have significant impact on FDI at 5% significance level except economic freedom that is significant at 10% significance level. The limitation of data led to the decision to exclude Kosovo from the econometric model because of lack of data. Some other limitations are related with lack of data of Western Balkan countries and lack of economic theories.

Keywords: FDI, Western Balkan Countries, Hausman Test, Labor Force, Secondary School Enrollment, Economic Freedom, Trade Balances.

Jel Classification: F21, C23, E24.

Foreign Direct Investment and Economic Growth: Case of Western Balkan Countries

BA. (c) Alba Zenunaj

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The aim of this thesis is to explain the impact of foreign direct investment in the economy of the

Western Balkan Countries. More than twenty-five years have passed since these countries collapsed the communist regime that was ruling by that time and passed into the transition phase.

The study gives an insight to the historical and political factors that prevented these countries to surpass the transition and become developed countries. It also aims to investigate the features of

FDI and the link that exists with economic growth. In order to observe this relation an econometric model will be implemented. A panel data for a defined time period will help us to understand the results of this relation. The relationship between FDI and economic growth has turned to be not statistically significant but it has a positive impact for the countries under this study. Results also indicate positive relationship between economic growth and exports and a negative one with the other dependent variable which is imports.

Keywords: Economic Growth, Western Balkan Countries, Foreign Direct Investment.

Jel Classification: O47, F21, C23.

Determinants of foreign direct investment FDI: Empirical study case of Albania

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Albania embraced the market economy in 1990 after being under communist regime for a long time. Opening up to new markets, introduced Albania to a new concept such as Foreign Direct Investment. In this thesis, it has been empirically investigated determinants behind FDI in the Albanian economy in achieving its long-term macroeconomic policy which is aiming higher economic growth and employment with price stability and low unemployment in Albania, by applying VAR econometric approach and by using yearly data on FDI, GDP, foreign trade and inflation, for the time period of 1991-2017. It has been concluded that these factors are the main determinants behind the FDI and are statistically significant if they are taken all together.

Keywords: Albania, GDP Per Capita, Inflation, Granger Causality, Foreign Trade,

Jel Classification: F21, C23, E31.

Free Trade and Gravity Model: Case of Albania as part of CEFTA

BA. (c) Nerajda Feruni

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Throughout the years, Gravity Model has been widely used by many researchers to explain trade relations; however, these researches are limited in number for Albania. Hence, the purpose of this paper is to build and explain the Gravity Model for the trade flows of Albania and 15 of its trade partners for the period of 2001-2016, both theoretically and empirically. The theoretical development of the subject gives an overview of the economic thought over the years regarding the concept of free trade, its benefits and threats, the Central European Free Trade Agreement (CEFTA) and the Gravity Model, in order to be able to explain and interpret the patterns of trade between countries. The econometrical analysis illustrates the impact that Gross Domestic Products of partner countries, the distance between them and CEFTA has on the trade flows of Albania, by using the Panel Estimated Generalized Least Square method and random effects for the panel data. The Gravity Model built in this paper supports the theoretical approach and it shows how Gross Domestic Products have positively affected trade flows, while distance has negatively affected trade flows. The impact of CEFTA is insignificant.

Keywords: Gravity Model, Gross Domestic Products, Distance, CEFTA, Trade Flows

Jel Classification: O47, C23, F53.

Trade Openness in Western Balkans

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“Western Balkan Countries” is a neologism that describes the countries of ex-Yugoslavia (excluding Slovenia) and Albania. The region includes Serbia, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Albania.

Trade openness is the easiness and the level of making trade (importing and exporting) between two or more countries. Trade openness in these countries is increasing every year. The level and the quality of exports in these countries have been rising. This has happened because of the change in the system in all of these countries. They have passed from a communist regime with closed economy to a democratic, open market economy system.

These countries started the international trade with high levels of imports and low levels of exports. The ratio has been changing every year. As we mentioned in the last paragraph, exports have been increasing. This means that imports have been decreasing. Countries are producing the goods and services themselves in the levels that they not only fulfill the domestic market demand, but they have surplus that they are using for export.

This paper is an analytical one. It examines how each of these Western Balkan Countries is trading, with the focus on the EU international trade actions.

Keywords: Western Balkan Countries, Exports, Imports, Trade, Economy, EU.

Jel classification: F41, F43.

SESSION 3: ECONOMIC GROWTH AND DEVELOPMENT

Determinants of Economic Growth

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Economic growth is one of the most important indicators of a healthy economy. Economic growth is measured by the increase in a country's total output or real Gross Domestic Product (GDP). During the years, starting from Adam Smith economists have worked to find the most important determinants that affect economy. Evolution and trends made an impact on the way this growth is perceived. In this paper I bring together six most important factors that lead in economic growth including: natural resources, infrastructure, technology, labor, human capital and law. These all together interrelate affecting economy both in developed and developing countries but with different rates.

Keywords: Economic Growth, GDP, Natural Resources, Infrastructure, Technology, Labor, Human Capital, Law.

Jel Classification: H54, E24, O13.

Factors affecting economic growth: Case of Albania

BA. (c) Xhoel Kushta

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One of the most important pointers of defining the welfare of a country is Economic growth of that country. Economic growth shows how good or bad a country is performing or managing its resources, managing the unemployment level, inflation level, investments, wage level etc. Economic growth is a subset of development. Looking at this great importance that economic growth has, this study aims to analyze some of the most important factors that influence economic growth in Albania from 1986-2016 so in total there are 31 observations for each variable. Data are retrieved from different sources, such as World Bank, trading economics and knoema. The factors affecting economic growth are a lot, but in the regression model that it is conducted, are taken only four factors: Inflation, Unemployment, FDI and Exports. With the help of the EViews program a time series data analyze, is conducted, in order to find out the relationship of this independent variables with the dependent variable (GDP). As a methodology of this study, unit root test and an analysis of the descriptive statistics of the regression equation will be conducted. Moreover, this study will show OLS assumptions, which will be very useful to see the normality and linearity of the independent variables with the dependent one. All the variables resulted to have a significant impact on GDP. This study has some limitations, such as lack of size and reliable data. This study has its maximum data. This research indicates an appropriate orientation and literature to take into reflection when applying parallel researches in the future studies.

Keywords: Economic Growth, Inflation, FDI, Unemployment, Exports, Albania.

Jel Classification: O47, F21, E31.

Poverty, Inequality and Development in Western Balkan

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Being that Western Balkan countries are considered to be the Emerging Europe, the phenomena of poverty and inequality is consequently quite present. The purpose of this paper is to analyze the concepts of poverty and inequality in the Western Balkans, in terms of determining the main solutions to these issues that directly influence the development of these countries, leading in the near-future membership of them in the European Union. This paper aims to show the main reasons of poverty and inequality, including also possible solutions and different undertaken steps from different international entities in order to reduce them as much as possible. This study will briefly illustrate the concept of poverty and its reflection in the region, underlining the complexity of this phenomenon, some consequences, and the role of international aid in the fight against poverty. It should also be taken into consideration the fact that the transition period of these countries from the communist regime to democracy, has been faced differently as well. The Stabilization and Association Process, in which some of these countries are part of, has lead them into posing different applications in terms of trade integration, but also institutional upgrading. Nevertheless, there are still many steps that should be undertaken to reach the common goal, the one of being part of the European Union.

Keywords: Poverty, Inequality, Development, Western Balkans, European Union.

Jel Classification: I32, D63, R11, F53.

The Impact of Macroeconomic Indicators on Unemployment Rate: Case of Western Balkan Countries

BA. (c) Eneda Vladi

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The aim of this thesis is to study the impact of the selected macroeconomic indicators on unemployment rate in the region of Western Balkan Countries (Albania, Serbia, Macedonia, Montenegro, Bosnia-Herzegovina and Kosovo). The labor market and the economic development in Western Balkan Countries share an important challenge among them which is the issue of unemployment rate. This research is based on the time period 2000 to 2017 and includes five countries. Data are retrieved by official sources like World Bank and International Monetary Fund (IMF). A panel data is used including five countries and eighteen periods. The methodology used is the Vector Autoregressive model (VAR), Unit Root test, Hausman test, Granger Causality test and an analysis of the descriptive statistics of the multiple regression equation. The results derived from the VAR model are corresponding with the

Granger Causality test. All the variables have a significant impact on unemployment. Interest rate is statistically significant according to VAR model and has an impact on unemployment rate. The vice versa situation of VAR model says that also the dependent variable taken under study can cause an impact on explanatory variable. In this case, unemployment does Granger Cause GDP. This study has also some limitations like lack of data in including Kosovo, lack of sample size because it is small and different economic theories are not very clear on what they support and may bring flaws to the model. More information would bring more exact results in interpreting the model regression equation.

This study implies a relevant reference and literature to take into consideration when applying similar equations in the future researches.

Keywords: Unemployment, Western Balkan Countries, VAR model, Granger Causality Tests.

Jel Classification: E24, C21, E43.

An empirical study for a small Transition Country of Albania

BA. (c) Zenepe Murrizi

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In this thesis, it has been empirically investigated macroeconomic determinants behind economic growth and performance of the Albanian economy in conducting its long-term macroeconomic policy which is achieving higher economic growth and employment with price stability and low unemployment by applying VAR econometric approach and by using yearly data on real GDP, consumption, investment, public spending and foreign trade. It has been concluded that all the variables are stationary and it is estimated a VAR model. It has been concluded that foreign trade has a significant impact in CGDP. According to Granger Causality test is included that only foreign trade have one direction effect on real GDP and also it is included that all the variables one by one effects on consumption.

Keywords: Economic Growth, Consumption, Investment, Public Spending, Foreign Trade, VAR, Granger Causality, Albania.

Jel Classification: O47, E21, C22.

SESSION 4: EXCHANGE RATES AND INFLATION

Exchange Rate pass through under the Inflation Targeting Regime: An Empirical Study for Albania

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The degree of the exchange rate pass-through (ERPT) plays an important factor on central banks' decisions on monetary policy. Central banks which have implemented an inflation targeting framework need to form a view on future inflation and need to know the extent to which they have to offset inflation pressures arising from a depreciation. In this thesis, it has been empirically investigated the effects of exchange rate pass-through mechanism in Albania by applying VAR econometric approach and by using quarterly data on inflation, exchange rate, money supply, interest rate and GDP during the 2008Q1-2016Q4 time interval which is under the inflation targeting regime implemented by the BoA. According to VAR model the exchange rate pass through is not present in Albania during the time of the study and the same conclusion is reached using Granger Causality test. Another finding of this study is the bidirectional relationship between GDP and CPI and also the positive impact of the interest rate on the domestic currency.

Keywords: Exchange Rate Pass-Through, VAR Model, Granger Causality, BoA, Albania.

Jel Classification: E43, C22, E31.

Effect of regime in the economy of a country-South and North Korea case

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The aim of the study is to analyze the impact of the regime in the economic growth based on the economic policies of South and North Korea. Considering the multidimensionality of the GDP-growth which represent, the overall economic growth to study the impact of the regime based on four variables that are part of orientation and macroeconomic/government indicators: export, import, interest rate, FDI by focusing the economy of two countries South and North Korea that have different regime. Data of interested variables are gathered from international official source IMF (International Monetary Funds), by taking in consideration the period from 1980-2016 in order to increase findings creditability. Methodological approach that is followed in this paper is quantitative, using econometric analyzing instruments in order to construct an empirical model based on multi-regression linear statistics. With the above mentions indicators, the study conclude that the form of the regime has a direct impact in the overall economic growth through the economic policies that will be implement. The study has found enough evidence to prove a direct effect of the regime and economic growth of the overall economy which depends on the economic policies that will be applied.

Keywords: Gross Domestic Product, Interest Rate, Export, Import, FDI.

Jel Classification: O47, E43, C23, P45.

Interest rate pass-through under inflation targeting regime:

An empirical study for Albania

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IRPT channel is very important in the transmission of the monetary policy decisions in the market through banks' lending rate. Central banks pursuing an inflation targeting framework need to form a view on future inflation and need to know the extent to which they have to offset inflation pressures arising from interest rate. This thesis attempts to find evidence on the completeness and efficiency of market-to-bank IRPT and the macroeconomic determinants that impact the lending rate and inflation rate. So, it empirically investigates the effects of interest rate pass-through mechanism on decisions of BoA in conducting its long-term monetary policy which is achieving price stability and macroeconomic growth in Albania by applying ARDL econometric approach. Data used for the model have a quarterly frequency and are lending rate, official interest rate, real GDP growth rate, inflation rate, nominal effective exchange rate, and percentage growth of narrow money. Data is gathered for 2006Q1-2017Q4 time interval which is under inflation targeting regime, from IMF and BoA Quarterly Monetary Policy Reports. It has been concluded that the transmission of market-to-bank is not complete and efficient in Albania.

Keywords: IRPT, Inflation Targeting, Completeness, Efficiency, Lending Rate, Inflation Rate, Boa.

Jel Classification: F31, E31, E43, C22.

Post Brexit effect on European Market

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This paper tries to analyze certain macroeconomic factors that will determine whether the decision to leave the EU will benefit or distress the UK economy in the long run. We will examine if there are any significant changes of the British pound's implied volatilities (IVs) vis-à-vis the leading currencies swapped in the FOREX (foreign exchange market), specifically the euro, the US dollar and the Japanese yen. Other than that, the broken membership of UK in EU has brought large shocks in the European economy so far, and especially its own. Using the program NiGEM, we have forecasted the outcome based on two scenarios, optimistic and pessimistic one. Based on which agreement the parties choose, WTO (pessimistic) and EEA (optimistic) a change in GDP will follow. By 2020, its GDP is said to lower by 3%, which this would not have happened if they continued the EU membership. Other factors included are the labor productivity, tariffs, trade, FDIs, and also financial and capital markets. There are many pessimistic views in the long run as this retreat is said to not only affect UK only but also European economies that trade with them. The GDP per capita in 2030 is calculated to be 5% lower than it would be if they hadn't left; it is equivalent to GBP 3200 in today's prices. All of this would result in a heightened vagueness about the future. On the contrary, prolonged UK inclusion in the EU and additional alterations of the Single Market would augment living benchmarks on both sides of the Channel.

Keywords: Brexit, FDI, Financial Market, Tariffs, Trade, GDP, Exchange Rate, Migration

Jel Classification: O24, F31, F22.

ISBN: 978-9928-135-27-8



