

004:005.932]:334.72.016.63/.64(497.7)

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

Violeta Stepanoska, MSc¹

Saso Josimovski, PhD²

Martin Kiselicki, MSc³

ABSTRACT

The subject of this research paper are the benefits and drawbacks in the usage of ERP (Enterprise Resource Planning) systems by SMEs⁴, the impact of ERP systems and the benefits of implementing such a system. Increased implementation of ERP systems greatly changes processes and the functioning of the organizations, create opportunities to better manage business processes, improves communication with internal and external business networks and the decision-making process. Despite the benefits of implementing an ERP systems companies often face certain difficulties, which are elaborated in detail in the paper.

In order to investigate how Macedonian SMEs are faced with the implementation of ERP systems, a questionnaire was conducted on 25 companies. The conclusion is that organizations across all industries in Macedonia and abroad effectively implemented ERP systems and have achieved significant competitive advantages through them.

KEYWORDS: ERP systems, business processes, automation, implementation, benefits

JEL CLASSIFICATION: O30, O33

¹ERP implementation, Gord Systems – Skopje, email stepanoska.v@gmail.com

²Full-time professor, Economic Faculty – Skopje, e-mail: sasojos@eccf.ukim.edu.mk

³Lecturer, Integrated Business Faculty, e-mail: martin.kiselicki@fbe.edu.mk

⁴ Small and medium enterprises

1. INTRODUCTION

In modern times, many organizations are faced with constant pressure caused by the rapid changes and the increased competitiveness on the market. For organizations to survive and increase their competitive advantage, they need to serve customers that seek innovative, high quality products with additional features and functionalities, while also possessing flexible business information systems. For this purpose, companies provide systems that are consumer-focused through an integrated supply chain with partners.

As a commercial product, ERP system is offered by many vendors specialized in this area. The ability of ERP to manage company resources efficiently and effectively by providing an overall integrated system for the purposes of informational processing, convinced both practitioners and managers, of the importance of integrated systems, which are not only valuable in large multinational organizations, but also in SMEs⁵. There are several factors that influence the success in the implementation of an ERP system, as follows: ERP team and structure, support from top management, commitment to the project, adequate business and legal systems, change management and culture, business process engineering (BPM) and adjustment, software development, testing and dealing with problems, monitoring and performance development. These factors are not limited only to SMEs, but also to large enterprises.

2. TYPES OF ERP SYSTEMS AND THEIR INFLUENCE ON THE ENTERPRISE

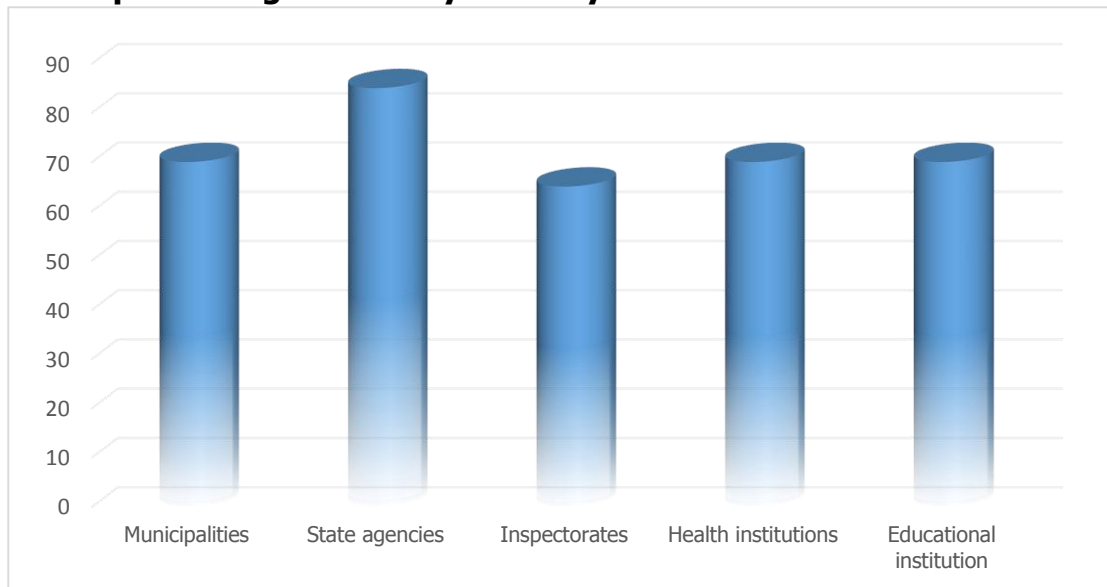
Enterprise resource management represents a business management system that consists of an integrated set of comprehensive systems which manages and integrates all business functions within an organization. These sets usually include several modules: finance and accounting, sales and distribution, material management and inventory, production, human resources, logistics, etc. (Chen, 2001). According to Pienaar (2008), ERP systems refer to computer systems that organizations use for business processes such as: management of customer orders,

⁵ Small and medium enterprises

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

manage materials and inventory, production planning management, financial data etc. Kumar and Van (2000) define ERP systems as configuration packets of information systems that integrate information and an information-based processes within and between functional areas of the organization.

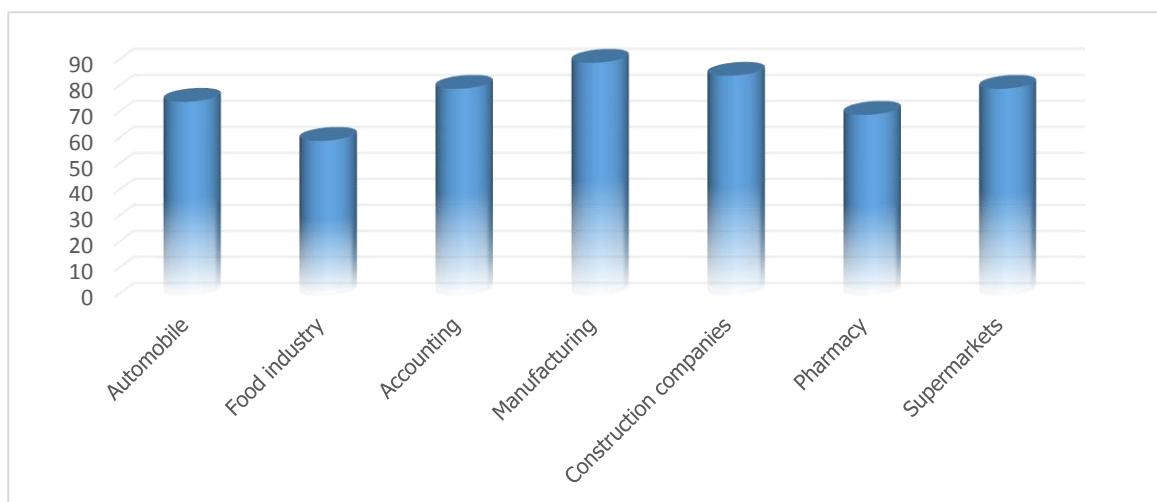
Graph 1. Usage of ERP systems by state institutions in Macedonia



Source: Authors own research (2015)

As it can be seen in Graph 1, multiple types of state institutions (over 60% in each category) in the Republic of Macedonia already use ERP systems. This is mainly due to the benefits that ERP systems can offer institutions of this scale.

Graph 2. Usage of ERP systems in the private sector



Source: Authors own research (2015)

The comparison is made in graph 2, where it can be noted that ERP systems are also used extensively in the private sector, where the largest users are manufacturing companies, followed by construction companies, supermarkets and accounting firms. However, there is very little evidence of ERP usage by small and medium enterprises, for which this paper aims to provide insight.

ERP systems automate and integrate the basic business processes in the organization, which allow employees to manipulate the various data, which represents the input and output of the company processes. By automating business processes, ERP makes them more efficient, less prone to errors, as well as faster and more reliable. With the integration of different business processes, ERP provides coherence, avoids duplication, discontinuity and people work in achieving the objectives in different sectors of the organization.

2.1 Implementation of ERP in SMEs

The adaptation of ERP systems in SMEs has been measured and discussed by many researchers. Van Everdingen (2000) researched the adaptation of ERP systems in 2647 European medium companies, which showed that 27% have installed ERP system in one or more functional areas since 1998. However, the process of implementation and adaptation varied between different countries and different types of industries. Scandinavian countries (especially Netherland) were far ahead in adapting ERP systems compared with other European countries. According to Van Everdingen, this was due to cultural differences which proved that these countries are characterized with a strong desire for innovation and diversity. Analyzing the types of industries, technological companies were at the highest level, unlike the food processing industry, which was falling behind. Several years later, in 2003, Olhager and Selldin (2003) reported that 75% of Swedish manufacturing companies have installed ERP systems.

2.2 Characteristics of different ERP systems and their implementation according to the manufacturer

Generally, ERP systems possess three main characteristics: cost, time and employee involvement. Additionally, it is necessary to change business processes if

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

needed, to adapt them to the system. The five main reasons companies implement ERP systems in their organizations are as follows:

1. **Integration of financial information** – the CEO tries to recognize the overall business performance of the company. In the financial area, with ERP system you can determine future plans of action by recording revenue, analyzing sales in specific periods, and analyzing accounting information in various business units. ERP provides a true picture of the business and in this segment, questions are avoided, because each employee can access the system and get the necessary information in short time.
2. **Integration of consumer orders** – ERP systems are a place where every consumer is kept on track, including their interests, orders and other characteristics, up until the final stage of delivery. The benefit is all this information is included in one system, rather than it being scattered in various different systems which cannot communicate with each other. In this regards, companies can manage orders more easily, and coordinate manufacturing, inventory and shipping between different locations in concurrent times.
3. **Standardizing and speeding up the production process** – ERP systems allows standard methods for automation of the steps in the manufacturing process. By standardizing these processes and using a single, integrated computer system that saves time, costs can be saved and productivity can be increased in a significant manner.
4. **Reduction of inventory** – ERP facilitates the process of inventory management to be implemented in an easier way, improves the visibility of the entire process and allows tracking of all inventory within the company. Ultimately, it contributes to the reduction of inventory for production according to a predetermined method (for manufacturing companies), allowing better planning, final delivery to the customers and greater control of existing stocks.
5. **Standardizing the human resource management process** – Companies often disregard ERP systems as nothing more than a typical representation of the work in the company. Companies with multiple business

units encounter a problem in terms of monitoring employees, record keeping, communication and etc. ERP can help solve this problem in an efficient manner.

3. SELECTION PROCESS OF ERP SYSTEMS IN SMALL AND MEDIUM ENTERPRISES

Choosing an ERP system can represent a significant problem and an important decision in the day to day operations in any enterprise. In recent years, many ERP vendors have increased their focus on SMEs. Given the development of ERP systems, it is necessary to understand the way in which SMEs differ from larger organizations, as well as differences in the process of selection and implementation of ERP systems.

An empirical study was made (Gable и Stewart, 1999), to further analyze the selection process for ERP system. The study consisted of a questionnaire, with 36 questions concerning several independent variables such as number of employees, revenue, type of industry, the characteristics of the selection process, the size and structure of the responsible team for implementation. In all cases, the general manager of the IT department was contacted for the study. Out of 813 small/medium and large Austrian companies, 138 valid results were obtained. 22 responses (15,9%) were obtained from small and medium organizations. All other responses (116 questionnaires or 84.1%) were classified as large enterprises. A total of 29 different criteria for ERP selection were identified using the Delphi method.

The differences in the severity of some of the criteria that have been the subject of research among SME's to large enterprises are explained in table 1.1. The focus is on 7 variables, shown in percentages, in order to distinguish the gap between SME's and large enterprises. Each variable has two values, the percentage value in the first row refers to SME's, and the percentage value in the second row refers to large enterprises.

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

Table 1.1 Importance of criteria in the selection process of ERP

		Very import.	Im- portant	Rather unimp.	Irre- levant
Operating System Independency	Small/medium c.	15.8	26.3	52.6	5.3
	Large companies	30.9	39.2	23.7	6.2
Process Improvement	Small/medium c.	31.6	47.4	21.1	0.0
	Large companies	52.0	40.8	6.1	1.0
Market Position of Vendor	Small/medium c.	16.7	55.6	11.1	16.7
	Large companies	35.1	48.5	14.4	2.1
Customer and Supplier Needs	Small/medium c.	5.3	10.5	26.3	57.9
	Large companies	12.4	20.6	27.6	39.2
Internationality of Software	Small/medium c.	31.6	10.5	26.3	31.6
	Large companies	37.8	30.6	19.4	12.2
Increased Organizational Flexibility	Small/medium c.	31.6	42.1	21.1	5.3
	Large companies	49.0	38.8	9.2	3.1
Increased Customer Satisfaction	Small/medium c.	26.3	42.1	26.3	5.3
	Large companies	45.4	35.1	14.4	5.2
Guidelines from a Controlling Company	Small/medium c.	10.5	21.1	10.5	57.9
	Large companies	24.2	18.9	15.8	41.1
*Adaptability and Flexibility of Software	Small/medium c.	68.4	26.3	5.3	0.0
	Large companies	49.5	44.3	5.2	1.0
Improved Innovation Capabilities	Small/medium c.	11.8	29.4	52.9	5.9
	Large companies	20.6	40.2	29.9	9.3
*Short Implementation Time	Small/medium c.	36.8	57.9	5.3	0.0
	Large companies	29.9	51.5	13.4	5.2
Good Support	Small/medium c.	42.1	57.9	0.0	0.0
	Large companies	58.8	37.1	4.1	0.0

Note – all given values are percentages

Source: Edward Bernroider and Stefan Koch, 2001, "ERP selection process in midsize and large organizations ", p.4

From the survey results shown in table 1.1, it can be noted that several aspects related with flexibility (e.g. increased organizational flexibility, process improvement, innovation increasing) are evaluated as less important to small organizations because they tend to be flexible even before the implementation of the ERP system. In addition, the adaptability and flexibility of the system are much more valued by smaller organizations, as well as shorter implementation time and lower costs, because for small organizations, providing resources is an ongoing problem. Furthermore, the international adaptation of the system (including language and other areas) and consumer needs are less important, which is

surprising in terms of the latest trends in supply chains, integration with other organizations, and global e-commerce.

The method of gathering information for the decision making process also differs between SMEs and large organizations. The decision making process in small enterprises is with less involvement by all employees and the choice usually refers to less complex and cheaper systems. The criteria for selection of ERP system also depends of the priorities, for example, increased organizational flexibility, extra organizational relationships with customers and suppliers are less important aspects compared to the cost and adjustability of the system. The selection process in small organizations is much less time and cost consuming.

4. EMPIRICAL RESEARCH FOR THE USE OF ERP SYSTEMS IN COMPANIES IN THE REPUBLIC OF MACEDONIA

The research work of the paper is conducted in order to provide quantitative and qualitative indicators of the factors for successful ERP implementation, and results from the use of ERP systems. The results that are obtained from this research shows the period in which companies decide to implement the ERP system. Furthermore, the research presents the benefits of using an ERP system and the most important factors for successful implementation. Also, because ERP systems are very complex, or involve multiple modules and additional options, part of the research is whether companies utilize all the possibilities offered by the system.

The survey was conducted during October-November 2015. For the survey, companies which already use ERP systems were chosen, from all business sectors and industries, as well as different cities in Macedonia. The questionnaire was sent to 50 companies, from which 25 responded and gave feedback in complete questionnaire. Demographically, the majority of respondents are situated in Skopje.

4.1 Methodology of the research

Several different methods, techniques and tools are used to collect data in accordance with the defined subject, aims and tasks of the research, as well as verification of the results. It should be noted that the basic method used is the survey, which is one of the most common methods used in conducting research. The purpose of the survey is to provide data needed for further analysis, which in

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

turn serves to demonstrate the impact of the implementation of ERP systems, and facilitating its implementation in SMEs. The survey was conducted using a questionnaire whose structure is further described below. Companies are surveyed in several ways: by e-mail, phone or directly contacting responsible people or the respondent of the company. In the process of conducting interviews, the participants were given clear guidance on each question separately, to avoid misunderstandings when the answers were entered in the table with data. This table represented the basis of all further analysis of the resulting graphs of each question, and where necessary to compare two or more questions.

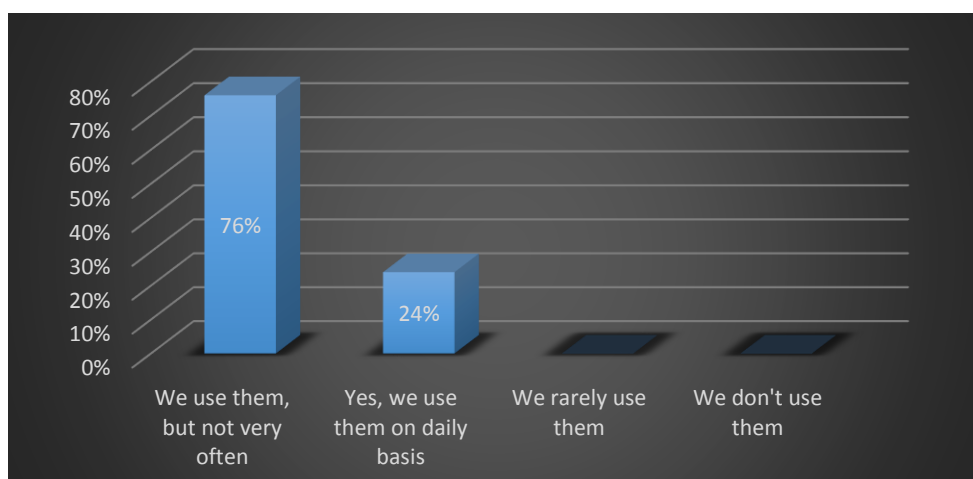
4.2 Structure of the questionnaire

The questionnaire consisted of 20 questions, including both closed questions and open questions. The respondents were employees who are using the ERP system, employees who have direct contact with material, financial modules, human resources, employers who calculate salaries, reviews stock, extracting reports and employees who are actively involved in the selection, implementation, operation and control of the ERP system. Questions use multiple-choice answers or priority scales, allowing prioritization of proposed modalities, where 1 the lowest priority to 10 as the utmost importance according the opinion of the respondent. The full questionnaire is annexed to this paper.

4.3 Data Analysis

Analysis of data is included descriptively in the text below, while the most important findings are shown in the several graphs. This study included employers in companies that implemented ERP system and employers who use ERP system every day in their work station.

Graph 1 Usage of ERP functions

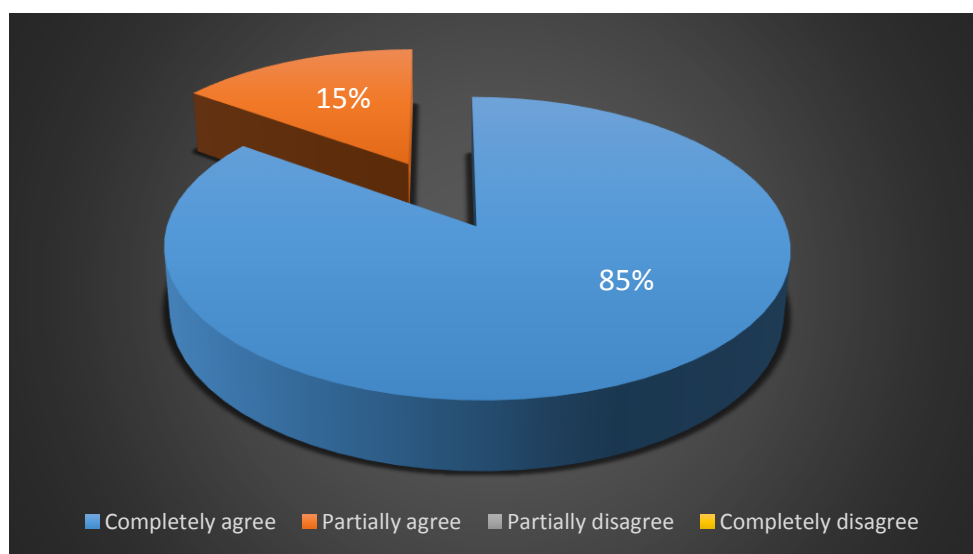


USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

Graph 1 shows whether employers use all functions offered by the system. 76% of respondents said they use them, but not very often, while 24% of respondents use them on a daily basis. ERP systems in nature are complex systems that offer more options in operation, and this question was posed just for that purpose - to see how (and in what timeframe) companies utilize all the functions that the system offers.

Furthermore, 70% of respondents said they completely agree with the claim that the application of an ERP system saves resources, while 30% said they partly disagree or have managed to save resources to some extent. Graph 2 shows that 85% of respondents completely agree with the claim that the applications of ERP system facilitates and improves day to day operations, 15% partly agree, while 75% of respondents completely agree that ERP systems accelerates day to day operations.

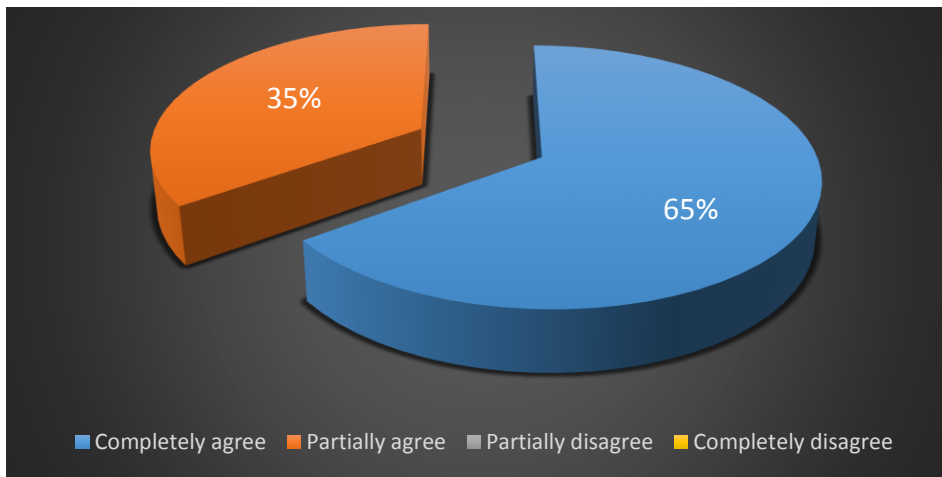
Graph 2. Improvements in day to day operations



On the claim that ERP systems has led to the need for new employees, 65% of respondents think that there isn't a need for new employees to facilitate ERP, while 35% said that their organizations have hired new employees regarding the activities around the ERP system. Employees agree that ERP systems have created opportunities for them to carry out most of the activities alone and without help from colleagues (85%), while the remaining 15% said that ERP systems helped in the process of operation to some extent.

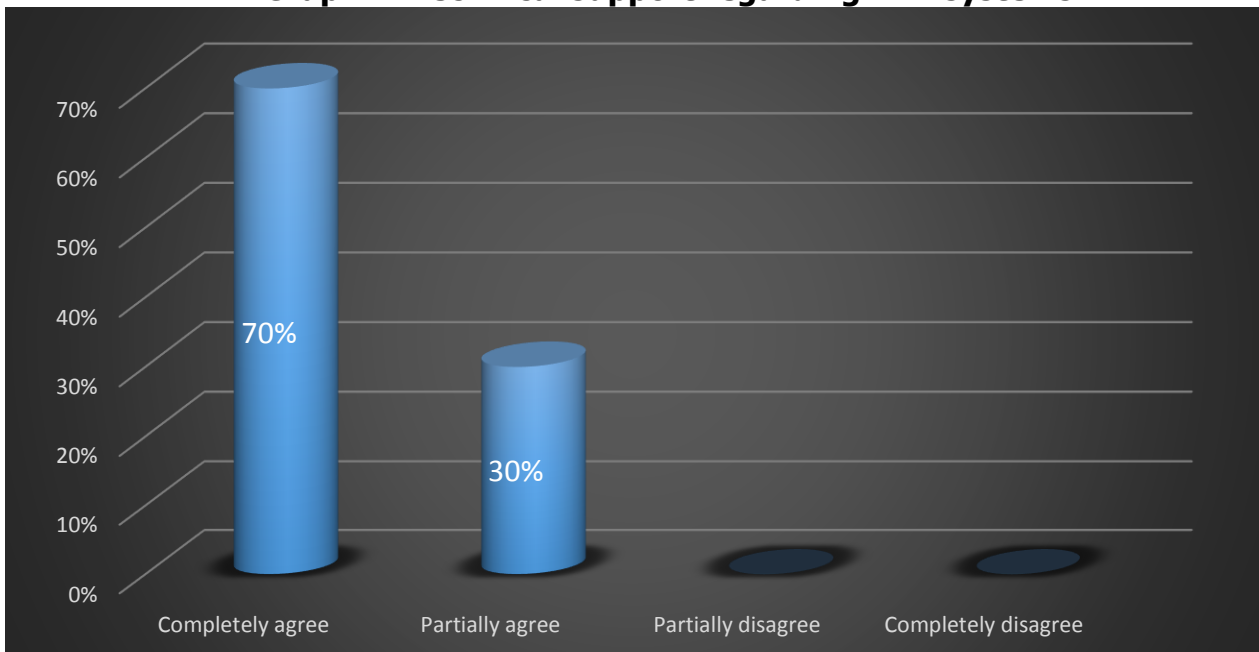
USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

Graph 3. ERP updates over the years



75% of respondents completely agree with the claim that ERP system obtains realistic reports and statistics, while 25% partly agree. Graph 3 refers to whether the ERP system receives updates over the years, where 65% of respondents said that the ERP system receives updates on certain intervals, while 35% of respondents said that, once installed, the ERP system hasn't received any updates at all. On the sub-question of this matter, regarding to what extent the upgrade of ERP system influenced the work process, 55% of respondents said that the new features installed were important to work processes and 45% said that, although not greatly, the new feature have contributed in the improvement of the work process.

Graph 4. Technical support regarding ERP systems

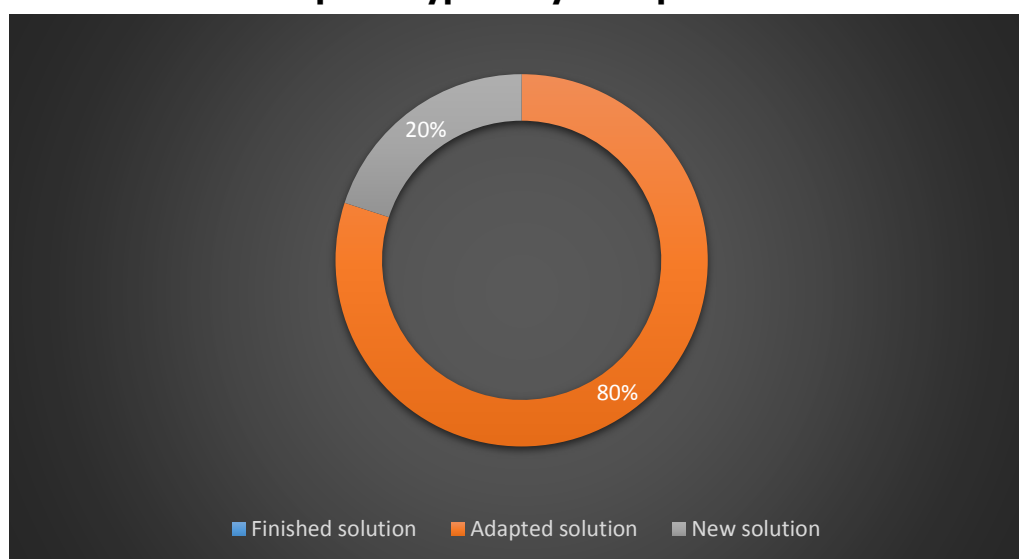


USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

Graph 4 demonstrates how quickly the support team reacted when problems regarding the ERP systems have appeared. 70% of respondents stated that the problem was resolved the same day, however depending on the complexity of the problem, while 30% stated their problems were resolved after few days. Regarding the skills necessary to use ERP systems, 65% of respondents agree that their skills were sufficient to overcome the new tasks and processes, while in 35% of respondents developed a need to possess new skills, as well as additional training and knowledge. 90% of respondents stated that training is an important factor for successful implementation, while 10% partially agree with this statement. 75% of respondents stated that they have easily adapted to the requirements of the new process to work, while 25% stated that they found small difficulties.

On the question whether ERP system purchased was off-the-shelf (finished), adapted to suit the company needs or a completely new system, 80% of respondents said it was a ready system adapted to their needs, while 20% have designed a completely new system to satisfy their requirements. On the last question where respondents would collate important factors for successful ERP implementation, the most important factor is building an ERP strategy even before implementation, with effective communication during the entire period between the involved parties in business process reengineering, experienced employees, support team, organizational culture, employee training, testing system, troubleshooting and monitoring and development of performance.

Graph 5. Type of system purchased



CONCLUSION

The empirical research has shown that in Republic of Macedonia, SMEs are already vastly beginning to implement ERP systems. Furthermore, it showed that companies, in short period from their inception, are recognizing the need for ERP systems and many have opted for the purchase of the system. Whether it is a small or a medium enterprise, ERP systems tend to facilitate the work process, eliminate errors and make archiving more efficient. Also, employees utilize the ERP system and functions on a daily basis. The survey concluded that with ERP systems, SMEs save resources, carry out the processes more efficiently and effectively, can get the necessary information from the system in limited time and etc. Furthermore, the research showed that with implementation of ERP systems, the work process is facilitated and accelerated as a result of high automatization in the work flow.

As a result of the research, it was also concluded that, in most cases, ERP systems do not create the need for new employees, because if the company already had a person in charge of the accounting and financial operations, payroll, human resources, personal maps and so on, then that same person could be trained for handling the activities in the ERP program.

One drawback of the research is the small sample size of 25 companies, which only included SMEs. Further research can be done for the use and potential benefits and drawbacks of using ERP systems in large companies, as well as utilizing ERP systems from the cloud, which is becoming a trend in more developed countries.

USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN THE REPUBLIC OF MACEDONIA

REFERENCES

1. Chen, I.J., 2001, "Planning for ERP systems: analysis and future trend", Business Process Management Journal, Vol. 7 No. 5, pp. 374-86.
2. Gustaf J., 2006, "ERP adoption in small and medium sized companies", Department of Computer and Systems Sciences Royal Institute of Technology Stockholm, Sweden 2006
3. Gable G., Stewart G., 1999, "SAP R/3 Implementation Issues for Small to Medium Enterprises" American Conference on Information Systems, available at <http://aisel.aisnet.org/cgi/viewcontent.cgi?article=1626&context=amcis1999>, last accessed on 20th of May, 2016
4. Bernroider E., Koch S., 2001, "ERP selection process in midsize and large organizations", Business Process Management Journal, Vol. 7 Iss: 3, pp.251 - 257
5. Jan O., Selldin E., 2003, "Enterprise resource planning survey of Swedish manufacturing firms", European Journal of Operational Research issue 146, pp. 365 – 373
6. Kumar & Van Hillegersberg, Kuldeep & Van Hillegersberg, 2000, "ERP experiences and evolution", Communications of the ACM, Vol. 43 Issue 4, pp. 22-26.

ANNEX

Questionnaire

- 1. When was your company founded?**
 - A. Before 1995
 - B. 1995 – 2000
 - C. 2000 – 2010
 - D. After 2010
- 2. How many employees does your company have?**
 - A. Up to 10 employees
 - B. From 10 to 50 employees
 - C. Over 100 employees
- 3. The implementation of ERP system is of great value to the company**
 - A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree
- 4. In which period of time the company has obtained the ERP system?**
 - A. Before 1995
 - B. 1995 – 2000
 - C. 2000 – 2010
 - D. After 2010
- 5. Do you use all of the possibilities that the system offers?**
 - A. Yes, we use them on a daily basis
 - B. We use them, but not very often
 - C. We rarely use them
 - D. We don't use them at all
- 6. With the implementation of ERP system, the company saves resources**
 - A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree
- 7. The implementation of an ERP system has facilitated the work process**
 - A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree
- 8. With using the ERP system, the work process has accelerated**
 - A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree
- 9. The ERP system has created the need for new employees**
 - A. I agree
 - B. I disagree
- 10. Has the ERP system enabled you to carry out the activities by yourself and without much help from your colleagues?**
 - A. Yes, the ERP system has become my work partner
 - B. It has helped me in the work process to some extent
 - C. The ERP system has increased the need to ask help from my colleagues
- 11. The ERP system enables you to get real reports and statistics at any time**
 - A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree

**USAGE OF ENTERPRISE RESOURCE PLANNING SYSTEMS IN SMALL AND MEDIUM
ENTERPRISES IN THE REPUBLIC OF MACEDONIA**

- 12. Has the ERP system been upgraded throughout the years?**
- A. Yes, it has been upgraded often
 - B. Yes, but it has been upgraded rarely
 - C. No, it hasn't been updated at all
- 13. If it has, how much has the upgrade of the ERP system affected the work process in the company?**
- A. Very much
 - B. Mildly
 - C. Very little
- 14. If you have encountered a problem or a mistake in the system, how quickly has the support team reacted?**
- A. I shall immediately report the problem and it will be solved the same day
 - B. From a few days up to a week
 - C. Up to one month
- 15. Has the implementation of the ERP system created the need to acquire new skills and knowledge?**
- A. Yes, it has led to a need for new skills and knowledge
 - B. No, my skills and knowledge have been sufficient
- 16. The training for the ERP system has contributed for a successful implementation**
- A. Completely agree
 - B. Partially agree
 - C. Partially disagree
 - D. Completely disagree
- 17. Have you managed to adjust to the demands of the new work process?**
- A. Yes, I easily managed to adjust
 - B. I encountered small difficulties
 - C. The process of adjustment was very hard
 - D. I have not managed to adjust
- 18. Did you purchase a finished system, or was it a completely new system?**
- A. Finished system adjusted to our needs
 - B. A new system, made to fit our needs and demands
- 19. Does your system allow integration with other systems?**
- A. Yes, it does
 - B. No, it does not
 - C. I have insufficient information regarding this area
- 20. What were the key factors for successful implementation? Arrange them in order of importance, from 1 to 10**
- A. Experienced employees ___
 - B. Team support ___
 - C. ERP strategy ___
 - D. Business-process re-engineering ___
 - E. Organizational culture ___
 - F. Training ___
 - G. Testing of the system ___
 - H. Problem solving ___
 - I. Monitoring and performance development ___
 - J. Effective communication ___

SETTLEMENT OF THE DEBT CRISIS IN A MEMBER STATE OF THE MONETARY UNION AND IN A COUNTRY HAVING ITS OWN CURRENCY

The contractual solution which had to compensate the lack of fiscal policy coordinated at a higher level has proven itself as not effective enough to bridle the appetites of the member states' governments for spending. Most of them have surpassed the contractual limitations on the growth of the budget deficit of 3% and the public debt of 60% of the GDP.

The breach of contractual limitations has objectively imposed the question of subjective (ir)responsibility on causing a debt crisis in the countries of the eurozone. No evidence is needed to prove that the eurozone wouldn't have fallen into a crisis of such dimensions and depth if all had held on to the determined limits (not to mention the information of "masking" the Greek debt even after the country had joined the eurozone). However, it is a matter of question whether the observance of those limitations wouldn't be a restriction of the consumption as a result of what the economic growth would be delayed in separate countries and in the eurozone as a whole. It is a matter of question whether and how adequate the solution of setting similar limitations on the restriction of indebtedness is, regardless of the effects which have been achieved with the borrowed funds.

In outlining the solution for overcoming the debt crisis in Greece, it has to be taken into consideration the irresponsible behavior of the creditors. They have been crediting not taking into account the creditworthiness of the debtors. In the race for profit, they forgot that the countries can bankrupt although there is no standardized procedure.

In this context, it is evident that the acute problem of being not able to service the liabilities to creditors has to be solved not as a problem in itself (as it is the case with Greece), but within the context of overcoming the causes of debt crisis in the eurozone for a longer period of time. The solution will be good if it manages to provide an effective settlement of the debt crisis in Greece and at the same time to generate conditions which will prohibit the practice of irresponsible borrowing and crediting, and which will possibly "socialize the losses". This problem undermines both the Monetary Union and the euro.

By admitting the objective faults made upon the introduction of the euro and the subjective weaknesses (of both the debtor and the creditors) in the functioning of the Monetary Union, there are created conditions for overcoming the

SETTLEMENT OF THE DEBT CRISIS IN A MEMBER STATE OF THE MONETARY UNION AND IN A COUNTRY HAVING ITS OWN CURRENCY

consequences of the debt crisis in Greece and the uncertainties of the euro's future. The agreement on the objective faults is an assumption of implementing reforms which are essential for the consequent functioning of the common currency in the eurozone whereas the mutual recognition of the debtor's and creditors' faults is a basis for establishing a sustainable level of the national debt of Greece in such a way that it doesn't cause any dissatisfaction of the other member states of the eurozone.

It can be insisted upon paying off the debts entirely, but if the debtor is not objectively able to do that, the crisis won't be settled. In fact, it will be only postponed. It is also problematic the insistence upon ceasing the implementation of austerity measures and enabling the debtor to pay off the debts by stimulating the economic growth, and not by saving which leads to deceleration of the growth. At worst the pro austerity measures have been putting off the real settlement of the country's debt crisis (although it has its own price) whereas the contra austerity measures can endanger both the union and the euro if they are reduced to writing off the country's debts regardless of the reasons leading to that. Such a solution will be quite properly required by the other indebted countries which have already made an approach to saving and reforms for overcoming the debt crisis. It is a question if there will be such countries that are willing to finance that kind of approach, at least until it is not established a fiscal union or achieved a greater coordination of the fiscal policies of the eurozone member states.

Therefore, it should be kept in mind that the entry in and the exit from the Monetary Union is not a matter of a daily interest, but rather of a long-term decision. It means that every member state of the Monetary Union has to reassess its decisions of joining the eurozone and of undertaking the euro as its own currency because the eurozone and the euro are not the only solution for the members' developmental problems, but rather an opportunity (by political and economic integration) for a more rational involvement of the national economies in the labor division in the eurozone and in the global economy. In accordance with that, they will have to lead the developing policy in the country, using the benefits from uniting and taking into account the losses it suffers from as a result of the lower level of development in relation to the other countries in the integration.

CONCLUSION

In the process of overcoming the debt crisis in Greece and in the eurozone, it was underestimated the complexity of the problem, and there were created two different solutions: pro and contra austerity measures (including here and the abandonment of the eurozone and the euro). It is as a matter of realizing the daily interests of the member states rather than making a decision for joining the Monetary Union in order to realize the long-term interests of each of the member states individually and as a part of the eurozone.

The way of giving precedence to the liability of repaying debts regardless of the country's objective possibilities and the conditions in which they have accumulated, and the insistence on ceasing the implementation of austerity measures because they deepen the crisis in the country, are unilateral approaches. However, it has been overlooked that the debt crisis is not a natural disaster. In fact, it is an occurrence with deep socio-economic and political causes. Without their elimination, there is a great possibility for not overcoming the debt crisis. In other words, it can be postponed, and it can break out again and definitely endanger the Monetary Union and the euro.

By entwining the economic and political aspects of the debt crisis in the eurozone, it is imposed a more fundamental intervention in the eurozone (establishing a political and/or at least a fiscal union despite the monetary one) and in separate countries (a consequently marketable behavior including "the bankruptcy" of incompetent and irresponsible governments) in order to avoid the future crises, and to help the euro continue along the way of enhancing its international role.

By relying only on the pro and contra austerity measures, there can be satisfied some current short-term interests of the actors in the settlement of the debt crisis in Greece, but they won't be functional in terms of the work promotion of the European Monetary Union and the further affirmation of the euro.

The reasonable solution has to satisfy the justice, and at the same time to open space for strengthening the integrative processes in Europe, and the euro in the in the intercurrency relation in the world. This means that the burden of overcoming the crisis has to be borne by both the debtor and the creditors according to their

**SETTLEMENT OF THE DEBT CRISIS IN A MEMBER STATE OF THE MONETARY UNION
AND IN A COUNTRY HAVING ITS OWN CURRENCY**

“merits”. It has to be avoided the enforcement of solution out of the powerful position of the creditors having an aim of covering up their responsibility for bad crediting, or out of an extortionate position of leaving the common currency in order to sustain the rights acquired by credits that the country is not able to pay off.

SETTLEMENT OF THE DEBT CRISIS IN A MEMBER STATE OF THE MONETARY UNION AND IN A COUNTRY HAVING ITS OWN CURRENCY

REFERENCES

1. Blanchard Olivier (2012), The logic and fairness of Greece's programme, VOX CEPR's Policy Portal, 23 March
2. Campos F [Nauro](#), Coricelli [Fabrizio](#), Moretti [Luigi](#), Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union Using the Synthetic Counterfactuals Method, www.cepr.org/active/publications/discussion_papers/dp.php?dpno=9968
3. Draghi Mario (2012), Competitiveness: the key to balanced growth in monetary union, Treasury Talks 'A European strategy for growth and integration with solidarity', A conference organised by the Directorate General of the Treasury, Ministry of Economy and Finance – Ministry for Foreign Trade, Paris, 30 November
4. Friedman Milton (1997), The Euro: Monetary Unity To Political Disunity?, Project Syndicate, Aug 28
5. Krugman Paul (2015), Europe's Impossible Dream, The New York Times, July 20
6. Krugman Paul (2015), Greece Over The Brink, The New York Times, June 29
7. **Pagano Marco (2010)**, Fiscal crisis, contagion, and the future of euro, VOX CEPR's Policy Portal, 15 May
8. Phelps S. Edmund (2015), What Greece Needs to Prosper, Project Syndicate, AUG 6,
9. **Philippon Thomas (2015)**, The state of the monetary union, VOX CEPR's Policy Portal 31 August
10. Smaghi Bani Lorenzo, Austerity and Stupidity, Vox CEPR's Policy Portal, 06 November 2013
11. Stiglitz E. Joseph (2015), Europe's Attack on Greek Democracy, Project Syndicate, Jun 29
12. Subramanian Arvind (2015), How the IMF Failed Greece, Project Syndicate, AUG 13

IBF
Integrated Business Faculty

NBE
National Business Examination



IBF
Integrated Business Faculty

NBE
National Business Examination



IBF
Integrated Business Faculty

NBE
National Business Examination



IBF
Integrated Business Faculty

NBE
National Business Examination



INTEGRATED BUSINESS FACULTY - SKOPJE