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Notes from the Editor-in-Chief

Dear Authors,

It is our great pleasure to inform you that the *Journal of Entrepreneurship and Business Resilience* (JEBR) is currently indexed in ERIH PLUS, EBSCO, CEEOL, and several other reputable databases. Each article published in JEBR is assigned a DOI, ensuring permanent and reliable identification and access. We continue to work diligently on further improving the journal and are excited to introduce several innovations and enhancements planned for 2025.

As the fields of entrepreneurship and business resilience evolve rapidly, our aim is to position JEBR at the forefront of research in these dynamic and impactful areas. In this context, I am committed to serving as a facilitator, highlighting the latest trends, challenges, and opportunities for both scholars and practitioners.

We also encourage you to share the value of publishing with JEBR with your colleagues, inviting them to contribute high-quality research that advances knowledge in entrepreneurship and business resilience. Your engagement and support are vital to the journal's continued growth and reputation.

We look forward to your submissions and to contributing together to the advancement of this important field.

June 2026

Prof. Dr Mirjana Radović-Marković

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ORIGINAL SCIENTIFIC PAPER

Digital Learning, Digital Transformation, and Organizational Resilience: An Innovation Creation Source

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ABSTRACT

Based on current practices, the objective of this study is to assess and analyze the status of digital learning in corporate sectors and its role in facilitating emerging processes of digital transformation and organizational resilience. The research employs a qualitative methodology, emphasizing the collection and analysis of digital learning data from companies at the global level through available resources, with a specific case study on American companies. Primary findings indicate that traditional learning methods are largely outdated and that e-learning has become an essential necessity for companies operating in an environment shaped by rapid technological change, uncertainty, and continuous digital transformation. In this context, digital learning contributes not only to innovation creation and workforce adaptability but also to strengthening organizational resilience and long-term competitiveness. The paper *concludes with a series of recommendations and avenues for future research.*

Keywords: Digital transformation, Digital learning, American companies, Resilience, Traditional learning methods.

JEL classification: I21, O33, H12

INTRODUCTION

In today's world, characterized by rapid technological development and the increasing use of the internet, there is no doubt that we live in a digital age. This transformation began with the advent of the internet, which has reshaped daily life, and the business world is no exception. Technology has fundamentally altered business operations, marking the onset of a fourth industrial revolution.

The acceleration of technological advancements has intensified competitive pressures, making long-term sustainability a formidable challenge for companies. Consequently, digital transformation has become an imperative rather than a choice. Moreover, the COVID-19 crisis has underscored the critical need for digital technologies, revealing that companies already embracing digitalization were better positioned to adapt and withstand the crisis.

For companies to thrive in a digital future, they require employees equipped to navigate a rapidly evolving digital environment. The key to success lies in the training and development of digital skills, which are essential for ensuring successful digital transformations. Digital transformation occurs when a company transitions its employees to perform tasks, manage information, share knowledge, and collaborate within a digital context. In light of this, the central research problem addressed in this paper is: **How can a favorable environment be created and developed through digital training to facilitate the digital transformation of companies?**

The aim of this study is to contribute to the discussion on the importance of corporate digital learning, its benefits, and its role in enhancing employee competencies, thereby aiding companies in achieving digital transformation. This process depends not only on digital learning but also on the digital environment of employees, which is a key determinant of success—an aspect this research seeks to highlight.

The methodological approach adopted is qualitative, based on the analysis of the digital sector. This method is deemed most appropriate for the research, as it enables a thorough identification of e-learning factors that promote the integration and development of digital transformation. The study covers the latest statistics up to 2021 and involves collecting information from multiple secondary sources, including international databases specializing in the digital domain. The research formulation is based on a descriptive and analytical approach, with the descriptive method used to outline research variables and the analytical method applied to the case study.

The article is structured as follows: Part 1 presents a literature review on digital learning and digital transformation. Part 2 introduces a conceptual framework for the digital environment, followed by an analysis of digital learning data and a case study in Part 3. The paper concludes with a discussion, conclusion, and suggestions for future research.

THEORETICAL FRAMEWORK

Digital Learning

Digital learning is a contemporary term for educational technology, first proposed by Jay Cross in 1999 [1]. It was previously referred to as e-learning, electronic learning, and technology-enhanced learning [2]. Digital learning encompasses various terminologies, such as internet-based training, web-based training, online learning, network learning, or distance learning [1].

Computers and electronics use binary digits (1s and 0s) to represent data; the resulting information and instructions are termed digital information. Learning that utilizes this digital information is called digital learning. Although the concept is complex and interpretations vary in the literature, the most representative definition is provided by the American Society for Training and Development (ASTD): "Digital learning is the process by which learners apply digital media to learning, where digital media include the internet, corporate networks, computers, satellite broadcasting, audiotapes, videotapes, interactive TV, and compact disks" [1].

Corporate Digital Learning

Companies must enhance employee skills and training efficiency, as these are critical to success and continuity. Corporate digital learning provides the technologies and tools to support this objective, improving engagement, knowledge transfer, and job performance [3].

Corporate digital learning is not merely an approach to employee training, a content delivery format, or a set of guidelines for creating e-learning content [4]. Rather, it represents an openness to adapting corporate skills acquisition and performance support to the needs, goals, and behaviors of modern learners [5].

Historically used methods for corporate training may no longer be effective. Companies now require self-service problem-solving using digital tools. Digital learning offers an incredibly effective way not only to achieve this but also to attract new employees quickly and efficiently while providing continuous learning and development opportunities throughout the employee lifecycle.

Digital learning offers numerous benefits for both employees and companies, including [6]:

- Cost savings (reducing expenses related to training rooms, travel, catering, and materials);

- Reduced learning time (minimizing travel time, breaks, and group-based teaching delays);

- Just-in-time accessibility (employees access training when convenient and capable);

- Ongoing access to key resources (employees access resources precisely when needed);

- A risk-free learning environment (eliminating embarrassment from failure in front of peers);

- Scalability for any number of employees;

- Timely feedback for employees and managers (online tracking of course performance and individual progress);

- Flexibility to fit employees' lifestyles;

- Environmental sustainability (reduced paper use, waste, and carbon emissions).

- "Most students demonstrated a positive attitude toward online classes due to their flexibility for both learners and instructors, which contributed to maintaining educational continuity and organizational resilience"[39] .

Digital Transformation and E-Learning

Recently, the concept of digital transformation has gained significant traction due to the rapid emergence of new technologies. It has become a major force reshaping industries and influencing corporate operations [7]. Digital Transformation (DT) refers to the process of using digital technologies to create new—or modify existing—business processes, cultures, and customer experiences to meet evolving business requirements. It represents the reimagining of business in the digital age [8]. True digital transformation is not merely about adopting specific new technologies (which is digitalization) but about a company's ability to effectively utilize new technologies and procedures—both now and in the future [9].

The Digital Transformation of Learning is "the innovative application of technologies that creates new paradigms for corporate training and learning in general; it goes beyond the digital 'delivery' of training, involving a fundamental mindset change in how companies approach learning and training for the future workforce" [7]. Digital transformation requires an understanding of the speed of change, acknowledging that what is new today may be obsolete within 12 months [10]. E-learning, consisting of online training, helps companies accelerate this transformation. It is not only part of the learning, development, and human resource toolkit but also a tool for collecting, sharing, and retaining knowledge essential for digital transformation success [11].

In this paradigm, learning becomes more measurable and scalable, while changes in business models make operations more virtual, automated, and interconnected. Decisions about when, how, and where employees learn can no longer be confined to specific times or places. Thus, embracing the digitalization of employee learning has become a critical success factor for companies [7]. However, if employees cannot harness the potential of these technologies, investments may be wasted [12]. Companies must rethink how employees learn and develop skills by integrating more digital components to foster a culture of continuous e-learning—this is termed a digital learning strategy. This involves learning through digital assets such as videos, online courses, blogs, podcasts, and articles, enabling continuous skill development in a dynamic workplace [13].

The digital learning strategy is integral to a company's digital transformation strategy, and understanding its importance is vital for success [13]. In this context, Declan Fox suggests four strategies for transforming learning [14]:

1. Spreading digital learning over longer periods than traditional courses;

2. Designing learning experiences based on actual work situations for immediate application;

3. Creating and selecting content to enrich learning and provide context;

4. Maintaining social connections through collaboration, discussions, and feedback opportunities.

Conditions for Digital Transformation in Companies

"The biggest challenge for digital transformation isn't the technology; it's the people" [15]. While new technology is a prerequisite, the most critical aspect is developing, enhancing, and evaluating the digital capabilities of employees for the coming years [16]. Although many companies are embarking on digital transformation, not all possess the requisite capabilities [17]. A lack of digital skills can hinder the process [18]. Digital learning is a key ingredient for companies undergoing digital transformation to realize benefits in operational efficiency and customer experience [18]. Thus, the main challenges for successful digital transformation are more closely related to human resources and organizational culture than to technological considerations [16].

The conditions necessary for employees to support digital transformation include [19]:

- **Information:** browsing, searching, filtering, evaluating, storing, and retrieving information.

– **Communication:** interacting via technology, sharing information and content, digital collaboration.

– **Content Creation:** developing content, integrating and reworking materials, understanding copyright and licenses.

– **Safety:** protecting devices, personal data, and the environment.

– **Problem Solving:** resolving technical issues, identifying technological needs and responses, innovating, and using technology creatively.

Eleni Zoe's research identifies the following competencies as basic conditions for digital transformation [20]:

- Device setup (turning on/off devices, logging in, connecting to Wi-Fi);
- Digital communication (using email and apps like WhatsApp);
- Digital collaboration (uploading, sharing, and editing documents via cloud-based apps);
- Cybersecurity (understanding basic risks like viruses and unsecured sites);
- Information processing (seeking, verifying, organizing, and summarizing online information);
- Data storage (storing and backing up data in the cloud);
- HR processes (managing payments, leave forms, and digital

signatures);

- E-learning (using Learning Management Systems for training).

METHODOLOGY AND FINDINGS

Methodology

This paper investigates the impact of digital learning on digital transformation in businesses. The research is secondary in nature, referencing statistical data from various international e-learning databases [21]. A case-based approach is employed, focusing on US companies as the largest players in the global e-learning industry. The analysis covers the latest statistics on e-learning usage in companies and its impact compared to traditional learning methods.

Findings

Key Data on E-Learning in Companies:

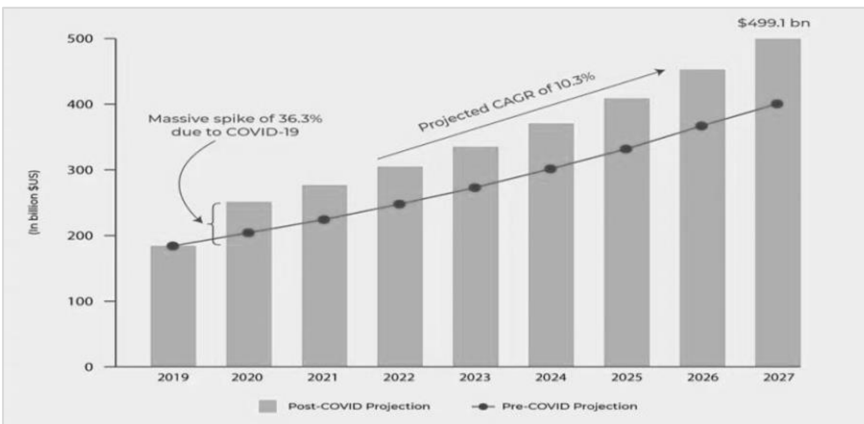

Fig. 1: The Evolution of the E-Learning Industry Worldwide
Source: [22]

Online learning has experienced significant growth in recent years. Thanks to the internet, more companies can develop employee skills through self-paced training (see Fig. 2). According to Pappas (2019), the global e-learning market was valued at

$165.36 billion in 2014. It is projected to grow from approximately $250 billion in 2020 to $499.1 billion by 2027 (see Fig. 1), nearly doubling within a decade.

As digital learning adoption accelerates, e-learning has become a vital source of technological advancement. Businesses are expected to increase investments in training budgets, enhancing both employee performance and corporate competitiveness. The shift from traditional to digital learning represents a crucial change in the corporate sector, with the e-learning industry rising to meet this demand.

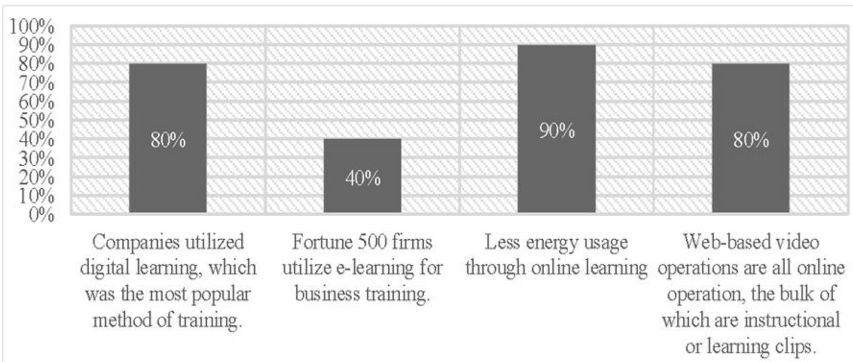

Fig. 2: Key Figures and Trends in Digital Learning in Enterprises (2021)
Source: [23]

The digital sector is forecasted to grow to $320 billion within four years. Revenue trends in the global digital learning market further illustrate this growth. The global market capitalization of digital education and e-learning was $46 billion in 2016 and is projected to reach $243 billion by 2022 [24].

Studies indicate that organizations leverage e-learning to develop employee skills, with over 77% using it to reduce training time and increase effectiveness. As shown in Fig. 2, two out of five Fortune 500 companies utilize e-learning, highlighting a correlation between e-learning adoption and business success.

Nearly 40% of Fortune 500 organizations acknowledge e-learning's efficacy and integrate it into their business models [25].

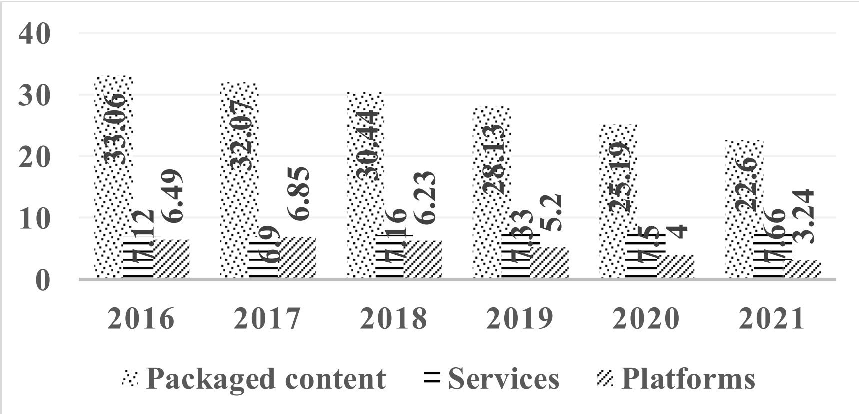

Fig. 3: Global Digital Learning Market Revenue from 2016 to 2021, by Product Category (USD billion)
Source: [24]

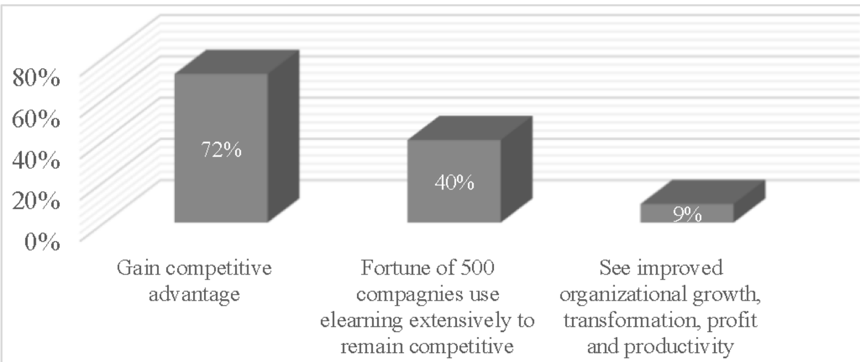

Fig. 4: Impact of E-Learning on Fortune 500 Firms
Source: [26]

A survey by Finance Online (2021) confirms that 10.93% of global enterprises plan to adopt e-learning. This reduces study time by 40–60% compared to traditional methods, allowing employees to focus on core tasks and reducing the need for substitutes. For example, IBM saved $200 million through e-learning adoption

[26]. Beyond convenience and cost savings, e-learning drives revenue growth, with companies using it experiencing higher revenue growth than those that do not [26].

As shown in Fig. 4, e-learning provides a competitive advantage for up to 40% of companies. The American Heart Association (2021) reports that e-learning improves worker productivity by 15–25%, while IBM finds that every dollar spent on e-learning yields $30 in productivity gains [21]. E-learning enhances employee productivity by enabling quicker application of new skills and reducing managerial involvement in training.

Additionally, 58% of workers prefer learning at their own pace from home [27], underscoring e-learning's flexibility. Cost reductions are another benefit, as e-learning minimizes expenses related to trainers, travel, accommodation, and facilities—particularly valuable for geographically dispersed teams.

E-learning improves knowledge retention by 25–60%, compared to 8–10% for traditional training [26]. It gives employees greater control over their learning, allowing them to revisit materials or retake quizzes as needed, reducing pressure and enhancing focus.

Table 1: Inventory and Analysis of Global E-Learning Usage, Impacts, and Perspectives (2021)

Data on the actual use of e-learning in organizations	**Impact on employees and companies**	**The future of e-learning**
Workers take 130% longer to learn	159% increase in CEOs who supervise training and human development in their organizations	33% of training providers plan to focus on interactive training in the near future
75% of staff would prefer video-based learning to	According to 66% of training providers, e-	30% of learning analytics will tie

Data on the actual use of e-learning in organizations	**Impact on employees and companies**	**The future of e-learning**
lecture-based learning	learning is emerging as a key component of businesses.	performance with the knowledge level of participants
91% of companies already give precedence to digital classrooms/webinar presentation competencies prior to Covid-19	41.7% of businesses achieve significant reductions in training costs through the application of a learning management system (LMS).	Worker training support will be available for 50% of businesses as well as for clients requiring additional information.
68% of workers favour learning at their own job sites.	The learning platform, a solution that is configurable, customizable and deployable in days, has integrated program enhancement features that facilitate the production and distribution of relevant programs for various audience types and levels.	In this third age of learning, artificial intelligence will drive learning and training, which will include more personalization and moderation.
74% of staff access digital resources from their cell phones to do their work.	The workforce engaged in active training generates almost three times more profit per unit than its unengaged competitors who do not offer regular training.	Many are calling for a newer learning system based not just on training systems, but also for exponentially changing interactive learning practices.

Source: ([28], [29], [30], [31], [32], [33], [34])

Case Study of US Companies

Keegan (2021) shows that the United States dominates the global e-learning market, with 70% of the industry based in the US or Europe. In 2017, 77% of US companies utilized e-learning [35]. The US e-learning industry is expected to grow by $6.22 billion between 2017 and 2022 [36]. By 2023, 98% of companies plan to incorporate e-learning into their curricula, up from just 4% in 1995 [26]. This growth is driven by increased awareness of e-learning's impact and its ability to accelerate employee training. With rising smartphone adoption, 67% of US companies offered mobile learning options in 2019 (see Fig. 5).

The US e-learning industry is projected to generate $21.64 billion in revenue from 2020 to 2024, with a 12% compound annual growth rate [36]. As shown in Fig. 5, the content segment dominates the US market with a 60% share, followed by technology and services.

The US federal government is also a major consumer of e-learning, purchasing $2.2 billion in self-paced programs in 2019 [22]. Continued investment in digital tools reflects the growing importance of e-learning.

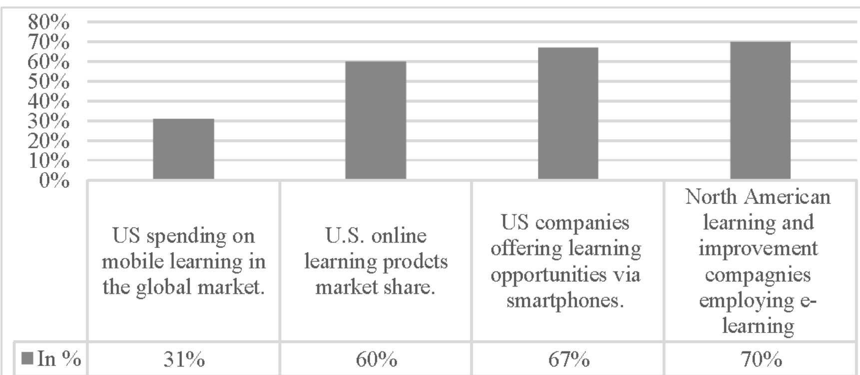

Fig. 5: Key Data on E-Learning in US Companies (2019–2020)
Source:([26], [36], [37])

E-learning provides US businesses with accessible training and development opportunities. Its convenience and practicality support the evolution of corporate learning environments. E-learning has become essential for US corporations and globally, offering seamless integration into workflows and improving knowledge retention and implementation.

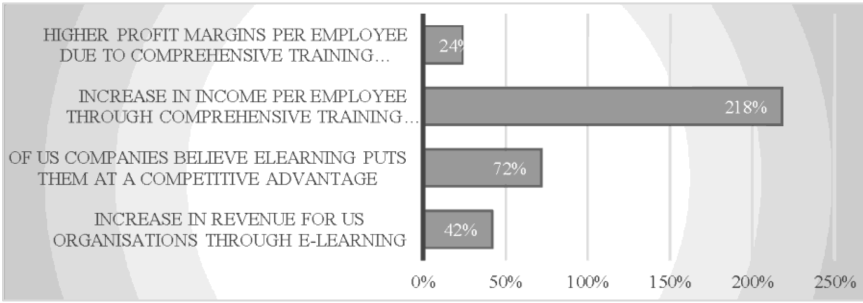

Fig. 6: Benefits of E-Learning in US Companies (2019–2020)
Source: ([36], [26])

E-learning offers unique advantages over traditional training. As shown in Fig. 6, 42% of US organizations report increased revenue due to e-learning, and 50% capitalize on its potential gains [26]. The American Society for Training and Development found that companies with comprehensive training plans achieve 218% higher revenue per employee and 24% higher profit margins (see Fig. 6).

Corporate digital learning encompasses online training modules, articles, sales training, hiring seminars, and tutorials. Over time, it has transcended the limitations of traditional classroom training, which is often costly and time-consuming.

However, on average, only 1% of the workweek is dedicated to training and development [36]. This highlights the need for organizations to maximize training efficiency and outcomes.

Additionally, 70% of training staff report pressure from management to evaluate e-learning effects. While 96% of participants express interest in evaluation, only 50% assess e-learning in terms of ROI, organizational impact, and workplace effectiveness [38]. Only 14% of learning and development (L&D) professionals consider themselves effective at evaluating digital learning impact, 53% view their evaluations as inefficient, and 33% do not assess e-learning value at all [38].

Furthermore, 83% of L&D professionals indicate CEO support for staff training, but only 27% report their executives as effective supporters of online training [34]. According to Learning Technologies (2019), 48% of companies believe their corporate culture does not support social e-learning, and only 23% of training staff feel equipped to implement group e-learning.

DISCUSSION

Digital Learning vs. Digital Transformation

Employee development has emerged as a strategic tool for business growth, with online learning offering an affordable and accessible means of training. Results from digital e-learning in companies, particularly in the US, demonstrate that adopting e-learning aligns with digital transformation trends and yields competitive advantages.

However, several barriers persist: insufficient training time dedicated to digital learning, lack of CEO support for e-learning, organizational cultures unsupportive of e-learning, and inadequate measurement of e-learning outcomes. Many companies fail to measure e-learning impact, and when they do, methods are often ineffective.

Theoretical and practical analyses suggest the following recommendations:

1. Implement a Digital Culture: Integrate digital culture into corporate policy by involving digital professionals to provide e-

learning across all functions. CEO support is crucial for driving digital transformation.

2. Replace Traditional Training with E-Learning: Develop a well-structured e-learning plan with adequate time and resources.

3. Collaborate with Reputable Digital Providers: Partner with established digital companies to create tailored e-learning programs for employees at all levels.

4. Offer Periodic Professional Development: Provide ongoing programs to strengthen employee digital competencies.

5. Establish a Dedicated Digital Function: Create a role to mediate between e-learning platforms and company departments, ensuring quality human resource development.

6. Measure E-Learning Impact: Although challenging, measuring impact is essential. Companies can track trained employees' productivity changes and compare them to pre-e-learning performance (see Fig. 7).

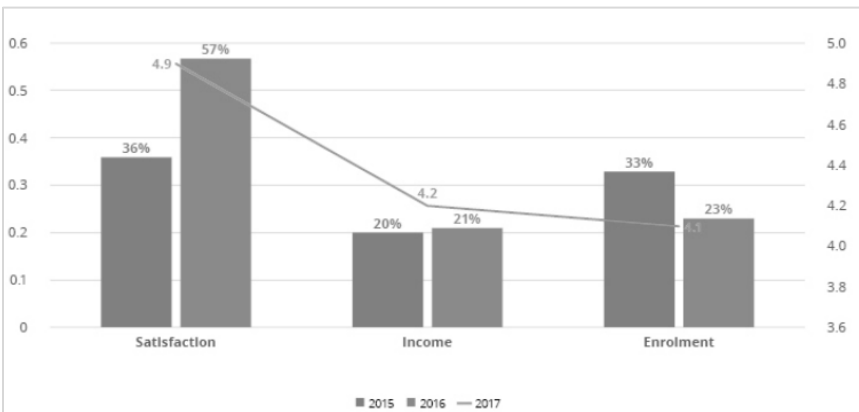

Fig. 7: Practical Example of E-Learning Impact Measured by Course Creators*
Source: [22]

In a digitalized world, companies must invest in e-learning to prepare for digital transformation. However, resistance to change, legacy learning methods, and uncertainty about investment levels and durations pose challenges. The transition from traditional to digital learning is time-consuming but vital for companies in the digital age.

CONCLUSION AND FUTURE RESEARCH

In today's fast-paced world, technologies and knowledge can become obsolete quickly. This rapid change underscores why the e-learning industry remains highly active. The digital learning environment is a critical partner in preparing industries and businesses for digital transformation. Analysis of multiple studies and statistics in this article confirms this reality, indicating that e-learning adoption is expected to accelerate further. Furthermore, the introduction of ICTs affects not only teaching and learning processes, but also organizational innovation and knowledge management practices aimed at reducing conflicts and improving institutional efficiency. [40]. In addition, flexible forms of online education improve access to entrepreneurial knowledge and help individuals continuously develop professional and digital skills needed in modern innovation-oriented economies. They also encourage lifelong learning, strengthen entrepreneurial self-confidence and adaptability, and facilitate participation in global digital business environments [41.

While this study explores the impact of digital learning on digital transformation, several avenues for future research remain:

- How does digital transformation impact specific company functions, and what is e-learning's role in this process for each function?

- What impact will digital learning have on academic sectors?

- Which e-learning skills should be developed to foster digital transformation, and how can they be cultivated?

- What are the perceived challenges of digital transformation in organizations?

These questions represent limitations of this study and should be addressed through new opportunities and trends in digital innovation.

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SCIENTIFIC REVIEW

Competence-Based Strategies for Enhancing Organizational Resilience in Virtual Environments

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ABSTRACT

In the era of digitalization and globalization, virtual teams have become an essential organizational form for ensuring adaptability and resilience in dynamic markets. Competencies of team members—particularly in information and communication technologies (ICT)—represent a critical factor in strengthening organizational resilience and sustaining competitive advantage. This paper explores how competence development in virtual teams contributes to resilience by enabling organizations to quickly adapt to disruptions, maintain operational continuity, and innovate under uncertainty. Drawing on the resource-based view (RBV), the study emphasizes the integration of human capital, ICT knowledge, and experiential learning as foundations for resilient and high-performing virtual organizations in a rapidly changing environment.

Keywords: Virtual teams, Competencies, ICT, Resource-based theory, Organizational resilience

JEL classification: M54, M10, J24

INTRODUCTION

In today's dynamic and uncertain business environment, the development of employee competencies plays a critical role not only in achieving operational efficiency but also in strengthening the resilience of organizations. Organizational resilience refers to the ability of an organization to anticipate, prepare for, respond to, and adapt to incremental changes and sudden disruptions to survive and thrive [3]. Competent and adaptable employees are at the core of resilient organizations, enabling businesses to sustain performance and maintain competitiveness even under unpredictable circumstances.

Competence refers to an individual's ability, verified by a formal document, indicating that the person is qualified to perform a specific occupation. It is important to note that during the process of education and training for a profession, individuals develop their abilities in accordance with the standards of that profession [11]. A highly competent workforce strengthens an organization's capacity for resilience by improving adaptability, innovation, and responsiveness in times of crisis.

THEORETICAL REVIEW

Competence Development Virtual Teams, and Organizational Resilience

The rise of virtual teams has fundamentally reshaped the way modern organizations operate, enabling geographically dispersed members to collaborate across borders and time zones. While virtual teams offer flexibility and scalability, they also introduce challenges related to communication, coordination, and knowledge sharing. In this context, competence development is critical for fostering organizational resilience, defined as the ability to anticipate, absorb, and adapt to disruptions while maintaining essential operations [9].

Competence development in virtual teams encompasses both general competencies, such as problem-solving, communication, leadership, digital literacy, and learning agility, and specific competencies, including expertise in organizational processes, ICT tools, and task-specific technical knowledge ([2]; [1]). General competencies enable flexibility and adaptability across tasks and roles, allowing employees to navigate uncertainty, collaborate effectively, and respond to unexpected challenges. Specific competencies, in contrast, provide the specialized knowledge and organizational insights necessary for maintaining operational continuity and supporting recovery in volatile environments [3].

Drawing on the resource-based view (RBV), competencies embedded in human capital and organizational knowledge represent valuable, rare, and inimitable resources that form the foundation of resilient virtual organizations [9].

ICT knowledge is particularly crucial, as it allows virtual teams to leverage collaboration tools, data analytics, and knowledge repositories, enabling adaptive decision-making and efficient resource allocation. In parallel, **experiential learning** equips teams to internalize lessons from past disruptions, refine processes, and anticipate future challenges, enhancing both individual and collective resilience ([6]; [5]).

Competence development strengthens resilience in multiple ways. Employees equipped with adaptive problem-solving skills, technological expertise, and organizational knowledge can quickly reallocate tasks, troubleshoot issues, and reorganize workflows in response to disruptions. This not only ensures operational continuity but also supports innovation under uncertainty, as teams can experiment with new solutions, adopt emerging technologies, and implement creative strategies to enhance performance. Furthermore, integrating general and specific competencies within virtual teams fosters a learning-oriented culture, encouraging continuous improvement, knowledge sharing, and the development of dynamic capabilities that allow organizations to sense environmental changes, seize opportunities, and reconfigure resources efficiently.

For practice, this theoretical framework suggests that organizations should invest in targeted training programs, focusing on digital literacy, remote collaboration, problem-solving, and leadership skills, while also cultivating organization-specific knowledge, process expertise, and crisis management strategies. Combining these approaches enables virtual teams to not only respond to change but also proactively leverage disruptions as opportunities for growth, thereby maintaining competitiveness and sustainability in rapidly changing environments.

Competency Categories Supporting Resilience

A large number of competencies can be classified into two categories (Table 1):

- General competencies that can be successfully applied to a wide range of tasks, enhancing workforce flexibility and adaptability during organizational changes or disruptions; These general competencies enhance organizational resilience by enabling the workforce to respond to a wide variety of changes, from minor process adjustments to major market disruptions.
- Specific knowledge, skills, or strategies adapted for a

particular organization, requiring specialized adjustment to support continuity and operational recovery in volatile environments. Specific competencies are critical for organizational resilience, as they allow employees to maintain operational continuity and rapidly recover from disruptions, leveraging knowledge that is often tacit and context-dependent.

Table 1. Competency Type

Competency Type	Definition	Examples	Role in Organizattional Resilience
General competencies	Transfereble skills applicable across tasks, roles and contexts	- Problem solving & critical thinking - Comunication & interpersonal skills - Leadership & decision making - Digital literacy & technology adaptability - Learning agility & continuous learning	- Enable workforce flexibility and adaptability - Allow employees to respond effectively to unexpected changes - Support cross - functional collaboration during disruptions
Specific competencies	Specialized knowledge, skills or strategies tailored to particular organization or operational context	- Technical expertise in company specific systems - Organizational knowledge (policies, workflows, stakeholder networks) - Process optimization	- Maintain operational continuity during disruptions - Enable rapid recovery and problem resolution - Support precies, context dependent decision-making

Source: *Author s*

The competencies essential for thriving in the digital workplace, particularly within virtual teams and digital entrepreneurship.In line with this, Radović-Marković [7] ,emphasizes the integration of digital literacy, adaptability, and collaborative skills as foundational elements for success in the digital economy. Effective collaboration and communication are essential, especially in virtual teams and remote work environments. These skills facilitate teamwork and the sharing of ideas and information. [8]. Moreover, it is particularly emphasized importance of collaboration competencies within social networks for assembling competent virtual teams. In her recent research Radović-Marković [10], examines how competency-based education (CBE) aligns with job success in the digital economy.

A resilient workforce requires both types of competencies: general competencies provide the flexibility to navigate change, while specific competencies ensure continuity and effective recovery in volatile or complex environments (Figure 1)

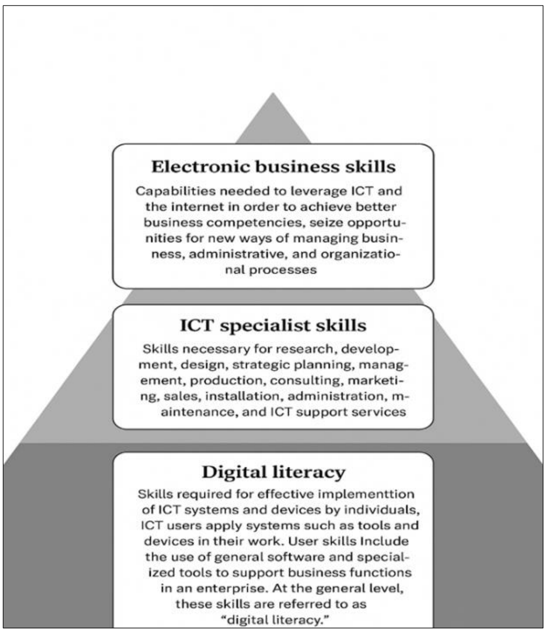

Fig. 1 Pyramid of ICT Skills of the European Union
Source:*Author*

The choice of product, process, or market innovations is often determined by the market in which the company operates, but it is closely linked to the role of managers and their influence on the company's innovation strategy.

Managerial ICT Competencies, Innovation, and Resilience in Business

Managerial information technology (IT) competencies encompass technology, engineering, management, intellectual capacity, and continuous learning. Creative managers increasingly leverage technology-supported tools to anticipate business changes rather than merely reacting to them. To fully realize this potential, enterprises must develop both managerial capabilities and an environment that fosters lifelong learning, allowing IT tools to enhance innovative capacity ([2]; [1]).

The linkage between ICT resources and business processes can be conceptualized in three phases: readiness, which involves preparing technical, commercial, and social infrastructures for ICT initiatives; intensity, reflecting the extent and nature of ICT or e-commerce use; and impact, capturing behavioral changes, outcomes, costs, benefits, and added value generated by ICT applications. Evidence from Europe shows that employees with IT education adopt new technologies faster, creating a comparative advantage for firms and reducing barriers for SMEs entering new markets. Greater ICT adoption also drives productivity, profitability, and workforce engagement, fostering competitiveness.

ICT operates within the broader information technology and telecommunications sector, intersecting with other information-related sectors to form the information society, where overlapping activities collectively influence firm performance. The European Union’s strategic initiatives—including the Digital Agenda, Innovation Europe, New Skills and Jobs programs, and industrial ICT policies—highlight the importance of ICT investment in enhancing organizational capabilities [6]. These investments support collaborative innovation, improve capital productivity, and enhance quality, with the number of intensive ICT users steadily increasing. Teams composed of skilled specialists create a strong combination of expertise and innovation, which increases both the efficiency and the success of the process [4].

Importantly, integrating ICT competencies and innovation into managerial practice strengthens organizational resilience, enabling firms to adapt to dynamic and uncertain environments. Drawing on insights from Radović-Marković [9] and [3], resilient organizations leverage technological and human capital to anticipate disruptions, maintain operational continuity, and sustain innovation. By embedding ICT, innovation, and resilience into managerial frameworks, firms enhance their ability to respond to market changes, exploit opportunities, and maintain competitive advantage.

CONCLUSION

In the era of digitalization and globalization, virtual teams are increasingly central to organizational success, providing the flexibility and responsiveness necessary to navigate complex and dynamic markets. This paper highlights that the competencies of virtual team members, particularly in information and communication technologies (ICT), are pivotal in enhancing organizational resilience. Competence development enables organizations to adapt rapidly to disruptions, maintain operational continuity, and innovate under uncertainty, thereby sustaining competitive advantage.

Drawing on the resource-based view (RBV), the analysis underscores that resilience is not merely a reactive capacity but a strategic asset rooted in the integration of human capital, ICT knowledge, and experiential learning. Organizations that actively cultivate these competencies within virtual teams are better positioned to anticipate change, leverage digital tools effectively, and transform challenges into opportunities.

Ultimately, this research demonstrates that deliberate investment in competence development within virtual teams strengthens the adaptive and innovative capabilities of organizations. By fostering a culture of continuous learning and technological proficiency, firms can build sustainable resilience, ensuring high performance and long-term competitiveness in an increasingly digital and unpredictable global environment.

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SCIENTIFIC REVIEW

The Impact of the Middle East Geopolitical Instability and the Oil Crisis on the Resilience and Development Potential of the Small and Medium-Sized Enterprises (SMEs) Sector in the Republic of Serbia

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ABSTRACT

The paper explores the processes through which the escalation of conflict in the Middle East and the resulting blockade of the Strait of Hormuz have affected the stability, operations, liquidity, and investment readiness of the small and medium-sized enterprise (SME) sector in Serbia, under conditions of energy uncertainty. The diesel prices rise has caused an average reduction in net profit margins in the transport and agro-processing sectors. The crisis shows reduced resilience of companies dependent on fossil fuels, unlike those that have initiated the green transition. Research indicates a strong negative correlation between the rise in Brent crude oil prices and the industrial production of the SME sector. It has been identified that companies that have implemented energy efficiency measures and digitalized logistics demonstrate a higher level of resilience to crises. The results suggest *that the crisis acts as a compulsion, accelerating the green transition, despite restrictive financing conditions. The paper concludes with strategic recommendations, emphasizing the necessity of establishing a National Fund for the Energy Resilience of SMEs and targeted subsidies for the implementation of renewable energy sources as a mechanism of defence against future geopolitical and geoeconomic crises. The authors propose redefining economic policy towards direct subsidies for the energy autonomy of SMEs, instead of the current measures of controlling derivatives prices, in order to preserve the long-term developmental potential of the economy.*

Keywords: Oil crisis, SMEs, Serbia, Middle East, Geopolitical risk, Green transition, Liquidity, Economic resilience.

JEL classification: F51, F52, E32

INTRODUCTION

The contemporary global economy is facing a series of crises, among which occupying the central place is the geopolitical instability in the Middle East due to its immediate impact on energy markets. Oil, as a primary energy source, continues to play a dominant role in the functioning of industry, transport, and agriculture [1]. For the Republic of Serbia, as a small and energy-dependent developing economy, these shocks represent not just external factors, but key fundamental factors and causes of macroeconomic stability.

The SME sector in the Republic of Serbia has for decades stood out as the "backbone" of the national economy, comprising over 99% of the total number of economic entities and generating a significant share of the gross domestic product (GDP) of 60%, while employing two-thirds of the working population [2].

However, a structural analysis of this sector indicates its extreme sensitivity to unforeseen crisis situations caused by external factors, primarily due to high import dependence on energy resources and raw materials the prices of which are determined on global markets. The Middle East escalation of the military conflict in the first quarter of 2026, accompanied by uncertainty over the flow of crude oil through the Hormuz Strait, caused a sharp increase in Brent crude oil prices [3]. For the Serbian economy, which operates under conditions of limited commodity reserves and a specific geographical position, such an oil crisis represents not only an energy challenge but primarily an operational and liquidity challenge for the SME sector. Although SMEs are the engine of economic growth and innovation, they are at the same time the most vulnerable to crude oil price fluctuations due to limited risk protection mechanisms and high dependence on transportation and logistics operating costs.

The research problem in this paper is focused on the diversity of the impact of the energy crisis. Whereas large economic systems have mechanisms for risk protection and long-term fixed-price contracts, the SME sector is forced to operate as a market participant that has no power to influence the market price, but must accept it as it is. Any increase in fuel prices in Serbia, despite government interventions, is directly passed on to the operational costs of transportation, production, and distribution. Such a dynamic of energy price growth creates 'imported inflation' that degrades the purchasing power of the domestic population, while simultaneously reducing corporate profit margins to the point of unsustainability.

Geopolitical tensions in the Middle East, primarily in the realm of the security of shipping routes in the Red Sea and potential disruptions in the Strait of Hormuz, led to a surge in the price of Brent crude oil in the first quarter of 2026 [4].

Such a scenario induces a direct cost shock for Serbian SMEs, as oil permeates every segment of the production cycle – from the raw material base, through process energy, to the final distribution of products. Unlike multinational corporations that own branched supply chains, domestic SMEs are often forced to accept rising costs at the expense of their own accumulation, which directly threatens their development potential and ability to service credit obligations in conditions of restrictive monetary policy.

The geopolitical context further complicates the situation due to the synchronized effect with the restrictive monetary policy. In order to suppress the inflationary pressures caused by the energy crisis, the National Bank of Serbia (NBS) kept the reference interest rate at a high level, which will affect the direct increase in the price of loans for liquidity and investments. For the SME sector, which traditionally relies on bank loans to bridge the working capital gap, this creates a double pressure: rising input (energy) costs and rising debt financing costs. Previous scientific research in Serbia [5] has indicated the resilience of the SME sector during the post-pandemic period, but the current crisis in the Middle East introduces a new factor – a permanent geopolitical premium on the price of oil that alters fundamental profitability calculations. Namely, research by Radović-Marković has emphasized that MSME resilience during post-pandemic recovery remains highly vulnerable to external geopolitical and energy-market shocks, particularly in economies with limited institutional stability and strong dependence on global supply chains [6]. Understanding how organizations demonstrate resilience in real-world conditions is essential for developing effective strategies that can strengthen and improve their resilience[7].

The subject of this research is a detailed analysis of the transmission channels of the oil crisis to the SME sector in Serbia, with a particular focus on the processing industry, transport, and agribusiness [8]. The paper starts from the hypothesis that the current geopolitical instability not only leads to a temporary decline in profits but also to the structural endangerment of the survival of a significant part of the SME sector that has not achieved energy independence, that is, securing energy resources from multiple sources and supply routes. In this sense, the paper analyses not only economic indicators but also the effectiveness of government protection measures, such as regulations on margin restrictions and excise duties, which have yielded only short-term results.

It is necessary to consider the broader picture – the impact of the oil crisis on the European Union (EU), which is primarily an export market for Serbian SMEs. As the European industry, particularly in Germany and Italy, slows down under the pressure of energy uncertainty, the demand for components and services from Serbia is decreasing. This phenomenon of 'imported recession' further narrows the manoeuvring space for domestic enterprises, creating liquidity pressure that goes beyond the scope of fuel prices at the pumps.

Herein the key question of development potential is opened, whether the crisis can act as a catalyst for the localization of supply chains, where Serbian SMEs would replace distant Asian suppliers for European partners.

Resilience, as the central concept of this paper, is not defined merely as the ability to survive a crisis, but as the capacity for a process of change or adaptation. Previous research suggests that companies that have implemented energy efficiency measures and invested in renewable energy sources (such as solar panels for their own use) have shown 15-20% higher resilience to changes in oil prices compared to traditional entities. However, the barriers to broader application of such solutions in Serbia remain high, primarily due to a lack of favourable sources of financing and administrative obstacles, which limits the developmental potential of the sector.

The focus must be on redirecting state aid from reactive measures (such as freezing derivative prices) to proactive investment incentives that strengthen the energy autonomy of SMEs.

The stability of the Middle East is no longer a distant geopolitical issue, but an inherent risk that directly shapes the future of Serbian entrepreneurship.

The significance of the topic stems from the need to redefine the National Strategy for supporting the SME sector. In a world where energy security and geopolitical predictability have become a luxury, SMEs in Serbia need to pinpoint a growth model that is not solely dependent on fossil fuels.

GEOPOLITICAL CONTEXT

Energy geopolitics studies the relationship among political power and control over energy resources. The Middle East holds more than 50% of the world's oil reserves, making it a key region for global energy stability [9].

Countries such as Saudi Arabia, Iran, and Iraq play a key role in the stability of the global energy market. However, the region is simultaneously burdened by prolonged political conflicts, ethnic tensions, and external interventions, increasing the risk of energy supply disruptions.

The escalation of the conflict in the Middle East has transformed the energy market from a state of relative predictability into a state of continuous and enduring instability. The blockade of the Strait of Hormuz, a transit route for nearly a fifth of the world's liquid energy consumption, created a physical deficit of oil on the European stock exchanges [10].

For the Republic of Serbia, primarily supplied through the JANAF oil pipeline, the geopolitical risk is multiplied through transit fees and the political conditionality of energy corridors.

The SME sector, unlike large industrial conglomerates, possesses an extremely low price elasticity of supply. Under circumstances of rising input costs, SMEs are often unable to pass these costs on to end consumers due to fear of losing market share, which leads to a direct erosion of their own capital and the investment capacity decline.

In the context of Serbia, earlier research focused on energy dependence on Russian sources, while the current 2025/2026 crisis shifts the focus to the Middle East as a critical factor dictating the global reference price of Brent oil, on which the parity of prices in the domestic derivatives market directly depends.

In Serbia, the oil crisis cannot be seen solely as an economic issue, but also as a social risk, given that this sector employs over 60-65% of the total workforce.

This geopolitical pressure has resulted in speculative price surges in the local market, which has drastically reduced operating predictability for small entrepreneurs who do not have the capacity for long-term inventory planning.

Lacking a systemic reorientation towards energy autonomy, any future geopolitical tension will directly threaten Serbia's fiscal stability through the need for continual urgent regulatory interventions in the energy sector.

RESULTS OF THE DIRECT IMPACT OF THE CRISIS ON THE SME SECTOR

The macroeconomic effects of oil shocks are manifested through several key channels:

a) inflationary channel – the rise in oil prices increases energy and transportation costs, which is passed on to the prices of final products and leads to a general rise in the overall price level. This phenomenon is particularly pronounced in import-dependent economies, such as Serbia, where energy inputs have a high share in the cost structure [11];

b) economic activity reduction. Increased production costs reduce corporate profit margins, which brings about a decrease in investment and employment. Simultaneously, the decline in the real income of the population affects the reduction of aggregate demand. This double effect often results in the occurrence of stagflation – a combination of high inflation and low economic growth [10].

c) financial markets and monetary policy. Central banks, such as the National Bank of Serbia, face a dilemma between controlling inflation and promoting economic growth. Raising interest rates to supress inflation can further slowdown the economy, while a looser monetary policy can deepen inflationary pressures [11].

For the SME sector, the price of fuel increase represents an unforeseen "tax". Any increase in fuel prices affects the operations of SMEs (there is a rise in operating costs, while at the same time achieved revenue decreases). Companies consciously reduce their own profit, and to a lesser extent, they manage to pass on the increase in energy prices to customers, which affects their liquidity.

Due to the reduction in the volume of business to which the SME sector is exposed due to the oil crisis, an additional result of the crisis is the tightening of credit conditions for the SME sector.

One of the fundamental specificities of the SME sector is limited access to financial resources. Unlike large companies, SMEs rely more heavily on their own sources of financing and short-term loans, often on less advantageous terms. Limited access to capital reduces their ability to invest in technological development, production diversification, and increasing energy efficiency.

SMEs operate with a smaller scale of production, which results in higher unit costs and an inferior bargaining position with suppliers and customers. In conditions of rising energy and raw material prices, these limitations become even more accentuated, as SMEs do not have the capacity to absorb cost shocks like large enterprises.

SMEs in Serbia often operate within limited geographic markets, which reduces the possibility of revenue diversification. In the context of reduced domestic demand, caused by inflation and rising living costs, this dependence directly affects the decline of revenue and liquidity. SMEs are characterized by a lower level of technological equipment and digitalization, and are largely sensitive to the regulatory framework and institutional support.

All of this leads to a decline in the number of new loan applications by the SME sector. Small business owners cite fear of higher interest rates and geopolitical uncertainty as the primary reasons for freezing their investments, which altogether leads to a slowdown in the development of the SME sector, and over a longer period of time, to blockages and closures of initially smaller, and later increasingly larger numbers of SMEs.

All of this creates a liquidity problem – a situation where companies have orders but lack the working capital to fulfil them due to the high cost of energy and financing.

The indicator is that SMEs that have installed solar panels on the roofs of their facilities have shown greater liquidity resilience compared to the ones that rely solely on fossil fuels. This confirms the hypothesis that the oil crisis can act as a filter, favouring companies that have initiated a green transition, while pushing traditional firms toward insolvency.

BUILDING THE SME SECTOR RESILIENCE

The SME sector resilience is the ability of enterprises to absorb, adapt to, and recover from external economic crises, including disruptions caused by rising energy prices and geopolitical instability. Under contemporary economic conditions, the resilience of the SME sector becomes a key factor in the sustainability of economic growth, especially in countries with pronounced energy dependence such as the Republic of Serbia.

One of the basic factors of SME resilience is financial stability. The companies having adequate financial reserves, stable cash flows, and access to external sources of financing have a greater ability to respond to sudden financial crises. Under circumstances of rising oil prices, increased operating costs require additional liquid assets, which represents a significant challenge for SMEs that often operate with limited capital [12].

Another important aspect of resilience relates to reducing the business risk of SMEs. SMEs that have developed various sources of income, different suppliers, and access to different markets demonstrate a greater ability of adaptation to crisis situations. In the context of disruptions in supply chains, relying on multiple suppliers reduces the risk of production interruptions and allows for more flexible resource management [13].

The third key factor of resilience is the level of technological development and digitalization. The use of digital tools and automated processes enables SMEs to optimize costs, improve inventory management, and enhance communication with suppliers and customers. During energy crises, digitized companies identify alternative solutions more quickly and manage limited resources more efficiently [14].

Energy efficiency represents another significant element of resilience. The enterprises that invest in reducing energy consumption and using alternative energy sources are less exposed to sudden changes in oil prices. In Serbia, where the energy structure still largely depends on fossil fuels, investments in energy efficiency can significantly reduce cost pressures on the SME sector [15].

Organizational flexibility also plays an important role. SMEs, due to their size, have the potential for faster decision-making and adaptation of business models. However, this potential is often not fully utilized due to a lack of strategic planning and managerial capacities. The enterprises that develop crisis strategies and business continuity plans demonstrate greater resilience to external crises [16].

Institutional support represents an external factor of resilience for the SME sector. [22]. Statutory measures, such as subsidies for energy sources, tax reliefs, and credit guarantee schemes, can significantly mitigate the negative effects of oil shocks. The role of institutions such as the National Bank of Serbia and the Chamber of Commerce of Serbia is particularly significant in ensuring financial stability and informational support for the SME sector.

SMEs in Serbia have ignored the need for energy independence for too long, that is, securing energy resources from multiple different sources and supply routes. The 2026 crisis demonstrates that energy efficiency is no longer a "green luxury," but a basic condition of solvency. The companies that have implemented solar panels have shown drastically lower sensitivity to the oil crisis.

Long-term stability requires a shift from a 'firefighting' model to a model of subsidizing the technological restructuring of the SME sector towards lower fossil fuel intensity (e.g., capping prices at gas stations does not address the root cause).

The oil crisis from March 2026 represents a structural break. SMEs that do not promptly adapt through changes in contractual models (introduction of energy clauses) and energy rehabilitation risk permanent marginalization in the market.

The green transition, which until two years ago was treated in domestic business circles as a 'European administrative requirement,' can now be redefined as a primary tool for risk management.

Despite the obvious advantages, the transition to a green model in Serbia faces specific obstacles, such as: the high reference interest rate of the NBS makes obtaining loans for energy renovation difficult, the lack of local expertise in optimizing energy processes in small plants often leads to inadequate solutions that do not provide maximum savings during higher loads, and administrative procedures for SMEs remain rigid.

Digital transformation is inextricably linked to the green transition. The enterprises that use, for example, AI route optimization software manage to reduce fuel consumption, thereby being able to preserve market share compared to technologically outdated competitors.

Embracing the green transition leads to the conclusion that Serbia must accelerate the establishment of the National Fund for SME Energy Resilience. The crisis has shown that government subsidies for fuel prices (excise duties) are like "pouring into a hollow barrel," whereas investment in solar energy and heat pumps for small businesses permanently eliminates disruptions in the supply of essential fossil fuels.

STRATEGIES FOR ENHANCING THE SME SECTOR RESILIENCE IN THE REPUBLIC OF SERBIA

Enhancing the resilience of the SME sector in conditions of frequent geopolitical and energy shocks requires an integrated approach that encompasses measures at the enterprise level, as well as systemic interventions by the state and international institutions. In the context of Serbia, where SMEs constitute the dominant part of the economy, the development of a comprehensive resilience strategy represents a key prerequisite for long-term economic stability and growth. The strategy for enhancing the resilience of the SME sector should include:

- enhancement of energy security and provision of multiple energy sources. Given Serbia's high dependence on the import of oil and gas, the SME sector is directly exposed to sudden and unexpected price changes. Investments in renewable energy sources, such as solar and wind energy, as well as the promotion of energy efficiency, can significantly reduce operational costs and increase the resilience of companies to sudden changes in energy prices;

- strengthening the SMEs financial resilience. This involves improving access to financial resources through the development of favourable credit lines, guarantee funds, and alternative sources of financing. The institutions such as the National Bank of Serbia and the Development Fund of the Republic of Serbia play a significant role in ensuring a stable financial environment and supporting the SME sector during periods of crisis;

- digital transformation and technological development. The digitalization of operating processes allows for cost reduction, increased efficiency, and better integration into global supply chains. SMEs that adopt digital tools for managing production, logistics, and finance have a greater ability to adapt to market changes and reduce the negative effects of external unforeseeable events;

- strengthening the resilience of supply chains. Tying to a larger number of suppliers, developing local value chains, and increasing strategic reserves represent key measures to reduce the risk of supply disruptions. The SMEs need to develop more flexible business models that allow accelerated adaptation to changes in the global environment;

- enhancement of the institutional and regulatory framework. Stable and predictable economic policy, an efficient tax system, and transparent regulations contribute to reducing operating uncertainty. In this context, cooperation between the state, economic institutions, and the SME sector is of key importance for creating policies that correspond to the real needs of the economy;

- The development of human capital represents an important factor of resilience. Employee education, the improvement of managerial skills, and the promotion of innovation enable SMEs to respond more effectively to market challenges. Training programs and support for entrepreneurship can significantly enhance the competitiveness and adaptive capacity of this sector;

- Regional and international cooperation also plays a significant role in strengthening the resilience of SMEs. Integration into regional markets and access to international funds enable the introduction of new products in business, entry into new markets, and reduction of dependence on the domestic market. In this context, cooperation with institutions such as the European Commission and the World Bank can contribute to the implementation of modern policies and financial instruments,

- identification of potential threats, planning alternative scenarios, and establishing mechanisms for rapid response in crisis situations. This approach enables the reduction of the negative effects of crises and faster business recovery.

The strategy for enhancing the resilience of the SME sector in Serbia must be multidimensional and aimed at the long-term strengthening of enterprise capacities. A combination of energy, financial, technological, and institutional measures forms the basis for building a stable and competitive SME sector, capable of responding to the challenges of the modern global environment.

CONCLUSION AND RECOMMENDATIONS

The analysis of the impact of geopolitical instability in the Middle East and oil shocks on the SME sector in the Republic of Serbia shows that these external factors are among the key determinants of the business environment in contemporary conditions. Research results confirm that oil crises have a strong and multidimensional impact on the SME sector, primarily through increased operating costs, inflationary pressures, disruptions in supply chains, and a reduction in investment activity.

One of the main conclusions of the study is that the SME sector in Serbia is structurally vulnerable due to its high dependence on energy imports and limited financial and technological capacities. This vulnerability is further exacerbated under conditions of global crises, when there are sudden changes in oil prices and disruptions in international economic flows. In this context, the findings of this study are consistent with analyses by the International Energy Agency, which indicate that energy-dependent economies suffer more pronounced consequences from oil shocks [17].

It could be concluded that geopolitical instability in the Middle East and the blockade of key maritime corridors have caused a sudden and unforeseen disruption that threatens the operations of the SME sector in the Republic of Serbia. While the macroeconomic stability of the country has been partially maintained through interventions from commodity reserves, the micro level of the economy is under serious pressure on its accumulation capabilities.

The analysis showed that the oil crisis most affected SMEs from the transport and logistics sector, where the greatest energy dependence on fossil fuels is present.

The analysis shows that SMEs are particularly affected by the increase in operating costs, with sectors such as transport, agriculture, and manufacturing being the most exposed to negative effects. At the same time, the limited ability to pass costs on to end consumers results in a decrease in profit margins and an increase in the risk of insolvency. This finding is confirmed by OECD research, which indicates that SMEs have a weaker negotiating position compared to large enterprises [18].

The paper concludes that the current model of state defence against the oil crisis, based on decrees limiting prices and reducing excise duties, is only a short-term solution that does not address the core issue of vulnerability and leaves the SME sector exposed to any future geopolitical shocks. Particularly, it is concerning that investment activity could decline due to the introduction of high interest rates.

A markedly significant conclusion is that the resilience of the

SME sector depends on a combination of internal and external factors. The enterprises with larger financial reserves, more developed technological infrastructure, and diversified operations demonstrate a greater ability to adapt to crisis situations. On the other hand, institutional support and the stability of the macroeconomic environment are crucial effects of economic activities, which can mitigate sudden and unforeseen disruptions that threaten the operations of the SME sector. [19].

Taking all into account, it is possible to formulate several major recommendations for improving the resilience of the SME sector in the Republic of Serbia:

- the energy transition acceleration and reduction of fossil fuels dependence. Investments in renewable energy sources and energy efficiency should become a priority, both at the state level and at the enterprise level. This approach allows for cost reduction and an increase in operating stability in the long term;
- improvement of access to the SME sector financing. The development of favourable credit lines, guarantee funds, and alternative sources of financing can significantly increase the financial resilience of enterprises. The role of institutions such as the National Bank of Serbia and the Development Fund of the Republic of Serbia is of crucial importance in this process;
- digitalization and innovation. Encouraging the use of digital technologies in the SME sector can contribute to increased productivity, cost reduction, and better integration into global value chains. In this context, cooperation with the European Commission and the use of European funds can have a significant positive effect;

- strengthening the resilience of supply chains through linking to a larger number of suppliers and developing local production capacities. This measure can reduce dependence on global markets and increase operating stability in crisis conditions;
- improvement of the institutional framework and regulatory policy. A stable and predictable business environment, along with transparent and efficient institutions, forms the foundation for the development of a resilient SME sector. In this regard, the coordination of fiscal and monetary policy plays a crucial role in maintaining macroeconomic stability;
- Human Capital Development and the managerial skills enhancement in the SME sector. The education, training, and support for entrepreneurship can significantly contribute to increasing the adaptive capacity of enterprises and their long-term competitiveness.

Therefore, it is necessary to adopt a set of measures to help preserve the existing SMEs:

I. Institutional level (Government):

1. Establishment of the Energy Resilience Fund for SMEs. Instead of general fuel subsidies, the funds should be directed towards non-refundable assistance for the installation of solar panels and heat pumps.
2. Introduction of “Green Guarantee Schemes“. The state should assume part of the risk for loans intended for energy efficiency, thereby keeping the effective interest rate for SMEs below 4%, regardless of the restrictive policy of the NBS.
3. Digital platform for joint procurement of energy resources. Creating clusters of small businesses to achieve greater

bargaining power with energy suppliers.

II. Operational Level (Enterprises):

1. SMEs must introduce energy adjustment clauses in all long-term contracts in order to protect liquidity from sudden spikes in oil prices, similar to the practice in air transport.
2. Application of software solutions for route optimization and reduction of empty kilometres

The oil crisis should not be viewed as a mere incident, but rather as a manifestation of a shifting geopolitical order. The survival and growth of Serbia's SME sector now depend less on market positioning or product quality, and more on the pace at which energy self-sufficiency is achieved. Against the backdrop of conflict in the Middle East, the green transition has emerged as both a paramount national security priority and a critical economic imperative.

It can be stated that the SME sector in the Republic of Serbia has significant potential for development, but its resilience to external shocks remains constrained. Establishing a comprehensive support system, based on energy, financial, technological, and institutional reforms, constitutes a key prerequisite for building a stable and competitive economy.

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ORIGINAL SCIENTIFIC PAPER

Impact of Microfinance on Poverty and Vulnerability: A Review of the Existing Evidence in Bangladesh

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ABSTACT

Bangladesh has been at the forefront of microfinance for more than four decades. This article reviews current evidence on the impact of microfinance on poverty and vulnerability in Bangladesh. Existing evidence on the impacts of microfinance on poverty reduction is mixed – few studies have reported significant positive impacts, while others have yielded contested findings. A few studies have suggested heterogeneous impacts, depending on households' socio-economic and community backgrounds. The limited literature on vulnerability suggests that microfinance generally helps households cope with shocks, though evidence remains sparse. The review suggests that future research should examine aggregate economic outcomes and evaluate the impacts of extreme poverty programs. They should investigate the impacts of microfinance on covariate shocks such as climate events. They should also assess *how social capital, debt cycles, and the seasonality of labour markets mediate household resilience.*

Keywords: Microcredit, Microfinance, Impact evaluation, Poverty, Vulnerability, Resilience, Shocks

JEL classification: O10, I30

INTRODUCTION

Microfinance constitutes an important source of finance for poor households in low-income and developing countries[1]. Microfinance institutions (MFIs) are the major stakeholders in poverty-reduction programs of these countries. Poor households in these countries usually don't have collateral, so the formal banking sector is not inclined to offer loans to them. In such circumstances, they have to rely on various informal sources for credit, which usually charge exorbitant interest rates. During the last couple of decades, the MFIs have played a pivotal role in providing poor households with collateral-free microloans, thus relaxing their credit constraints.

Bangladesh is a lower-middle-income country[2] with a per capita national income of $2,784 [1]. It has attained notable progress in reducing poverty over the last few decades; however, according to the Household Income Expenditure Survey (HIES) 2022, still about 18.7 % of the people live below the national Upper poverty line and 5.6 % below the national Lower poverty line [2][3].

[1] The term "microfinance" is used to refer to a broad spectrum of financial services provided to low-income individuals including micro-credit, micro-savings, micro-insurances, and also often some support services. This article uses "microcredit" and "microfinance" synonymously throughout the text.

[2] According to World Bank country classification.

[3] Poverty lines refer to a threshold minimum per capita expenditure required to purchase the basic consumption bundle of food and non-food items. The HIES constructs two poverty lines using the Cost of Basic Needs (CBN) method to estimate the head count poverty rates in the country. According to HIES 2022, the estimated Lower and Upper

Although the country has achieved moderate economic growth in recent years, its benefits have not trickled down to most of its population. This has resulted in high inequality of income and wealth in the country. Apart from poverty and inequality, vulnerability to various types of shocks constitutes one of the crucial challenges in the country. From a household survey in Bangladesh, Santos et al. [3] found that more than half of households had experienced one or more shocks during the year preceding the survey. In another study, Osmani et al. [4] found that as many as 40% of rural households in Bangladesh had faced some economic shocks during the three years preceding the survey.

Bangladesh is the leading country that pioneered microfinance. Since its inception in the nineteen-eighties with the Grameen model, the MFIs have been serving millions of poor clients, especially women, by providing them with microloans and microinsurances, generating microsavings, and engaging them in various types of income-generating activities, etc. In 2022, the total number of microfinance members in Bangladesh was 66.44 million, of whom 44.66 million were borrowers (about 90% of them being women). The MFI clients comprise 23% of the population [5]. However, the role of microfinance in poverty reduction remains controversial. This paper aims to review the role of microfinance in addressing poverty and vulnerability in Bangladesh. The novelty of the article rests on two counts. *First,* empirical literature on microfinance's impacts in Bangladesh has adopted diverse methodologies and data, and arrived at conflicting findings. Given this, there is a relative scarcity and lack of studies aiming to synthesise the findings of such literature. The article aims to fulfil this deficit by extracting the salient findings of the

poverty lines are BDT 2,755 and BDT 3,822 per capita per month (See detail in BBS, 2023).

major empirical studies in Bangladesh. *Second,* existing studies have paid more attention to exploring microfinance's impacts on the current poverty status of households. A significant but less explored area in this respect is its impacts on household poverty-dynamics (i.e., shocks and vulnerability). There has been growing interest in this area in recent times, although there is a relative paucity of such literature. The article attempts to review the findings of such literature.

AN OVERVIEW OF MICROFINANCE INSTITUTIONS IN BANGLADESH

The institutions providing microfinance in Bangladesh can be grouped into a few categories – (i) NGO-MFIs licensed by the Microcredit Regulatory Authority (MRA). The major NGOs under these MFIs are – BRAC, ASA, BURO Bangladesh, TMSS, etc.; (ii) Grameen Bank as a specialised institution; (iii) various Government departments/ institutions/ special programs; and (iv) government and nongovernment banks.[49] These institutions provide multiple types of loans, such as general microcredit, ultra-poor loans, microenterprise loans, home loans, agricultural loans, etc.

As of June 2024, 724 licensed MFIs with 26,071 branches were operating in Bangladesh. The total number of clients served by these MFIs was 41.55 million. In addition, another 22.84 million clients were served by Grameen Bank, various Government departments, and Government and Non-government Banks.[50] Thus, the total number of microfinance members in Bangladesh was 64.39 million, of whom 46.07 million are borrowers. About 90.82% of the MRA-licensed MFI clients are women. The microfinance sector provided 1,976.17 billion BDT as outstanding loans and 972.81 billion BDT as outstanding savings in 2023-24 [6].

Table 1: Few statistics on the microfinance sector in Bangladesh (FY 2023-24)

Description	**Member (millions)**	**Borrowers (million)**	**Outstanding Loan (billion BDT)**	**Savings Outstanding (billion BDT)**	**Loan disbursement (billion BDT)**
MRA licensed MFIs	41.55	32.17	1,594.10	685.91	2,615.24
Grameen Bank	10.61	7.25	165.93	226.03	246.87
Others[1]	12.23	6.64	216.14	60.87	143.2
Total	**64.39**	**46.07**	**1,976.17**	**972.81**	**3,005.31**

Note: [1]refer to various government departments/institutions/ special programs and government and non-government banks.

***Data source**: [6]*

During 2010-2024, the number of MFI members increased by 64.36%, and the number of borrowers increased by 67.46%. At the same time, the amount of outstanding loans increased by 10.99 times and outstanding savings increased by 13.35 times (Table 2). The trend of the MFI amount of outstanding loans and savings is shown in Figure 1. These statistics reveal that the MFI sector has continuously expanded during the last decade, which indicates the profound significance of the sector in Bangladesh's economy.

An important feature of Bangladesh's microfinance market is that it is heavily concentrated on a few dominant MFIs. Among the licensed NGO MFIs, the top two microfinance providers account for about 41.4% of the members, 44.7% of outstanding loans, and 48.9% of outstanding savings. The corresponding figures for the top-five NGOS are 53.9%, 58.0%, and 61.7%, respectively.

Table 2: The trend of activities of the MFIs during 2010-2024

Particulars	2009-10	2014-15	2019-20	2023-24
Number of branches	17,252	15,609	20,898	26,071
Number of employees	109,597	110,781	171,110	223,459
Members (million)	25.28	26.00	33.31	41.55
Borrowers (million)	19.21	20.35	26.15	32.17
Loan disbursement (billion BDT)	306.72	633.35	1,362.75	2,615.24
Loan outstanding (billion BDT)	145.02	352.41	888.64	1,594.10
Savings (billion BDT)	51.36	135.41	373.9	685.91

***Data source**: [4], [6]*

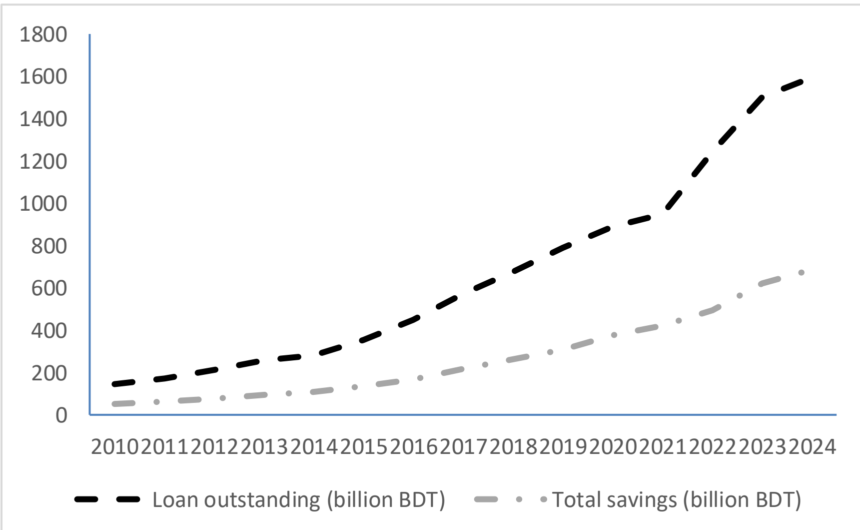

Fig. 1: The trend of outstanding-loans and outstanding-savings during 2010-2024

***Data source**: [6]*

METHODOLOGY

The study has adopted a narrative review framework to synthesize the salient findings of the major studies relating to the impacts of microfinance on poverty and vulnerability in Bangladesh. Impact evaluations of microfinance programs are methodologically challenging. Identifying credible estimates of microfinance's impact is difficult because "microfinance", as an explanatory variable in a quantitative econometric framework, usually suffers from the endogeneity bias. Two common sources of bias, which are intensively discussed in the literature, are – participants' "self-selection", and "non-random program placement." Participants' self-selectivity arises due to the unobserved heterogeneity among them, such as the unobserved differences in motivation, entrepreneurship skills, risk-taking attitudes, etc., which causes exogenous impact evaluation of programs difficult. Moreover, the MFIs often select relatively solvent and prosperous areas to operate their programs to ensure better repayment, which causes the program placement bias and makes exogenous impact evaluations challenging. Therefore, I have considered the following criteria for inclusion of an article for review in this study: (i) the article has undertaken empirical strategies in dealing with the endogeneity bias; and (ii) the article is published in peer-reviewed journals, scholarly books or academic sources.

Table 3: Concentration of MFI activities in Bangladesh (June, 2022)

	MFI share as % of total					
	Number of branches	**Number of members**	**Number of borrowers**	**Loan outstanding**	**Loan disbursement**	**Saving outstanding**
Top two	24.44	41.43	41.53	44.70	46.60	48.88
Top five	35.82	53.92	53.80	58.00	59.09	61.72
Top ten	45.64	60.90	60.52	67.18	67.52	67.52

Note: The author compiled and estimated this based on data provided in the MRA Annual Statistics (June 2022) and *Barshik Protibedon* (in Bengali) 2022.

The top-two MFIs are BRAC and ASA, and the top-five are BRAC, ASA, BURO Bangladesh, TMSS, and the Society for Social Service (SSS).

Microfinance and poverty reduction: what do we know so far

Earlier studies on the causal impacts of microfinance on poverty reduction in Bangladesh did not adequately address the self-selection problem. The seminal work by Pitt & Khandker [7] was perhaps the first attempt to address the issue. The authors estimated the impact of microfinance on three lending institutions in Bangladesh, using data from a cross-sectional survey conducted in 87 villages of 29 thanas (sub-districts) in Bangladesh during 1991-92. The author used the program eligibility criteria (i.e., the landownership cut-off point) as the exogeneity rule to identify the program effect, using the "regression discontinuity design" in a limited information maximum likelihood (LIML) framework. They assumed that the households having above 0.5 acres of land are excluded from participating in the program; and so, a comparison between "households with program choice" and "households without program choice", subject to other village-level and household characteristics, would provide the treatment effect of microcredit. They estimated the program impacts on six outcome indicators, estimated separately for men and women program participants - (i) boys' schooling, (ii) girls' schooling, (iii) men's labour supply, (iv) women's labour supply, (v) per capita total expenditure, and (vi) women's non-land assets. They found that microcredit has significant positive impacts on all six variables when the program participants are female, while it has significant positive impacts on only one of these variables for male participants.

A longstanding debate has been continuing since the publication of Pitt & Khandker [7]. Several studies have replicated the study and raised concerns about microfinance's significant impacts on poverty reduction. Morduch [8] replicated Pitt & Khandker using the same survey data. He argued that the regression discontinuity design, followed by the authors, is not reliable because the lending institutions did not strictly adhere to the landownership eligibility criteria. He mentioned,

> *"But the idea cannot be implemented reliably in this sample. The data demonstrate frequent violation of the rules. For example, 30% of Grameen borrowers owns more than the half-acre cut-off, with landholdings as large as fourteen acres. Among households labeled in the survey as 'eligible' to borrow and with access to programs, the fraction of borrowers is nearly twice as high for those holding over half an acre versus those below (63% versus 34% for the three programs combined). A solution is to turn the sampling strategy on its head. While the sample was designed so that the control groups are comparable to the 'treated' groups, the rule violation require that the treatment group be redefined in order to bring them into conformity with the controls" [8: p-4].*

He redefined the treatment group by following the "de-jure eligibility rule'', excluding households with more than 0.5 acre of land from the treatment group, in contrast to Pitt & Khandker's "de-facto eligibility criteria" based on program participation. He used simple difference-in-difference technique to estimate the average program impacts on the same variables. He found that the treatment group did not show "higher consumption" and "higher enrollment of children" as compared to the control group. He also found that the treatment group had lower variation in consumption across seasons, indicating the "consumption-smoothing" role of microfinance rather than the "poverty-reduction" role.

Pitt [9] refuted Morduch [8] and argued that he "misunderstood and mischaracterised the method of Pitt & Khandker and applied incorrect methods to obtain his new evidence." He provided further clarification about how the credit programs were allocated, how the eligible households made their decisions to participate in the program, and how these decisions affected household outcomes. As he wrote,

> *"Indeed, it is easy to show that taking program households with more than ½ acre of land and treating them as ineligible is precisely the wrong direction to take. The much better procedure is to take nonprogram households with somewhat more than ½ acre of land and treat them as if they have choice, not to take program households and treat them as if they are not program participants. Dropping from the sample those households owning more than ½ acre of land that are program participants imparts classical sample selection bias to any estimates of program effects" [9: p-4]*

He re-estimated the results of Pitt & Khandker [7], raising the program eligibility cut-off – i.e., treating households with more than 0.5 acres as eligible households and below the cut-off as ineligible households. Thus, he re-estimated the results for different eligibility rules, with landownership values 0.66, 1.20,1.60, and 2.00 acres. He found that the results of Pitt and Khandker are still consistent with these new eligibility cut-offs.

Chemin [10] conducted another replication of the study using the propensity score matching (PSM) technique. He found positive impacts of microfinance on per capita expenditure, supply of labour, and children's education; however, he claimed a lesser magnitude of the impacts than what had been claimed by Pitt & Khandker. Duvendack & Palmer-Jones [11] replicated Chemin [10], conducting the sensitivity of PSM results on the same outcome variables. They found that the PSM results of Chemin are not robust, and they outright rejected the claims that microfinance has a significant impact on poverty reduction. In another replication, Roodman & Morduch [12] highlighted that the findings of Pitt & Khandker is susceptible due to the flaws involved in its identification strategy, violation of critical assumptions, lack of robustness to alternative methods, vulnerability of findings to the existence of outliers, etc. Pitt [13] again refuted these criticisms by forwarding further methodological details and re-estimations.

It is often argued that the impact-evaluation results based on cross-sectional studies may not be robust and that the consistency of the estimates of such studies may not hold in alternative methods. Khandker [14] carried out a study using a household-level fixed effects model in a two-period panel data. He found that the female-borrowing of microfinance has significant and positive impacts on increasing per capita household consumption, which corroborated the cross-sectional findings of Pitt and Khandker's study.

Razzaque [15] measured the impact of microfinance on poverty reduction based on a panel survey conducted in four rounds in Bangladesh during 1999-2005. Using panel fixed effects and panel tobit model with random effects, the study found strong and positive impacts of microfinance borrowing in increasing household per capita income and stock of assets and lowering the incidence of poverty. Imai & Azam [16] conducted another study using a nationally representative panel data, covering four rounds of survey during 1997-2004. They used different versions of the household fixed effects models and difference-in-difference propensity score matching (DID-PSM) method and found significant positive impacts of microfinance on household income and food consumption.

Recently, a good number of randomised control trials (RCTs) have been conducted in a few countries to examine the impact of microcredit on poverty reduction. With a few exceptions, the general upshot from the findings of such studies is that microcredit does not have transformative effects, although it has some positive impacts on a few other indicators, such as business expansion, liquidity, risk management, intra-household decision-making, women empowerment, etc. [17], [18], [19], [20], [21], [22].

Khandker & Samad [23] claimed that the RCT studies may not reflect the true impacts since they typically evaluate programs shortly after intervention. They examined the long-term effects of microfinance using a longitudinal panel survey conducted in three-periods (1991/92, 1998/99, and 2011/12). They used the household-level fixed effects method and found that participation in the microcredit program increases per capita household income and reduces extreme poverty. They also found that the magnitude of the impact is more profound among the continuous participants than the irregular participants. Islam [24] also observed similar findings on a panel survey conducted over a longer time horizon in Bangladesh.

While the average impact of microfinance may be harmful or small, its effect may be significant for some groups. Khandker, Khalily & Samad [25] argued that microfinance may benefit certain groups, although the "benefits may not be large enough to outweigh the negative effects of others." The authors used a three-period panel survey in a propensity score fixed effects model. They found that the large landholders (having greater than 2.5 acres) received income-gain from the microfinance, but the marginal holders (less than 0.5 acres) and small and medium holders (0.5-

2.5 acres) did not gain. While all households gained in terms of other outcomes, such as male and female labour supply, non-land assets, and net worth, the large and medium holders gained more than marginal holders. Similarly, they found that households with heads with better educational attainment performed better than those with less attainment. They also found that households in villages with better electricity connections and road access benefited more from the program. Based on quantile regression, they found that households with lower expenditure quantiles received more benefits, in terms of household income and expenditure, than households with higher quantiles. In another study in Bangladesh, Islam [26] found that the causal effect of microcredit on household consumption expenditure varied across different groups, with the poorest of the poor receiving more benefits.

Impact evaluations of microfinance programs typically examine their impacts on the beneficiary level; however, less attention has been paid towards investigating aggregate-level impacts. Critics have raised concerns that the microfinance model has been detrimental to sustainable poverty reduction and long-run economic and social development at the community and national level, although it may be beneficial for a few lucky individuals who have been able to secure gains in the short run. Excessive dominance and proliferation of informal microenterprises financed through the MFIs have saturated the local economies in some countries, causing high competition, reduced turnover, and enterprise failure. The mushrooming growth of tiny informal enterprises has diverted scarce financial resources away from the more productive and efficient small-and medium-sized enterprises (SMEs), thus undermining the bottom-up industrial development at the local level [27]. Although a few studies found microfinance's positive impacts on non-participants through positive spillover effects [14], [23], there is a relative scarcity of studies which have adequately investigated the local-economy or aggregate-level impacts of microfinance in Bangladesh, and future research should focus more on these issues.

While the ultra-poor households usually don't have access to traditional microfinance programs, given their lack of entrepreneurial ability and inability to pay the regular repayment installments, the MFIs in Bangladesh have launched some targeted programs in the last two decades. BRAC's Ultra Poor Graduation (UPG) program provides a multipronged intervention to graduate extremely poor households in 24-months tenure. PKSF and Grameen bank also have been launching programs to combat extreme poverty and hunger. However, apart from the project evaluation reports, independent impact evaluations of such programs have been very scarce in Bangladesh. Future studies should focus more on the impacts of such programs, particularly if these programs have sustainable impacts on reducing extreme and chronic poverty.

Microfinance and vulnerability to shocks in Bangladesh

A primary concern associated with the poverty dynamics in developing countries is households' exposure to various shocks. There are two types of shocks as classified in the literature. "Idiosyncratic" shocks are those faced by an individual household, such as the death of livestock, loss in business, a large expenditure caused by the illness of a member of the household, or the death of the income earner. "Covariate" or "systemic" shocks affect many people or households with similar characteristics, such as the households of a particular region or community (for example, shocks due to flood, drought, earthquake, etc.).

Recent literature has suggested the greater role of microfinance in reducing shocks and vulnerability [4], [28], [29], [30], [31],

[32], [33], [34], [35], [36], [37], [38]. Theoretically, microfinance reduces households' vulnerability to shocks in several ways. MFIs typically provide loans for financing non-farm activities. Income streams from such activities are not subject to seasonal shocks, as is the case with agricultural activities. Loans given for production activities also release beneficiaries' funds from other sources of borrowing, thus enabling them smooth consumption by relaxing their liquidity constraints in the face of adverse shocks [38]. Recipients of microfinance are typically engaged in different income-generating activities, so they are more resilient to shocks due to having diversified sources of income. Sometimes, microfinance programs impart skill-development training such as financial literacy, entrepreneurship skills, etc., giving them greater confidence to cope with shocks. Moreover, the recipients of microfinance have better social networks; so, they can borrow from a mutual support system rather than selling an asset, depleting savings or stopping children from going to school, etc. [4], [36]. In recent years, there has been a body of literature which has emphasised the role of microfinance as an important tool for climate change adaptation [33], [39], [40]. Hammill et al. [39] has outlined a conceptual framework for understanding the link between microfinance, vulnerability, and adaptation to climate change. The authors have used the livelihood framework in which the three microfinance products – microcredit, microinsurance, and microsavings – increase the assets and capabilities of the poor through direct and indirect income effects and thus reduce vulnerability.

A few studies have expressed negative views about the role of microfinance in reducing vulnerability to shocks. Such studies have argued that microfinance may not reduce vulnerability if it is used for consumption rather than income-generating activities and may even increase vulnerability by increasing over-indebtedness

[31], [32]. Even when loans are used for income-generating activities, they may not end in a profitable venture, thus exacerbating the poverty and impoverishment of the borrowers rather than reducing their vulnerabilities. Microfinance borrowers often use multiple loans to repay existing loans, which causes them to fall into a spiral of debt. The MFIs use aggressive loan recovery techniques by introducing a culture of surveillance among the group members and endangering public shame of the defaulters, which worsens the solidarity within the community network rather than improving it [41]. There are instances of selling lands or even body organs to repay debts. In India, there have been reports of hundreds of suicidal cases due to increased impoverishment and indebtedness caused by microfinance loans [42], [43].

In Bangladesh, there are very few studies which have investigated microcredit's impact on vulnerability. Islam & Maitra [36] estimated microcredit's impact in mitigating the effect of idiosyncratic health shocks in rural Bangladesh based on a large panel dataset. They used the IV-2SLS framework and concluded that households having access to microcredit either don't need to sell productive assets, such as livestock, in the face of health shocks, or if required, they don't need to sell as many productive assets as compared to those not having access to microcredit. They suggested that microcredit mitigates the negative effects of idiosyncratic health shocks by playing the role of insurance. In another study in rural Bangladesh, Osmani et al. [4] came up with similar findings and argued that microcredit-recipient households are better able to protect their asset base in the face of economic shocks than non-recipient households.

Microfinance can mitigate the adverse employment shock by providing poor households with alternative employment opportunities and reducing their dependence on distress labour sales during the lean season of agriculture, which is typical in the rural areas of north-western districts in Bangladesh. Pitt & Khandker [38] observed that smoothing lean-season consumption poverty and male labour supply are important motivations of the poor households in participating the credit programs. Berg & Emran [37] conducted a study among a large dataset of poor and ultra-poor households in northern Bangladesh. They used the IV-2SLS approach and found robust positive evidence that microfinance increases poor households' ability to cope with seasonal food deprivation, although they did not find a significant impact of microfinance in reducing distress labour sale. They also found negative association of MFI membership with the probability of short-term migration during seasonal famine.

Since the standard repayment obligation of MFIs can potentially increase the vulnerability of the borrowers during natural disasters, most MFIs in Bangladesh have started launching a contingent repayment system since 2002, which allows rescheduling the loan and savings instalments during natural disasters. A study conducted by Shoji [44] found that the contingent repayment system helps poor households smooth food consumption during natural disasters. While contingent repayment acts as a safety net for borrowers during negative shocks, it might have significant implications on the financial sustainability of the MFIs due to the arrears caused by the rescheduling of the loans, and there is scope for further research on this issue.

CONCLUSION

With a per capita national income of $2784, Bangladesh is a lower-middle-income country. Despite having considerable success in attaining growth and poverty reduction in the last few decades, as high as 18.7 % of the population lives below the poverty line [2]. Microfinance occupies a central feature amongst the poverty reduction programs in Bangladesh. During the last couple of decades, the country has pioneered microfinance programs. However, the role of microfinance in poverty reduction still remains unresolved and disputed in the development economics literature. In this article, I have reviewed the major studies investigating the poverty-reducing impacts of microfinance in Bangladesh (Table A-1). The most authoritative study, based on a cross-sectional survey, is by Pitt & Khandker [7]. The study found significant positive impacts of microfinance on poverty reduction. The study came under intense scrutiny and criticism due to its survey design and various associated assumptions. Among the studies that replicated Pitt and Khandker, a few have outright rejected the claims about microfinance's significant impacts on poverty reduction [8], [11], [12]. One study has underestimated the magnitude of the impact [10], although it does not nullify the positive impacts. However, all the studies using panel data have found significant positive impacts of microfinance on poverty reduction [14], [15], [16], [17], [23]. While the RCT studies conducted in a few countries cast doubt on the transformative effects of microfinance, few authors argue that the RCT studies may not reflect the true impacts since these studies are typically conducted shortly after completion of the intervention. They argue that impact evaluations should focus on the long- term rather than the short-run impacts. Islam [24] argues that the conventional impact evaluations of microfinance are primarily based on short-term effects, and they produce biased estimates since the impact changes with the change in the duration of participation. Some authors also suggest that the impact evaluations should focus on the heterogenous impacts rather than the average or marginal impacts, since the impacts may change with various individual, community, or socio-economic characteristics. Therefore, although the average impacts of microfinance may be negative or small, it may be positive or substantial for certain groups [26].

It is often argued that MFI loans support small-scale informal activities and that such small-scale transactions simply redistribute income within the local community, which may have very little or no impact on the growth of the local economy or aggregate poverty reduction in the economy. It may, therefore, be important to examine various spillover effects of MFI operations on the local economy rather than impacts at the participant's level. These studies should examine microfinance’s impacts on the local credit market and the allocation of loans to small and medium enterprises (SMEs), demands of the local economy and market prices, competition among the informal small enterprises and their turnover and the degree of saturation of the MFIs, employment generation, inequalities, community networks, etc. It is also important to collect periodic surveys and construct panel data so as to conduct scientific studies aimed at investigating the community and village-level impacts of microfinance rather than participant-level impacts.

In recent years, MFIs have introduced some targeted programs towards alleviating extreme poverty in Bangladesh; a few of these programs has widespread coverage. However, there are very few studies in the country, which have empirically investigated the impacts of such programs. Khandker, Khalily & Samad [46] found that one such program, called PRIME, was more effective than regular microfinance programs in tackling hardcore poverty and seasonality. However, the author wrote - “given that PRIME has been operational only since 2006 and our follow-up survey was done in 2008/09, it is perhaps premature to say whether it equal or surpass regular microfinance in tackling poverty and seasonality” (p-39). Therefore, in order to better understand if these programs have sustainable impacts in reducing extreme and chronic poverty, the follow-up studies of such programs should be designed so as to capture their long-terms impacts on poverty reduction.

In recent years, a body of literature has emerged which has investigated whether microfinance reduces or exacerbates vulnerability to shocks. Such studies are still limited in numbers [45], and I have reviewed a few major studies conducted in Bangladesh (Table A-2). All of these studies have found positive impacts of microfinance in addressing vulnerability to shocks. Some of these articles have highlighted microfinance's positive impacts in protecting the assets of the participants while faced with negative shocks [4], [36]. Others have suggested the consumption-smoothing impacts of the participants [37], [38], [44]. However, it may be difficult to derive a positive conclusion based on the findings of these studies, given that such studies are quite numerous. More so, few studies from other countries have documented its negative impacts. For example, a study conducted among the *adivasi* people of Karnataka and Tamil Nadu states of India has highlighted that microfinance hasn't significantly reduced the vulnerability of households, who even after taking microfinance for a long duration, have resorted to various informal loans to meet up emergency expenses such as marriage, house-repairing, etc. [47]. Another study in rural Cambodia highlights that microfinance, instead of mitigating the short-run shocks, undermines the long-run adaptive capacity, leading to over-indebtedness among the already indebted borrowers [48].

The present study constitutes one of the very few attempts to synthesise the findings of the major empirical studies concerning microfinance's impacts on poverty and vulnerability in Bangladesh. The findings highlight a clear divergence: some studies have claimed microfinance's positive impacts, while others have either refuted such claims or cast doubt on them. Existing evidence on microfinance's impacts on vulnerability is limited, though a few studies have found positive impacts on smoothing consumption and protecting the asset base of the beneficiaries during shocks. Future research should focus more on investigating the aggregate-level impacts rather than participant-level, and on assessing the impacts of targeted poverty programs. They should focus more on microfinance's impacts on covariate shocks rather than idiosyncratic shocks. Such studies should highlight microfinance's impacts on resilience mediated through social capital, debt cycles and seasonality in labour markets. Meta-analyses of existing studies could yield more robust conclusions about the interplay among microfinance, poverty, and vulnerability in Bangladesh.

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Table A-1 Summary of the studies about microfinance's impacts on poverty reduction in Bangladesh

Author	**Nature of the study/data**	**Outcome variables**	**Methods**	**Main Findings**
Pitt & Khandker [7]	Cross-section: (1991/92) Sample size:1,798 households	Boys' schooling; girls' schooling; men's labour supply; women's labour supply; per capita total expenditure; women's non-land assets	"Weighted Exogenous Sampling Maximum Likelihood – Limited Information Maximum Likelihood –Fixed Effects (WESML-LIML-FE)" model	Microcredit has a significant positive impact on poverty reduction; the impact is more pronounced among female borrowers. The annual consumption expenditure increases by 18Tk per 100 Tk MFI loan when the borrower is male; it increases by 11 Tk when the borrower is female.
Morduch [8]	Replication of Pitt and Khandker [7]	Same variables	Difference-in-difference.	Microcredit does not have significant positive impacts on consumption, the schooling of children, etc. It has a consumption-smoothing role rather than a poverty-reduction role.
Pitt [9]	Re-estimation of Pitt & Khandker [7]	Per capita expenditure	The author provides alternative estimates using different landownership eligibility cut-offs	The author refutes Morduch [8] and claims that the findings of Pitt and Khandker [7] are consistent.

Author	**Nature of the study/data**	**Outcome variables**	**Methods**	**Main Findings**
Chemin [10]	Replication of Pitt & Khandker (1998)	Same variables	Propensity score matching; Cost-benefit analysis	Microfinance has positive impacts on per capita expenditure, supply of labour, and children's schooling. Magnitude of the impact would be lower than the claims by Pitt and Khandker [7]. From a cost-benefit point of view, microfinance is less cost-effective than other development programs.
Duvendack & Palmer-Jones [11]	Replication of Chemin [10]	Same variables	Propensity score matching method	The findings of Chemin [10] are not robust. The authors rejected the claims of Pitt and Khandker [7].
Roodman & Morduch [12]	Replication of Pitt & Khandker [7]	Same variables	The authors applied various tests to check the validity of assumptions and robustness of the findings of Pitt & Khandker	The authors show that the results of Pitt & Khandker disappears if the outliers are dropped, and if robust estimator is applied. They found that the data does not support the assumptions of Pitt & Khandker.
Pitt [13]	Reply to allegations of Roodman & Morduch (2014)	Household consumption expenditure	The author provides further clarification, methodological details, etc.	The author corroborates the finding of Pitt & Khandker and refutes the allegations of Roodman & Morduch (2014).

Author	Nature of the study/data	Outcome variables	Methods	Main Findings
Khandker [14]	Two-period panel: (1991/92 and 1998/99) Sample size: 1,638 households	Household per capita food and non-food expenditure	Household fixed effects model	Borrowing by female household members has significant positive impacts on household consumption. Microfinance not only reduces poverty among the participants, it also reduces poverty among non-participants through positive spillover effects.
Razzaque [15]	Four-period panel: (1998, 1999,2000,2004) Sample size: 2,729 households	Per capita income; income gap; household asset	Panel fixed effects model; panel tobit model with random effects	Microfinance has significant positive impacts on household per capita income and asset holding.

Author	Nature of the study/data	Outcome variables	Methods	Main Findings
Imai & Azam [16]	Four-period panel: (1997/98, 1998/99, 1990/2000, 2004/05) Sample size: more than 3,000 households	Household per capita income; per capita food consumption; women's body mass index	Fixed effects; fixed-effects with propensity score matching; difference-in-difference propensity score matching	Microfinance has positive impacts on income and food consumption.
Khandker & Samad [23]	Three-period panel: (1991/92,1998/99, 2011/12) Sample size: 1,509 households; Three-period upazila level (HIES) panel: (2000, 2005, 2010)	Per capita farm and non-farm income, per capita food and non-food expenditure	Household-level fixed effects estimates; Upazila-level fixed effects estimates	Participation in microcredit increases per capita income. Continuous participants performed far better, having higher per capita income and expenditure than irregular participants. The presence of Grameen Bank increases per capita expenditure at the village level.

Author	Nature of the study/data	Outcome variables	Methods	Main Findings
Islam [24]	Three-period panel: (1997/98, 1999/00,2004/05) Sample size: 2,694 households	Household income; household food and non-food consumption; household asset	Difference-in-difference-in-difference, propensity score matching	The treatment effects of microcredit are higher among the long-term participants than the short-term ones.
Khandker et al. [25]	Three-period panel: 1991/92,1998/99,2010/11 Sample size: 1,509 households	Per capita household income; per capita household expenditure; male labour supply; female labour supply; non-land asset; net worth	Household fixed effects estimates; quintile regression method	Microfinance impacts are heterogeneous - households having larger landholding, better educational attainment benefit more from microfinance. Households in an electrified village gain more benefits than those in a non-electrified village. Households in lower expenditure quintiles gains more than households in higher quintiles.
Islam [26]	Cross-section: (1998) Sample size: 3,026 households	Household total food consumption expenditure; household per capita food consumption expenditure	Difference-in-difference estimate; the author used the land-based eligibility as the exogeneity rule (instrument)	Microfinance increases household consumption; however, the effects differ across different groups. Poorest of the poor, who belong to the lowest landholding category, benefit most from the program. The effects are larger for female borrowers than male borrowers.

Table A-2: Summary of the studies about microfinance's impacts on vulnerability to shocks in Bangladesh

Author	Nature of the survey/data	Outcome variables	Methods	Main findings
Islam & Maitra [36]	Three rounds of panel: (1997/98;1998/99;1999/00) Sample size: 2,694 households	Change in assets; change in livestock	IV-2SLS	Participant households don't need to sell livestock in the face of shocks, or if needed, don't need to sell as much as the amount sold by non-participants.
Osmani et al. [4]	Cross-section: (2010) Sample size: 2,613	Whether a household has adopted an "erosive" coping strategy	Probit (a separate test is conducted for endogeneity, which confirmed the exogeneity of microfinance)	Borrowers of microcredit are less likely to adopt "erosive" coping strategies than non-borrowers.
Pitt & Khandker [38]	Cross-section: (1991/92), quasi-experimental. Sample size:1,798 households	Per capita expenditure; women's labour supply; men's labour supply	The same methodology as Pitt & Khandker [7]	Poor households are encouraged to participate in credit programs to smooth lean-season consumption, poverty, and male labour supply.
Berg & Emran [37]	Cross-section: (2006/07) Sample size: 24,132 households	Number of meals during seasonal famine; advanced labour sale; temporary migration during seasonal famine	IV- 2SLS	Microfinance significantly increases the food security of poor households, especially extremely poor households, during seasonal famine. However, it does not have a significant effect on distressed labour sales.

Author	Nature of the survey/data	Outcome variables	Methods	Main findings
Shoji [44]	Two period panel (2004, 2005) Sample size: 148 households	Number of meals taken by individual member	IV-2SLS	Rescheduling of MFI loans significantly reduces the probability that an individual skips a meal during a natural disaster.

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ORIGINAL SCIENTIFIC PAPER

Resilience in E-Banking: Challenges and Prospects at the Commercial Bank of Ethiopia, Wolaita Sodo Branch

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ABSTRACT

This study explores the challenges and prospects of electronic banking (e-banking) services in the Commercial Bank of Ethiopia (CBE), with a particular emphasis on the importance of resilience in sustaining and improving these services. Data was primarily collected from bank employees and customers, using a *qualitative research approach based on literature review and the researcher's professional experience with CBE's e-banking system. The study identified customer and staff attitudes, operational challenges, growth prospects, and the overall performance of CBE's e-banking platform. In addition, authors investigated importance of resilience for financial institutions. Namely, building resilience is critical for the sustainability of financial institutions in Ethiopia, particularly in the context of e-banking. Resilience ensures that banks can maintain service continuity, security, and customer trust despite disruptions such as cyber threats, infrastructure failures, or economic shocks. For CBE and other Ethiopian banks, strengthening digital resilience through robust cybersecurity, reliable IT systems, disaster recovery strategies, and adaptive service models is essential. This approach not only minimizes risks but also enhances customer confidence and positions banks for long-term competitiveness in a rapidly digitizing financial landscape, concluded authors.*

Keywords: E-banking, Challenges of e-banking prospects, Mobile banking, Internet banking, Resilience

JEL classification: G21, G32, O33

INTRODUCTION

The banking industry has undergone a significant transformation over the past few decades, driven by advancements in information and communication technology (ICT). Among the most impactful innovations is electronic banking (e-banking), which has redefined the way financial institutions deliver services and interact with customers. Initially introduced in the mid-1990s, e-banking has evolved from a supplementary channel into a core component of banking operations worldwide, shaping the future of financial service delivery.[10]

E-banking refers to the provision of banking products and services through electronic delivery channels, enabling customers to access account information, execute transactions, and purchase products via digital platforms. As defined by Allen [1], it involves the delivery of banking services through computers, televisions, or other electronic devices. A more advanced form, as noted by Daniel [3], allows customers to manage their accounts and conduct financial transactions online, eliminating the need for physical visits to banking halls.

The adoption of e-banking not only enhances customer satisfaction through convenience and efficiency but also enables banks to strengthen operational efficiency and cost-effectiveness. As the banking sector transitions from traditional branch-based models to digitally driven ecosystems, understanding the challenges, prospects, and resilience strategies of e-banking becomes essential for sustainable growth and financial inclusion. Importantly, e-banking underscores the expanding role of ICT in financial services, enabling digital innovations such as mobile wallets, real-time payments, and agent banking. These developments not only enhance customer satisfaction and inclusion but also position banks to achieve operational efficiency and competitive advantage in a rapidly evolving market.[11] However, this digital shift introduces significant challenges, notably around security, trust, and systemic resilience. The proliferation of digital channels has exposed banks to elevated cyber threats—including phishing, malware, ransomware, and data breaches—while also highlighting the need for robust regulatory frameworks and risk management protocols [9]. The resilience of e-banking systems is increasingly vital for maintaining service continuity, safeguarding customer trust, and adapting to both technological disruptions and regulatory expectations.

In the Ethiopian context—particularly for the Commercial Bank of Ethiopia (CBE)—e-banking represents a strategic lever for modernization and financial inclusion. Yet the journey toward full digital adoption remains hindered by infrastructure constraints (e.g., unstable internet and power supply), language barriers, legal ambiguities, and cybersecurity concerns [2]. Strengthening e-banking resilience through regulatory reform, cybersecurity enhancements, and digital literacy initiatives is essential for unlocking its potential.

The primary aim of this research is to assess the challenges and prospects of e-banking in the Commercial Bank of Ethiopia, with a special focus on the role of resilience in ensuring secure, reliable, and inclusive digital financial services. The study seeks to identify existing barriers, analyze opportunities for growth, and propose strategies that enhance system robustness, improve customer experience, and support sustainable adoption of e-banking technologies in Ethiopia.

REVIEW OF LITERATURE

Resilience refers to the capacity of an organization to absorb disruptions, adapt to changing environments, and emerge stronger from adverse events. Radović-Marković [7] defines organizational resilience not merely as survival or continuity, but as a proactive capability that enables firms to reorient, respond, and thrive amid unforeseen challenges. Namely, she emphasizes that resilience is a strategy of transformation rather than mere defense. In addition, her framework underscores the need for adaptive mechanisms that allow firms to respond swiftly to unexpected shocks—whether economic, technological, or infrastructural ([5],[8]). This aligns with Hollnagel's [4] concept of resilience engineering, which views resilience as the ability to anticipate, monitor, respond, and learn. Applying these concepts to financial institutions suggests that e-banking systems require robust digital infrastructures, cybersecurity mechanisms, and contingency strategies to ensure continuity under adverse conditions.

E-banking introduces both opportunities and vulnerabilities. While it enhances efficiency and customer convenience, it also exposes banks to risks such as cyberattacks, service outages, and operational disruptions [9]. Building resilience in e-banking involves:

- Technological resilience: Secure IT systems, redundant servers, and disaster recovery plans.
- Organizational resilience: Skilled workforce, adaptive processes, and rapid decision-making mechanisms.
- Customer resilience: Digital literacy programs and trust-building initiatives.

These elements echo Radović-Marković's [6] argument that resilience requires a culture of adaptability and continuous innovation to maintain competitiveness in a rapidly digitizing financial landscape.

In Ethiopia, resilience in e-banking is crucial due to infrastructural weaknesses (frequent power cuts, unstable internet), low digital literacy, and emerging cybersecurity risks [2]. Applying resilience frameworks helps banks like the Commercial Bank of Ethiopia anticipate disruptions, invest in backup systems, and build customer confidence, ensuring the sustainability of e-banking services (Figure 1).

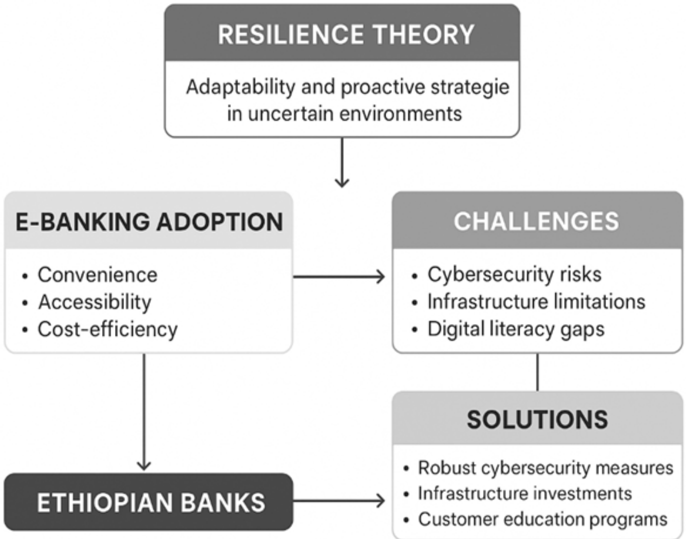

Fig. 1 Conceptual Framework for Resilience in E-Banking Systems of Financial Institutions

Source: *Adapted from Radović-Marković's previous work*

RESEARCH METHOD

The research method employed in this study is a descriptive survey, chosen to identify and explain the challenges and prospects of implementing electronic banking in the Commercial Bank of Ethiopia. Data were collected from 150 employees and 150 literate customers using structured questionnaires designed through an iterative process to ensure clarity, relevance, and completeness. Sampling was conducted in twelve randomly selected branches in Wolaita Sodo, with participants chosen based on accessibility, literacy, and activity level. The study focused on Wolaita Sodo due to the similarity of e-banking services across urban branches and to minimize the high costs of reaching widely scattered rural branches. The total population included literate account-holding customers, branch managers, customer service officers, and other bank staff.

The questionnaires were tailored for two groups: employees and customers. Employee questionnaires gathered information on staff qualifications, benefits of e-banking, customer attitudes, challenges, and external factors affecting service such as network and power interruptions. Customer questionnaires assessed experiences with e-banking, types of electronic services used, awareness levels, security perceptions, and challenges faced. Data collection instruments also included observation and document review to ensure validity and reliability. Closed-ended questionnaires were used to simplify data collection and allow respondents to select options closest to their views, facilitating accurate representation of the larger population.

KEY FINDINGS

The adoption of electronic banking in Ethiopia has been gradual, reflecting a slower uptake of new technology compared with global trends. In the Commercial Bank of Ethiopia (CBE), 54% of surveyed customers reported willingness to use e-banking once employees provided awareness and guidance, while 12% were reluctant, 28.7% were indifferent, and only 5.3% actively rejected the services (Figure 2).

These findings suggest that customer adoption largely depends on the bank’s efforts to educate and inform users through effective communication and promotional strategies, highlighting the importance of awareness campaigns in encouraging the use of new technologies.

Although e-banking services in Ethiopia are still developing, there are signs of steady growth. The CBE dominates the sector, offering four main services: Automated Teller Machines (ATMs), Point of Sale (POS), internet banking, and mobile banking with alerts. ATMs are the most widely used service due to their early introduction and familiarity among customers, followed by POS, while internet banking is the least utilized because of limited computer literacy, restricted internet access, and its more recent launch. Overall, the data indicate that while challenges remain, customer interest and incremental infrastructure improvements are driving the gradual expansion of electronic banking services in Ethiopia.

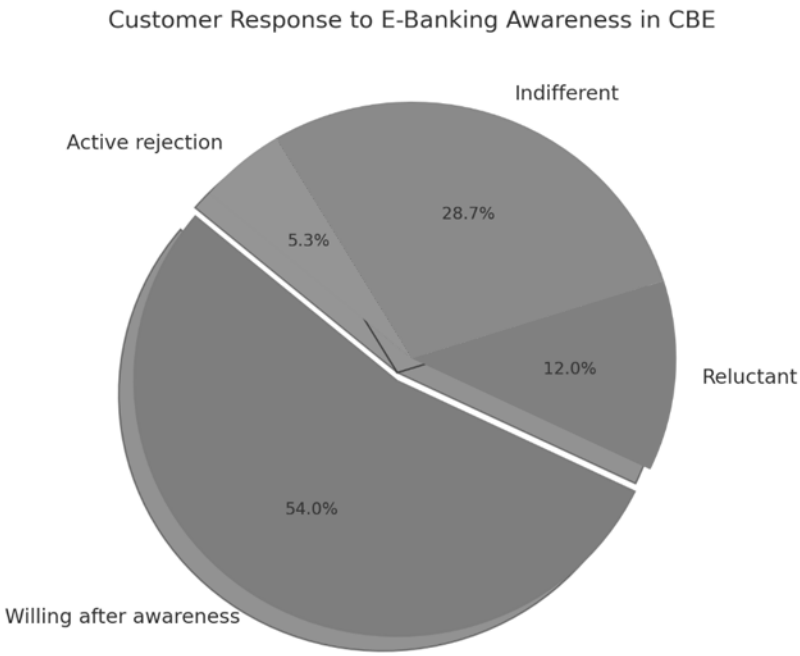

Fig. 2. Customer responses to e-banking awareness at CBE

Source: *Authors*

The adoption of new information systems and electronic banking services in the Commercial Bank of Ethiopia faces several challenges. The data indicate that customers generally lack awareness of the various features and benefits of electronic banking. Specifically, 80 respondents (53.3%) agreed that customers are not fully aware of these benefits, while 49 respondents (32.7%) strongly agreed. Nine respondents (6%) remained neutral on this issue, whereas 8 respondents (5.3%) disagreed, and 4 respondents (2.7%) strongly disagreed with the assertion that customers lack awareness of electronic banking.

Customer acceptance of new payment mechanisms and technology also presents challenges. According to the data, 33 respondents (22%) strongly agreed that there is resistance among customers to adopting new payment technologies, while 51 respondents (34%) agreed. Thirty-seven respondents (24.7%) were neutral regarding customer acceptance, and a smaller number, 8 respondents (5.3%) and 4 respondents (2.7%), disagreed or strongly disagreed, respectively. The new payment mechanisms and technologies examined in this study include ATMs for withdrawals, transfers, and balance inquiries; mobile and internet banking for transfers, remittances, balance checks, and check orders; and POS systems for purchasing goods and services. Overall, the data show that approximately 56% of respondents perceive resistance among customers toward these technologies.

Cybersecurity is another significant challenge for the Commercial Bank of Ethiopia. Fifty-two respondents (35.7%) agreed that cybersecurity problems exist, while 43 respondents (28.7%) were neutral, indicating a lack of information regarding cybersecurity issues. Additionally, 33 respondents (22%) strongly agreed that cybersecurity problems are present. On the other hand, 18 respondents (12%) disagreed, and 8 respondents (5.3%) strongly disagreed about the existence of cybersecurity issues in the bank.

Electricity interruptions were identified as a critical obstacle affecting the smooth operation of electronic banking services. Seventy-four respondents (49.3%) strongly agreed that power interruptions pose serious challenges to day-to-day operations, particularly for automated services such as ATMs and POS terminals. Fifty-one respondents (34%) agreed, 9 respondents (6%) were neutral, and 5.3% and 5.4% of respondents disagreed or strongly disagreed, respectively, regarding the impact of power interruptions on electronic banking adoption.

Finally, the high installation cost of electronic banking technologies was also highlighted as a significant barrier. Fifty respondents (33.3%) agreed that the cost of implementing technologies such as ATMs, POS systems, and related infrastructure is high, while 46 respondents (30.7%) strongly agreed with this concern.

Findings Related to Resilience:

1. **Customer Awareness and Resistance**
   - Lack of awareness (53.3% agree; 32.7% strongly agree) and resistance to new payment technologies (56% perceive resistance) reduce the system’s adaptability.
   - **Resilience strategy:** Customer education programs, workshops, and targeted communication campaigns can improve understanding and acceptance, increasing adaptive capacity.
2. **Cybersecurity Concerns**
   - 35.7% agree and 22% strongly agree that cybersecurity is a problem; 28.7% remain neutral.

- **Resilience strategy:** Strengthening cybersecurity protocols, continuous monitoring, and customer guidance can reduce vulnerabilities and improve trust.

3. **Electricity Interruptions**
   - 49.3% strongly agree and 34% agree that power outages disrupt electronic banking operations.
   - **Resilience strategy:** Investing in backup power solutions (generators, UPS) and operational redundancies ensures continuity of services.

4. **High Technology Costs**
   - 33.3% agree and 30.7% strongly agree that high installation costs hinder adoption.
   - **Resilience strategy:** Phased investments, cost-sharing partnerships, and adopting scalable technology can sustain growth despite financial constraints.

Figure 3. shows the main challenges affecting the adoption of electronic banking and new payment mechanisms in the Commercial Bank of Ethiopia include customer lack of awareness, resistance to new technology, cybersecurity concerns, electricity interruptions, and the high cost of technology installation.

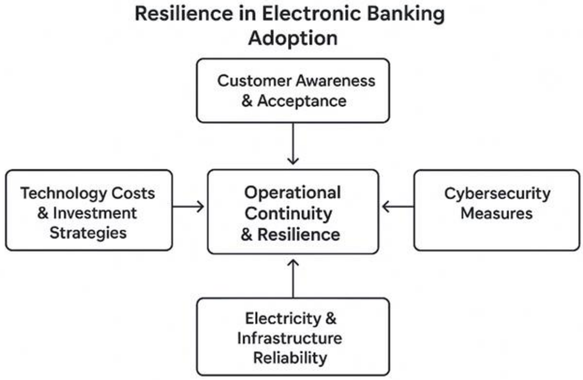

Fig. 3. Resilience in Electronic Banking Adoption
Source: *Adapted from Radović-Marković's previous work*

CONCLUSION

The study identifies several challenges affecting the adoption of electronic banking services in the Commercial Bank of Ethiopia, including customers' lack of awareness, resistance to new payment mechanisms, cybersecurity concerns, electricity interruptions, and the high cost of technology installation. Addressing these challenges requires building resilience within both the bank and its customers. Enhancing customer education, implementing robust cybersecurity measures, ensuring reliable power solutions, and adopting cost-effective technological infrastructure can strengthen the system's ability to adapt and maintain functionality despite disruptions.[11] By fostering resilience, the bank can not only improve the adoption and effective use of electronic banking services but also ensure continuity and sustainability in the face of future technological, operational, and environmental challenges.

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SCIENTIFIC REVIEW

Abundance, Diversity, and Resilience of Business Tourism Sites: Building Destination Attractiveness under the Model of "Bottom-up Destination Branding"

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ABSTRACT

The study aims to provide a conceptual and analytical framework for understanding the relationship between tourism promotion and tourism institutions in the province of Mostaganem. It reviews the province's tourism assets and institutional structures, clearly demonstrating the diversity and strength of its local tourism capital. However, this wealth has not yet been translated into a fully integrated and profitable industry.

The findings highlight that Mostaganem possesses abundant but underutilized tourism resources, both in terms of quantity (148 sites) and quality (including beaches, monuments, museums, religious sites, and entertainment facilities). This makes tourism promotion an urgent strategic priority. Furthermore, the diversity of *tourism assets enhances the resilience of the destination by reducing dependence on seasonal tourism and enabling adaptive and sustainable tourism development.The study also reveals a significant gap between the available resources and actual promotional performance. Due to a lack of coordination among local stakeholders and persistent institutional fragmentation, this wealth remains confined to reports and maps, surfacing in the minds of tourists only during the summer season.*

Keywords: Tourism organizations, Tourism promotion, Resilient Destinations, Mostaganem, Regional tourism branding**.**

JEL classification: M30; M31

INTRODUCTION

In a world where nations are measured by their ability to market themselves and establish their mental presence before their physical one, tourism is no longer merely human movement toward a place; it has transformed into symbolic capital, a tool of soft diplomacy, and a strategic sector where economy intersects with culture, communication with planning, and impression with identity [20]. Amidst this profound transformation, tourism promotion has become not just a means to attract tourists, but a complex process of meaning-making, image formation, and decision-guiding. The tourist is no longer searching only for a place, but for the story told about the place. In this context, resilient tourism destinations are those capable of adapting to economic, environmental, and social changes while maintaining their attractiveness and competitiveness over time. Moreover, competition between destinations is no longer fought solely through prices and infrastructure, but through mental presence and communicative distinction [8]. Therefore, modern tourism promotion tools have emerged not as complementary instruments, but as pivotal ones, because they craft the "first impression," which often proves to be the last.

At the heart of this communicative dynamic, tourism institutions stand as key actors, not only in service delivery, but in constructing perception, persuading the tourist, and ensuring sustained attractiveness [3]. When properly qualified and granted autonomy and professionalism, the tourism institution becomes a pillar in formulating the promotional scene, as it is most capable of monitoring market changes, keeping pace with new media, and adapting the message to the diversity of audiences. In the Algerian context, however, a gap remains between the abundance of natural and cultural assets and the weak tourism positioning locally and regionally. Studies indicate that this gap is largely attributed to the deficiency of institutional performance in promotion, and the absence of a unified vision and an integrated promotional identity managed by effective institutions with a genuine marketing orientation.Because concepts acquire their true meaning only when tested on the ground, the Province of Mostaganem was selected for this study, not merely as a promising coastal destination, but as a space where cultural heritage, diverse nature, and an emerging institutional structure intersect in a complex and incomplete relationship with the tourism promotion system [6]. Mostaganem today stands at a crossroads: it possesses the components of attractiveness, yet it has not yet solidified its position on the national tourism map; the reason lies not in the scarcity of resources, but in the fragility of the promotional discourse, the fluctuation of institutional action, and the absence of a unified communicative identity [9]. Therefore, the aim of integrating it into this research is to monitor how tourism is practiced in reality, and how promotion can activate resources, transforming them from potential energy into an actual strategic lever.

- **Research Problem:** This study is founded on the following main question: "To what extent do tourism institutions contribute to promoting the tourism destination in the province of Mostaganem?"

- **Research Objectives:** This research seeks not only to examine conceptsbut to deconstruct the structure of the tourism promotional discourse and rebuild a new understanding of the role of the Algerian tourism institution as a marketing tool and an identity interface. It aims to provide a conceptual and analytical ground for understanding the relationship between tourism promotion and tourism institutions.

- **Methodology:** We employed descriptive and analytical approaches in this study, given their suitability for the research topic, to frame the study through the theoretical framework based on previous studies, addressing the conceptual framework of the subject. Additionally, we used the inductive approach to study the reality and prospects of tourism in the province of Mostaganem, and the role of its tourism institutions in promoting the tourism destination.

TOURISM PROMOTION: CONCEPT AND DIMENSIONS

The concept of tourism promotion refers to the set of communicative activities aimed at acquainting the tourists with the destination and motivating them to visit it, by highlighting its competitive advantages and constructing a positive image thereof. It constitutes one of the pillars of the tourism marketing mix [12]. It is exercised through diverse tools that integrate with one another as part of an integrated promotional strategy. Modern tourism promotion is increasingly linked with the concept of destination resilience, as diversified and well-promoted tourism products help destinations withstand seasonal fluctuations, economic crises, and changing tourist preferences [14].

Tourism Institutionsas Actors in Tourism Promotion

Tourism institutionsare defined as all economic or social entities active in the design, provision, or support of tourism services and products directed at visitors or tourists. These include travel agencies, hotels, entertainment institutions, tourism associations, regional offices, and even wilaya (provincial) directorates of tourism ([1][3]).

While these institutions differ in their structure and roles, they share the characteristic of being the operationalinterface of the tourism destination; they are the ones who effectively undertake the task of implementing promotional strategies and formulating messages directed at local or foreign audiences. Researcher Philip Kotler noted that tourism institutions are considered "the acting hand that translates the destination image from planning to actual perception by the customer"[13].

The role of these institutions operates on several levels:

- Preparing offers that are directed and detailed according to the type of tourism;
- Defining the target segment and adapting communicative messages according to its characteristics;
- Using available promotional tools (advertisements, websites, campaigns, recommendations);
- Cooperating with other actors in the tourism value chain (transport, media, culture).

The strength of tourism institutions is not measured solely by their operational capacity, but also by their ability to build an integrated experience starting from the first piece of information the tourist receives and ending with what they share with others after their visit. Therefore, tourism institutions are viewed today not merely as service providers, but as makers of tourism meaning and engineers of the destination's mental image [2].

Algerian Efforts in Business Tourism Promotion

In light of the challenges associated with reducing reliance on hydrocarbons, Algeria launched the "Schéma Directeur d'AménagementTouristique" [17]. This represents a national strategic vision aimed at transforming tourism into a competitive productive sector, integrated with the national economy, and respectful of environmental and cultural dimensions [10].

Despite the declared ambition, field studies and monitoring of actual performance have revealed that the promotional dimension remains the weakest link, whether regarding the absence of a clear national tourism identity, limited Algerian participation in international markets and tourism fairs, or the scarcity of interactive digital content directed at foreign markets. Furthermore, local tourism institutions, particularly in coastal wilayas such as Mostaganem, continue to practice promotion within a limited, disconnected, and non-unified framework. This calls for a reconsideration of the implementation mechanisms of SDAT and the effective activation of its communicative tools [17].

BUSINESS TOURISM INSTITUTIONS IN ALGERIA: TRAJECTORY AND CHALLENGES

Tourism institutions in Algeria form the backbone of the tourism infrastructure, as they serve as the executive interface for promotional policies and the primary service providers for local and foreign tourists. The origins of these institutions date back to the post-independence era in 1962, when the Algerian state adopted a socialist model focused on nationalizing strategic sectors, including tourism. Consequently, the State was the exclusive actor in establishing hotels, managing tourism transport, and directing promotional activities.

Historical Origins and Early State Institutions

In this context, the "National Tourist Office" was established as the official executive body entrusted with the tasks of developing and directing the sector, especially regarding promotion and communication. Later, the Algerian National Tourism and Travel Agency (ONAT) [19] emerged as the commercial arm of the State for organizing domestic and international trips, reservations, and tourism offers. Furthermore, a chain of national public hotels was established, such as "El Aurassi," "Mazafran," and "El Djazaïr," all of which were managed directly by the State within a centralized model relying on public funding and full administrative supervision [16].

However, this management soon collided with a lack of flexibility, excessivebureaucracy, and the absence of a marketing culture, which caused many of these institutions to lose their effectiveness and transform into heavy structures with no qualitative impact on the national tourism landscape [15].

Main Types of Algerian Business Tourism Institutions

According to the institutional organization in Algeria, tourism institutions can be classified into three main categories:

- **Public institutions of an economic or administrative nature:** These include Wilaya Tourism Directorates, the National Tourist Office, and ONAT. They represent the official framework for planning, promotion, and the management of certain tourism facilities.
- **Private institutions (companies, travel agencies, hotels):** These emerged gradually after the economic liberalization in the 1990s and today include more than 3,000 licensed tourism agencies and hundreds of classified and unclassified hotels, although the performance of most remains weak and limited in reach [19].
- **Participatory institutions and tourism civil society:** These include local tourism associations, youth clubs, and

promotional initiatives by members of the diaspora. These institutions play an informal but influential role, especially in the fields of cultural and festive promotion.

Structural Challenges of Algerian Business Tourism Institutions

Despite the availability of a legal and constitutional framework supporting tourism, most Algerian tourism institutions suffer from chronic problems that hinder their effectiveness, among which we mention:

- Absence of competencies specializing in digital tourism marketing.
- Lack of funding and the inflexibility of financial and administrative systems.
- Weak linkage between public and private institutions.
- Conflict of competencies between central and wilaya authorities.
- Lack of supervision and control over private agencies.
- Fragmentation of promotional efforts and the absence of a unified national strategy.

Furthermore, a large number of tourism agencies still operate their activity within the limits of intermediary services (Hajj, Umrah, hotel reservations),(National Office of Statistics) without moving towards designing genuine promotional programs for domestic destinations, which renders them incapable of effectively contributing to revitalizing national tourism [7].

Reform Efforts for Business Tourism Institutions: Reality and Prospects

The Algerian authorities realized these deficiencies and launched the "Master Plan for Tourism Development (SDAT 2030)" in 2008, which included among its objectives the restructuring of the tourism institutional system through:

- Supporting partnership between the public and private sectors.
- Modernizing public institutions and converting some to a self-management model.
- Developing digital networks and providing training in tourism communication.
- Creating Tourism Expansion Zones (ZET) managed by specialized institutions.
- Empowering private agencies to play international promotional roles.

Although some indicators have shown relative progress in recent decades, such as the rise in the number of tourism agencies and the improvement of some hotel services, most strategic objectives remain far from being achieved on the ground due to weak implementation, limited human resources, and slow administrative reform [16].

It is evident from tracking the development of tourism institutions in Algeria that they have passed through two stages: the stage of comprehensive construction after independence, then the stage of institutional fragmentation after economic opening. Despite government efforts to restructure them, Algerian institutions still need a "qualitative leap" in their perception of their roles and functions, from service providers to strategic actors in crafting the national tourism identity, through modern tools, an integrated vision, and smart partnership with the private sector and civil society.[4]

THE ENTREPRENEURSHIP PLAN FOR TOURISM DEVELOPMENT (SDAT 2030) IN ALGERIA

What is SDAT 2030?

It is a comprehensive strategic framework launched by the Algerian Ministry of Tourism in 2008, aiming to transform tourism into a genuine lever for economic development and reduce dependence on the hydrocarbon sector. The plan came after years of limited performance in the sector and in response to the weakness of the national tourism infrastructure, forming a roadmap extending to 2030. The SDAT was prepared in collaboration with local and international experts (particularly from France and the World Tourism Organization [21] and represents the first comprehensive government vision based on misurable goals and concrete projects [11].

Relationship of the Business Tourism Institutions in Mostaganem with the SDAT 2030 Strategy

Despite the ambitious goals and national vision carried by the SDAT 2030 plan to restructure the tourism sector in Algeria, activating its provisions at the local level still faces numerous challenges. This is clearly manifested in the Wilaya (province) of Mostaganem, which is considered one of the richest coastal provinces in terms of natural and cultural assets, yet has not succeeded in transforming into an attractive tourism destination according to the plan's standards.

Field studies show that tourism institutions in Mostaganem (hotels, agencies, tourism associations, wilaya directorates) [9] still carry out their role within a partial, traditional, and non-strategic framework, in the absence of effective coordination with SDAT objectives. Instead of being executive arms of the plan, these institutions often find themselves confined to seasonal service management without a genuine contribution to sustainable promotion, investment attraction, or the development oflocal tourism products.

- **Tourism Expansion Zones (ZET):** According to official reports, Mostaganem has recorded only limited project completion due to financing difficulties, slow land allocation procedures, and a lack of genuine support from technical services. This has led to the freezing or delay of investment projects that were supposed to change the tourism face of the province.

- **Digital Tourism Promotion:** According to surveys, local institutions do not possess a strong onlinepresence and do not handle digital marketing professionally, even though SDAT emphasized the "necessity of updating tourism communication tools and linking them to international display platforms". Furthermore, unified campaigns or high-quality institutional content directed at the national or foreign market are absent, leaving the image of Mostaganem outside Broader tourism consciousness, despite its beaches, architectural heritage, and attractive local markets.
- **Training and Framing:** While SDAT called for enhancing local competencies and providing quality training in tourism, tourism institutions in Mostaganem suffer from weak human resources, lack of training, and absence of follow-up. Additionally, tourism associations in the province, despite their relative vitality, are not linked by any institutional partnership to apply the plan's objectives, rendering promotional efforts fragmented and uncoordinated.

In conclusion, the reality of Mostaganem appears as a local example showing that the gap between the national strategy (SDAT) and field practices remains wide, and that local tourism institutions have not yet translated their strategic role as true partners in implementing the plan. This is due to multiple factors, including weak vertical coordination with the Ministry, the absence of an integrated local investment vision, and administrative stagnation that shackles private sector initiatives [14].

Consequently, if SDAT 2030 represents the vision, its success at the local level depends on the ability of institutions, such as those in Mostaganem, to shift from traditional management to smart and effective tourism marketing based on innovation, partnership, and interaction with the regional and international tourism environment.

AN INNOVATIVE IDEA: CREATING A "LOCAL DESTINATION BRAND"

Concept of the Idea

In light of the absence of a clear national tourism identity and the weak coordination between tourism institutions, we propose the idea of the "Local Destination Brand" as a strategic solution to enhance local promotion and achieve integration between active entities in each province individually, such as Mostaganem, provided that they later integrate within a national framework. **Its objectives are:**

- Overcoming excessive centralization in promotion.
- Granting each province the ability to express its tourism specificity.
- Unifying local efforts under a common visual and communicative identity.
- Enabling local tourism institutions to work within a modern institutional framework.

Components of the Local Destination Brand

This model belongs to what is known as **"Bottom-up Destination Branding"** where a central marketing model is not imposed on local entities; rather, it is created locally and grown gradually. This bottom-up branding approach also contributes to destination resilience, since it empowers local actors, diversifies tourism narratives, and reduces dependence on centralized promotional systems. This model has beenadopted in several countries that have succeeded in building strong local tourism brands, such as Bilbao (Spain), Paphos (Cyprus), and Cape Town (South Africa) [3].

Applicability in Mostaganem

The Wilaya of Mostaganem enjoys distinct attractiveness (nature, tranquility, culture, historical memory), but it lacks the element of an"attractive institutional narrative". This idea can be adopted in Mostaganemby:

- Forming a local tourism committee comprising representatives of tourism institutions.
- Designing an intriguing visual identity.
- Launching a "Visit Mostaganem" website.
- Promoting the brand in an integrated manner; through events, influencers, and the diaspora.

Creating a "Regional Tourism Brand" for Mostaganem: An Innovative Approach to Local Promotion

In light of the precise diagnosis of the reality of tourism institutions in Algeria, and specifically in Mostaganem, and given the challenges facing tourism promotion at the local level—such as weak institutional coordination, lack of a unified promotional identity, and fragmentation of efforts—this study proposes an innovative approach based on creating what can be called a **"Local Destination Brand"**. This approach aligns with global shifts in marketing thinking for tourism destinations, which no longer rely solely onnational discourse but adopt a bottom-up model starting from local specificity and ascending towards the general national identity.

The Concept

A tourism brand is defined as: "A combination of visual, verbal, cultural, and experiential elements upon which the identity of the tourism destination is built, and through which it is represented to the audience in a way that distinguishes it from others and encourages visitation". The Regional Tourism Brand is a unified marketing identity for a specific province or region, built by consensus among local tourism actors (hotels, agencies, associations, wilaya authorities). It is used as a unified framework in the digital, communicative, and experiential promotion of the destination. It includes a name, logo, visual identity, promotional narrative, content plan, and performance evaluation system. This identity does not conflict with the national strategy but rather complements it from the bottom up and activates it in the field, enhancing promotional decentralization and giving each region its own voice.

Tourism Brand and Destination Identity: From Symbol to Strategy

In an era where tourism is no longer just movement towards places but an experience of searching for meaning, belonging, and impression, the **Tourism Brand** has emerged as a central concept in modern tourism promotion. It acts as a strategic tool to assemble elements of tourism identity into a symbolic and communicative mold capable of enticing the tourist and engaging them mentally and emotionally before they set foot in the destination. The tourism brand is no longer just a logo or visual design; it is a complete semiotic system that reflects the essence and spirit of the place, translates the cultural and natural specificity of a destination, and re-presents it in the tourism market in a directed and effective symbolic language. It is an image that summarizes the story, conveys the experience, and creates a lasting emotional relationship between the tourist and the place.

The Relationship between the Tourism Brand and Identity

The tourism brand is based on two pillars:

1. **The Tourism Identity of the Place:** Includes its characteristics, values, and geographical, cultural, and social specificities.
2. **The External Mental Image:** How this place is viewed by the tourist or the external audience.

Between identity and image, the brand plays the role of the smart mediator that transfers the private to the universal, and the local to the global, according to a promotional strategy based on clarity, differentiation, and emotion.

Global Experiences in Building Tourism Brands

- **Malaysia:** "Malaysia, Truly Asia" highlights cultural diversity as an attractive force.
- **Spain:** "España Everything Under the Sun" summarizes warmth and openness.
- **Turkey:** "GoTürkiye" chose a modern, unified digital brand across all platforms. All these brands were not designed arbitrarily but were based on precise psychological, behavioral, and cultural studies regarding the target tourist audiences.

The Tourism Brand in the Algerian Context

Although Algeria launched the slogan "Algeria, Land of Legends" via the Ministry of Tourism, this slogan remained unsupported by an operationalstrategy and did not transform into an integrated institutional tourism brand, neither in terms of digital content, field campaigns, nor multilingual promotion. Furthermore, Algeria has not yet adopted the "Regional Brand" model, which allows each wilaya (Mostaganem, Bejaia, Tamanrasset, etc.) to build its own tourism identity within a unified national framework, as is the case in Germany, Spain, or Tunisia. To produce an effective national tourism brand, or supportive regional brands, it is necessary to:

- Start from an analysis of the true tourism identity of each destination.
- Precisely define the target audience (cultural, beach, environmental, religious).
- Involve local institutions, media, and civil society in shaping the message.
- Adopt a unified multimedia narrative (stories, photos, videos, testimonials).
- Adopt the principle of the "Living Brand" that evolves with changing markets and tourist behavior.

The Need for It in Mostaganem

In terms of natural and cultural qualifications, the Wilaya of Mostaganem is one of the richest Algerian coastal provinces. However, the absence of a clear tourism narrative about it, weak institutional promotion, and the lack of a unified framework uniting the promotional discourse of its tourism institutions render the local or foreign tourist unable to form a coherent mental image of it. Field study results show that most tourism institutions in the province rely on individual efforts in promotion without adopting a unified visual identity or narrative, making the destination ambiguous or incomplete in the recipient's mind.

Scientific Reference for the Model

This approach is based on what Simon Anholt [5] proposed in the context of nation branding, and what Morgan [18] developed in the field of local tourism brands, where they emphasize that "the tourism image is not built by decrees, but by stories told, experiences lived, and coordination that organizes".

Application Prospects

Tourism institutions in Mostaganem can benefit from this model by forming a "Local Tourism Brand Cell" comprising representatives of active entities, supported by the Wilaya Directorate of Tourism, to prepare an action plan with three (03) phases:

1. **Design Phase:** Establishing the visual identity and content.
2. **Activation Phase:** Launching the promotional campaign on digital platforms.
3. **Evaluation Phase:** Monitoring impact through visitor indicators, interaction, and satisfaction.

In this way, Mostaganem will not remain merely a destination waiting to be promoted from the capital, but will transform into an actor in telling its story, crafting its experience, and attracting its audience through its own tools.

TOURISM AND INSTITUTIONAL QUALIFICATIONS IN THE WILAYA OF MOSTAGANEM

In the context of our aim to highlight the multiple tourism potentials that the Wilaya of Mostaganem, we address the most important natural, cultural, and religious assets that make the province a promising tourism destination. In addition to theexisting infrastructure, active institutions, and ongoing efforts made within the framework of local tourism development and national programs such as the Master Plan for Tourism Development [16].

The Wilaya of Mostaganem is considered one of the most prominent Algerian coastal provinces that combine natural, historical, religious, and cultural dimensions, making it a multi-dimensional tourism destination. Despite the richness of its tourism qualifications and the availability of significant infrastructure, it still requires genuine valorization efforts to place it within the major national and regional circles of sustainable tourism. In this axis, we highlight the most important wealth and facilities that Mostaganempossesses, and we address the existing institutional efforts, with an analysis of the reality of tourism development through available official figures.

Tourism Products of the Wilaya of Mostaganem and their Role in Building Destination Attractiveness

The Wilaya of Mostaganem embodies a complex and integrated model of a diversified Algerian tourism destination (see Figure 1), where elements of nature, history, religion, culture, and entertainment intersect, granting it, in principle, an advanced position on the national tourism map. It not only possesses a coastline exceeding 124 km in length, including 42 beaches or 50 licensed ones, but also abounds with rich cultural heritage, ancient religious sites, extensive forests, and rare ecological spaces. This makes it capable of accommodating multiple types of tourism products: from beach to rural, religious to cultural, and environmental to thermal, extending towards sports and recreational tourism. Such diversification enhances the resilience of the tourism destination by reducing vulnerability to seasonal concentration and enabling year-round tourism activities.

Fig. 1: Sample of diverse tourism destinations in Mostaganem.
Source: *Prepared by the researcher*

Beach tourism is considered the leader in the province, given the high volume of seasonal turnout and the diversity of its beaches; however, this dominance has not yet been matched by a parallel marketing infrastructure. Most hotel establishments lack a digital identity and do not integrate these components in a coherent promotional narrative that makes Mostaganem a sustainable destination throughout the year. On the other hand, the cultural heritage of the place is excellent raw material for high-value promotion, as the province hosts theatrical, artistic, Sufi, and musical festivals, in addition to the richness of symbolic capital associated with great artistic names (Kaki, Sheikh Hamada, Bouadjadj...), which are elements capable of granting Mostaganem a "local cultural brand" if marketed intelligently.

As for **religious tourism**, the abundance of Quranic schools, Zawiyas (religious sites), shrines, and religious seasons such as "Waadats" (feasts) and the shrine of "Sidi Lakhdar Ben Khlouf" represent a spiritual resource that aligns with Algeria’s conservative cultural identity. This can be activated within a specialized promotional vision targeting visitors from within the country and from the Algerian diaspora abroad, who are looking for tourism that combines spiritual nostalgia and identity belonging.

Inrural and forest tourism, the province possesses a forest cover estimated at 32,700 hectares, comprising picturesque forests such as "Sadoua", "Stidia", and Ben Abdelmalek, which allows for the creation of ecotourism paths and natural recreation areas for families. Furthermore, **thermal tourism**, through the "Ain Nouissy" bath and thermal springs in "Sirat" and "Sidi Ali", opens horizons for low-cost therapeutic tourism that attracts specific age groups and supports the tourism season outside of summer.

One cannot overlook **sports and recreational tourism**, which has begun to take on an institutional character with the emergence of facilities such as "Mostaland" (Mostaland park receives an average of approximately 1.8 million visitors annually), the water city (aquapark), equestrian centers, stadiums, and sailing schools. This enhances the province's competitiveness in this tourism pattern, especially when targeting families and youth. Additionally, the province's possession of a wetland such as "El Macta" makes it a habitat for **ecotourism** and bird watching, which can be marketed internationally within lists of protected natural sites.

At the level of **infrastructure**, Mostaganem is considered one of the advanced provinces in terms of basic development: a road network extending over more than 2,000 km, a local airport (Aerodrome), an active railway line, and three ports (fishing, leisure, and travel). These are vital components that contribute to facilitating access and relieving logistical pressure, which are key factors in the tourists ‘decision. Furthermore, the port of Mostaganem witnesses a direct maritime line towards Valencia, which opens the door to revitalizing maritime tourism and attracting members of the Algerian diaspora residing in Spain, who represent a tourism segment that can be transformed into a recurring trategic resource if targeted with smart promotion. Despite all these assets, the Mostaganem tourism destination still suffers from the absence of a clear tourism brand and the failure to employ its promotional resources in a professional manner. This is what this study attempted to highlight by linking promotion tools to the effectiveness of the mental image, and analyzing the impact of each tool (digital, advertising, direct...) in creating a realistic and sustainable impression. A province with such diversity does not only need the promotion of a place, but also the construction of an integrated tourism narrative about the Mostaganem experience, capable of convincing the tourist that Mostaganem is not just a beach, but an extended story between heritage, nature, and spirit, waiting for someone to market it with intelligence and responsibility.

Mostaganem and Tourism in Light of SDAT 2030: Strategic Ambition and Field Dysfunctions

Since Algeria adopted the "National Master Plan for Tourism Development (SDAT) 2030," state awareness of the importance of the tourism sector has been reinforced, not only as an alternative economic source to hydrocarbons but also as a tool to rehabilitate national heritage, achieve regional balance in development, and ensure international radiance for the Algerian destination. In this context, the Wilaya of Mostaganem formed a promising model among coastal provinces thanks to the richness of its natural resources and the diversity of tourism patterns capable of development, ranging from beach tourism to cultural, religious, and environmental tourism.

The **Local Master Plan for Tourism Development**, approved in 2016, identified five (5) specialized tourism development poles, including: the Beach Tourism Pole (covering 10 municipalities), the Climatic Tourism Pole (Dahra chain), the Ecotourism Pole (El Macta reserve), and the Cultural Tourism Pole. This conception reflects a genuine awareness of the diversity of assets; however, the field activation of these plans still experiences noticeable slowness due to reasons ranging from weak investment and lack of institutional coordination to the fragility of promotional attractiveness.At the level of **infrastructure**, significant development has occurred in the number of beaches allowed for swimming (from 21 in 2008 to 50 in 2024), with the province receiving more than 15.8 million beachgoers in the summer of 2022, according to Civil Protection figures. The hotel sector also recorded considerable growth; the number of establishments rose to 41 hotels with a capacity of 4,841 beds, in addition to 19 summer camps with a capacity of 5,000 beds, 90 travel and tourism agencies, and 18 approved tourism routes. The province also employs over 200 workers in the tourism sector.However, despite this numerical momentum, challenges remain. Data on tourism projects for the year 2022 shows that 16 projects have not started, and 07 projects are stalled, compared to only 15 in progress. This reflects a clear gap between strategic conception and field implementation. Furthermore, imbalances are recorded in the exploitation of **Tourism Expansion Zones (ZET)**; out of 16 zones, 06 are frozen and 05 are in the process of approval, which hinders the dynamics of regional development in coastal areas.Meanwhile, Mostaganem is witnessing promising activity at the level of concerned bodies and institutions, where the Directorate of Tourism and Handicrafts play a pivotal role in preparing annual action plans, accompanying investment, coordinating with local actors, and activating the association movement.In the field of **promotion**, modern digital tools have begun to be adopted, such as the "Mostaganem My Destination" application and the inclusion of the province within the national "Algeria Trails" platform, alongside incentive campaigns such as the "Most Beautiful Coastal Municipality" competition. However, this effort remains below what is required, as the tourism attractiveness of Mostaganem remains weak on search engines, and it lacks visual content directed at foreign visitors or the Algerian diaspora abroad.

This statistical and analytical reality confirms that Mostaganem stands at a crossroads: it possesses all the human, natural, and institutional components to be a promising national tourism pole, but activating this ambition requires a bold executive strategy based on valorizing tourism diversity, attracting investment, and enhancing local identity through smart promotion, while integrating handicrafts as a complementary element in the tourist experience. This is what we will attempt to touch upon within a practical conception based on the results of the field study.

Abundance and Diversity of Tourism Sites in Mostaganem: Uninvested Wealth and Absent Promotion

The Wilaya of Mostaganem is a living example of a tourism destination rich in resources but limited in promotion. Distributed across its vast municipal territory is a wide network of sites and tourism landmarks covering all possible patterns of attraction: from natural beaches to Ottoman monuments, from religious sites (Zawiyas) to recreational parks, and from historical caves to museums of the independence struggle, in a scene rarely repeated geographically and thematically within a single province.

The number of registered tourism landmarks and sites exceeds **148 sites and monuments**, spread across the province's thirteen districts. These sites are distributed between classified and unclassified locations, reflecting weak investment in national cultural classification, a factor that negatively affects opportunities to integrate them into promotion and tourism valorization programs.

Regarding **archaeological landmarks**, they are distributed across multiple historical stages: the Ottoman period (Bey's Palace, Bordj Mahal, Hammam Bouamrane), the Islamic period (Al-Badr Mosque, Dar El-Caid), and the Colonial period (churches, schools, administrative buildings), in addition to rare Roman and Phoenician sites such as the "Quiza Site" and "Kaf Boukatar." These are cultural treasures that have not yet been leveraged, neither in digital promotion nor in cultural tourism routes.

On the **religious side**, the province includes a network of Zawiyas and shrines extending across its entire territory (Alawiya, Issawiya, Tidjaniya, Senoussia, etc.). However, religious tourism remains popular and traditional, lacking a promotional structure directed toward the Algerian diaspora or visitors seeking spirituality and Algerian religious heritage.

Furthermore, the analysis of the geographical distribution of sites shows a concentration of qualifications in the coastal and central areas (Mostaganem District, Hassi Mameche, Ben Abdelmalek, Stidia), with a decline in tourism exploitation of the interior districts, despite their availability of natural and thermal sites that could be integrated into rural or therapeutic tourism programs.

CONCLUSION

After a detailed presentation of the concept of tourism promotion, leading to a precise diagnosis of the reality of Algerian tourism institutions and deconstructing their limited relationship with the Master Plan [16], it becomes clear to us that the tourism sector in Algeria does not suffer from a deficiency in potential, but rather from the absence of an integrated institutional marketing vision. Tourism institutions, which are supposed to be the "dynamo" of tourism movement in any country, still operate in Algeria according to classical, closed patterns with limited impact, linked more to the bureaucratic provision of service rather than marketing the tourism experience in its symbolic, cultural, and economic dimensions.

The study has shown that the Algerian state realized years ago the necessity of shifting to a balanced tourism economy and launched an ambitious national strategy to develop the sector. This appeared clearly in the case of the Wilaya of Mostaganem, which possesses geographical, cultural, and historical components qualifying it to be a national tourism pole. However, institutional performance therein remains modest and does not rise to the level of translating the SDAT 2030 vision into effective executive programs.

Based on this, the approach proposed within this research regarding the creation of the **"Local Destination Brand"** came as a project for local mobilization of institutional efforts and the construction of a unified communication identity at the province level. This idea represents an academic attempt to overcome the problematic separation between national planning and local practice, and to transform tourism institutions from consumers of top-down directives into actors in formulating their image and promotional positioning.It can be said, then, that the study does not suffice only with reviewing the theoretical and comparative background of the subject of promotion and institutions, but proposes a foundational ground for thinking about reforming the Algerian tourism system from within, through:

- Consolidating the principle of professional promotion as a fundamental component in tourism management.
- Redefining the function of the tourism institution from a service provider to an image maker.
- Adopting participatory thinking between the public and private sectors.
- Adapting promotion tools to the spirit of the digital age and modern attraction conditions.

From this perspective, the reference to Mostaganem in this research was not merely a secondary case study, but a methodological attempt to monitor how theoretical problems manifest in a local context, and how the accumulation of institutional imbalances can empty tourism components of their developmental content. Mostaganem, despite the natural and cultural diversity it offers, remains unable to this day to build an integrated tourism narrative presented to the world, or even to the Algerian citizen, within a clear marketing identity.Nevertheless, this city still possesses a strategic opportunity to be the point from which a reformist experiment at the regional level begins, redrawing the relationship between the promotional act and the spatial approach, and granting the local tourism institution the role it has long been denied: to be the creator of the perception, not the executor of top-down dictations.

In conclusion, the success of Algerian tourism is not contingent on the nature and geography it possesses but is dependent on the ability of its tourism institutions to present these components to the world within a convincing story, an attractive brand, and professional performance that transcends repetition, randomness, and individual diligence. Tourism resilience emerges in this context as the ability of destinations and institutions to sustain attractiveness, adapt to uncertainty, and continuously reinvent their tourism identity through innovation, coordination, and diversification.

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INSTRUCTION TO AUTHORS FOR WRITING AND PREPARATION OF MANUSCRIPTS

Entrepreneurship and economic resilience are two seemingly different issues which are inherently connected. Economic resilience is an emerging field which has been applied to study economic performance and responsiveness to external shocks in different regions. Shocks such as financial crisis which have been faced by entrepreneurial actions in the economic history of the regions; however, the entrepreneurship-economic resilience nexus is recently drawing the attention of scholars and policy makers. This approach, more specifically, could pave the way for those societies which are following economic resilience policies to handle their economic issues.

The main objective of the journal is to fill the existing knowledge gap within the fields of entrepreneurship and economic resilience. In spite of the raising inter- est in this field, there are very few sources of research for this subject, especially in the field of entrepreneurship-economic resilience nexus.

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Authors can submit manuscript, necessarily in electronic form, to e-mail: jeb- roffice@gmail.com. In version of the paper at the address: Faculty of Economics and Engineering in Novi Sad ,21000 Novi Sad, Cvećarska 2, Serbia, with the directory “For the editorial staff of the journal Journal of Entrepreneurship and Business Resilience (JEBR)

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[1] Author Afiliation (COUNTRY) [9-point, italic]

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Abstract [Times New Roman, 12-point, bold, left alignment]

This template will assist you in formatting your paper. Please, copy it on your computer and insert the text keeping the format and styles indicated. The various components of your paper (title, abstract, keywords, sections, text, etc.) are already defined on the style sheet, as illustrated by the portions given in this document.

Keywords: Innovation, technology, research projects, etc. [Times New Roman 9-point].

Section [Times New Roman, 12-point, bold, left alignment]

There is a limitation of 4/6 pages. All pages size should be A4.

The top, bottom, right, and left margins should be 2,5 cm. All the text must be in one column and Times New Roman font, including figures and tables, with single-spaced 10-point interline spacing.

***Subsection* [Times New Roman, 12 bold italic, left alignment, capitalize the first letter]**

The text included in the sections or subsections must begin one line after the section or subsection title. Do not use hard tabs and limit the use of hard returns to one return at the end of a paragraph. Please, do not number manually the sections and subsections; the template will do it automatically.

Sub-subsection: Guidelines for Abbreviations and Acronyms

Define abbreviations and acronyms the first time they are used in the text, even after they have been defined in the abstract. Do not use abbreviations in the title or heads unless they are unavoidable.

Sub-subsection: Guidelines for Figures and Tables

Tables, figures, and graphics should be centred, numbered and accompanied by a legend.

Figure captions should be below figures; table heads should appear above ta- bles. Insert figures and tables after they are cited in the text. Use the abbreviation “Fig. 1”, even at the beginning of a sentence.

Sub-subsection: Guidelines for Page numbers and Footnotes

Please, do not add any kind of pagination anywhere in the paper. Avoid using headers and use footnotes only within the page margins (2,5 cm of white margins). *Sub-subsection: Guidelines for References*

The list of the references should be given at the end of the paper. References are numbered in brackets by order of appearance in the document (e.g. [1], [2], [3]). The same reference can be cited more than once in the text with the same reference number.

Section

Use as many sections and subsections as you need (e.g. Introduction, Methodology, Results, Conclusions, etc.) and end the paper with the list of references.

REFERENCES [Times New Roman, 12-point, bold, left alignment]

Einstein, A. (1916). General Theory of Relativity. Annalen der Physik 49(7), pp. 769-

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