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Determining Factors Influencing Female Labor Force Participation in the South Caucasus

The effects of various socio-economic variables on female labor force participation were examined by estimating a logit model for Armenia, Azerbaijan, and Georgia. The data obtained from the Caucasus Barometer household survey for 2010 conducted by the Caucasus Research Resource Center (CRRC) regional offices were used. The sample consisted of female respondents aged 18 or older. According to the estimation results, residing in the capital city was inversely related to female labor force participation in Armenia. Having at least higher education and secondary technical education positively affected female labor force participation in Armenia, Azerbaijan, and Georgia. In Armenia, being divorced or separated or widowed was positively associated with female labor force participation. Having monthly household income of $401 or more positively impacted female labor force participation in Armenia, Azerbaijan, and Georgia. An attitude of rather agreeing with the statement that men should have more right to a job when jobs are scarce was negatively associated with female labor force participation in Armenia and Georgia. An attitude of completely agreeing with the statement that men should have more right to a job in case of job scarcity was negatively associated with female labor force participation in Azerbaijan. A negative relationship was found between age and female labor force participation in Armenia, Azerbaijan, and Georgia. Finally, household size and female labor force participation were negatively related in Azerbaijan.

Keywords: female labor force participation, logistic regression, Caucasus Barometer household survey

Introduction

After the collapse of the Soviet Union, the three countries of the South Caucasus (Armenia, Azerbaijan, and Georgia) began the process of transitioning from a centrally planned economy to a market economy. The process had devastating consequences for the economies of the three countries with one of the consequences being the unemployment. Reducing the level of unemployment is still one of the main objectives pursued by the macroeconomic policy implemented by the governments of Armenia, Azerbaijan, and Georgia.

Traditionally, the societies of Armenia, Azerbaijan, and Georgia are largely perceived as male-dominated (Gharibyan and Gunsaulus, 2006; United Nations Population Fund, 2012; Sumbadze and Tarkhan-Mouravi, 2003). However, the provision of equal rights to both the male and female populations is at the heart of the gender equality issue and is the groundwork for social, economic, and cultural success. For instance, restricting female labor participation implies inefficient use of available labor resources which prevents a country from reaching its full potential in terms of growth and development. While relatively low levels of female labor force participation are present in Armenia, Georgia, and Azerbaijan, another employment-related challenging issue is that Armenia and Georgia face an aging population (European Commission, 2011).

The major objective of this study is to provide empirical evidence of the socio-economic determinants influencing female labor force participation in Armenia, Azerbaijan, and Georgia. The objective is accomplished by estimating a binary logit model (hereinafter logit model) for Armenia, Azerbaijan, and Georgia using data collected by the regional offices of the Caucasus Research Resource Center (CRRC) within the framework of the Caucasus Barometer program for 2010 (CRRC, 2010). This analysis gains an utmost significance taking into consideration the relatively low rate of female labor force participation. In needs to be noted that, in 2010, the female labor

force participation rate (the proportion of the population ages 15 and older that is economically active) in Armenia was at 49%, in Azerbaijan was at 61%, and in Georgia at 56% (World Bank, 2012a). These numbers registered virtually no change when compared to the same numbers from 2009.

The results of this study can be used by governments, policy-makers, various non-governmental organizations, international organizations and other interested parties which attempt to promote equal opportunities and rights, to reduce poverty, and to efficiently utilize available labor resources thus contributing to a decrease in unemployment and to a possible enhancement in the self-esteem of the female population in the South Caucasus. Information obtained from this study will enable interested parties to target specific demographic groups when developing and designing different programs geared toward the improvement of female labor force participation in the South Caucasus.

The remainder of the paper is organized as follows. The next section presents a literature review on studying the influence of socio-economic factors affecting female labor force participation. Following the empirical specification of the model, the data used in this study are presented and discussed. The subsequent section provides the interpretation of the estimation results. A summary and recommendations are presented in the final section.

Literature Review

There have been many studies attempting to explain female labor force participation by applying various estimation procedures (Mincer, 1962; Bowen and Finegan, 1969; Leuthold, 1978; Cogan, 1980; Greenhalgh, 1980; Layard, Barton, and Zabalza, 1980; Schultz, 1980; Smith, 1980; Killingsworth, 1983; Mroz, 1987; Fair and Macunovich, 1997). As well, determinants affecting female labor force participation in a number of developing countries

have been examined in previous studies some of which are reviewed below. In particular, Mon (2000) estimated three alternative specifications of a logit model with different sets of independent variables to investigate the impact of household socio-economic characteristics on female labor force participation in urban area of Burma. In this study, data from June to the middle of July of 1998 were utilized and the sample consisted of women between 17 and 65 years of age. The estimation results showed that across all specifications marital status, husband's (or total family) income, and the number of working people in the family were statistically significant factors at the 5% significance level with marital status positively affecting and the husband's income and the number of working people in the family negatively affecting female labor force participation. Also, family size was positively associated with female labor force participation across all the specifications at the 10% significance level. Finally the number of years of schooling had a positive influence on female labor force participation at the 10% significance level, as suggested by a couple of model specifications.

Ntuli (2007) empirically identified socio-economic factors affecting female labor force participation in South Africa by estimating three logit models. The data employed in this study came from the nationally representative 1995 (sample size: 30,507), 1999 (sample size: 26,596) October Household Surveys (OHS) and the September 2004 Labor Force Survey of African females (sample size: 28,233) between ages 15 and 65 years old. The first logit model used the data from 1995 survey, the second logit model used the data from the 1999 survey, and the third logit model used the data from the 2004 survey. Overall, the findings from the three models were consistent at the 5% significance level. The results showed that various education levels had positive effects on female labor force participation. Living in the urban area was positively associated with female labor force participation. Married women negatively contributed and divorced women positively contributed to female labor force participation. The findings concerning other marital statuses were not consistently significant across the three models. The presence of children under the age of 15 was negatively associated with

female labor force participation. Estimation results revealed a negative relationship between non-labor income and female labor force participation. Living in the provinces was found to mainly have a negative impact on female labor force participation. Finally, there was a positive relationship between age and female labor force participation and a negative relationship between age-squared term and female labor force participation.

Faridi, Malik, and Basit (2009) studied the influence of different levels of education on female labor force participation in Pakistan by estimating a logit model. In addition, the impact of variables such as age, education level of parents and spouse, marital status, presence of financial and physical assets, family set up (belonging to joint family), region of residence, and household size on female labor force participation was assessed. The primary data employed in this analysis included 164 females aged 15-64 and were collected from urban and rural areas using stratified random sampling and simple random sampling techniques. Various education levels (matric, intermediate, graduate) had positive effects on female labor force participation at different significance levels. A spouse's education also positively affected female labor force participation at the 5% significance level. Presence of household assets had a negative influence on female labor force participation at the 1% significance level. Finally, both region of residence and household size positively impacted female labor force participation at the 10% and the 1% significance levels, respectively.

The issue of female labor force participation was evaluated in the study by Dayıoğlu and Kirdar (2010), where the authors ascertained the effects of socio-economic characteristics on female labor force participation in Turkey. A logit model was estimated using the 2006 Household Labor Force Surveys of the Turkish Statistical Institute with a sample size of 167,033. The following discussion of the results is presented at the 1% significance level. The results indicated that education had a positive impact on female labor force participation starting at high school level and above. Also, female labor force participation was positively affected by women's age starting from 20 years

and above. Married, separated and widowed women were estimated to be negatively associated with female labor force participation. The number of children present in the household was inversely associated with female labor force participation. Different regions in Turkey had a varying influence on female labor force participation. Finally, women residing in rural areas had a positive influence on female labor force participation.

A few studies utilized s descriptive approach when discussing female labor force participation in Armenia, Azerbaijan, and Georgia (European Commission, 2011; World Bank, 2012b; World Bank and International Finance Corporation, 2012). In utilizing a logit model, the approach employed in the present study is similar to the country-specific studies discussed above; however, in this analysis female labor force participation is discussed for Armenia, Georgia and Azerbaijan, which, to the best of our knowledge, has yet to be analyzed using the discrete choice model approach. This approach assists in showing the relative impacts of the factors influencing female labor force participation.

Empirical Specification

Female labor force participation may be impacted by socio-economic factors such as employment status, settlement type, education, marital status, presence of male or female decision-makers in the household, household income, perception toward having a job, age, and household size.

Defining Pr as the probability that the respondent female is employed (i.e., is in the labor force), the estimated logit model (see Appendix A for the discussion of a logit model) for Armenia, Azerbaijan, and Georgia is specified as follows:

$Pr(lfp=1)=F(\beta_0 + \beta_1 capital + \beta_2 edu\_atleast\_higher + \beta_3 edu\_sec\_tech + \beta_4 single + \beta_5 div\_sep\_wid + \beta_6 wom\_equal + \beta_7 inc\_401\_more + \beta_8 jobatt\_rath\_disag + \beta_9 jobatt\_rath\_ag + \beta_{10} jobatt\_cmpl\_ag + \beta_{11} age + \beta_{12} hhsize),$

(1)

where *lfp* is a binary dependent variable equal to 1 if the respondent is currently employed (part-time or full-time, official, informal, or self-employment, but it brings monetary income) and 0 otherwise;

capital is a dummy variable equal to 1 if the respondent resides in the capital city and 0 otherwise;

edu_atleast_higher is a dummy variable equal to 1 if the respondent has at least higher education and 0 otherwise;

edu_sec_tech is a dummy variable equal to 1 if the respondent has secondary technical education and 0 otherwise;

single is a dummy variable equal to 1 if the respondent is single and 0 otherwise;

div_sep_wid is a dummy variable equal to 1 if the respondent falls within divorced or separated or widowed categories and 0 otherwise;

wom_equal is a dummy variable equal to 1 if the respondent thinks that the main decision-maker in the family should be either a woman or a man and a woman jointly and 0 otherwise;

inc_401_more is a dummy variable equal to 1 if the respondent's monthly household income is $401 or more and 0 otherwise;

jobatt_rath_disag is a dummy variable equal to 1 if the respondent rather disagrees with the statement that men should have more right to a job in case of job scarcity and 0 otherwise;

jobatt_rath_ag is a dummy variable equal to 1 if the respondent rather agrees with the statement that men should have more right to a job in case of job scarcity and 0 otherwise;

jobatt_cmpl_ag is a dummy variable equal to 1 if the respondent completely agrees with the statement that men should have more right to a job if there is job scarcity and 0 otherwise;

age is the respondent's age in years; and

hhsize is the respondent's household size measured in number of members. Additionally, F is the logistic cumulative distribution function and βs are the parameters to be estimated.

The interpretation of logit parameter estimates does not provide substantive intuition. As such, in this study, the actual interpretation of the estimation results was done in terms of percent change in odds ratios. Odd ratios are exponentiated values of the logit parameter estimates (i.e., $e^{\beta i}$) and the percent change in the odds ratios are calculated as $(e^{\beta i}-1)*100$.

Women from capital cities were expected to have a greater probability of participating in the labor force relative to women from other urban and rural areas due to a comparatively larger concentration of job opportunities in the capital cities. As for education, it was expected that educated women had a greater probability to participate in the labor force. Hence, a positive relationship was expected between labor force participation and education.

The parameter estimates associated with marital status (single and divorced or separated or widowed) were anticipated to be positive, since self-supporting women have to work to earn their living. The parameter estimate associated with the presence of female or male and female household heads was expected to be positive suggesting a greater probability of labor force participation because household heads are oftentimes perceived as breadwinners.

Higher income level was expected to negatively impact the probability of labor force participation for women based on the neoclassical theory of labor. The variables associated with females' agreement with the statement that men should have more right to a job when jobs are scarce were expected to negatively affect the probability of labor force participation for women. Conversely, the variables associated with females disagreeing with the statement that men should have more right to a job when jobs are scarce were expected to positively affect the probability of labor force participation for women.

It was expected that age would positively affect the probability of female participation in the labor force because of experience and skills that women presumably gain with age. However, the influence of other determinants may lead to a different outcome for women in the age group. The parameter estimate associated with household size was expected to be positive as well as negative. It may be positive if a child care is available creating an opportunity for a woman to be employed. It may also be negative if a woman decides to be a stay-at-home mom.

Data

The data for this analysis were obtained from the Caucasus Barometer household survey for 2010 conducted by the CRRC's regional offices in Armenia, Azerbaijan, and Georgia (CRRC, 2010). The data cover a wide range of social, economic, and political information and allow a cross-country comparison. The socio-economic variables used in the study pertain to employment status, settlement type, education, marital status, the presence of male and/or female household heads, household income, respondent's attitude toward having a job, age, and household size of solely female respondents aged 18 and above. The sample size for Armenia was 842, for Azerbaijan 817, and for Georgia 958. The percentage of the respondents from

Armenia, Azerbaijan, and Georgia corresponding to each variable is depicted in Table 1.

As Table 1 shows, nearly three-quarters of the respondents were unemployed in Armenia (71%), Azerbaijan (75%), and Georgia (74%). Slightly more than two-thirds of the respondents in Armenia (68%), around three-quarters in Azerbaijan (74%), and the majority in Georgia (84%) lived in rural or urban areas. In Armenia, nearly half of the respondents (49%) had less than higher education, a quarter of the respondents had at least higher education, and the remaining quarter had secondary technical education. In Azerbaijan, less than three-quarters of the respondents (72%) had less than higher education, and the remaining 28% of the respondents had either at least higher education or secondary technical education. In Georgia, less than half of the respondents (45%) had less than higher education, less than one-third of the respondents (29%) had at least higher education, and around a quarter (26%) of the respondents had secondary technical education.

More than half of the respondents were married in Armenia (55%) and Georgia (56%) and 62% of the respondents were married in Azerbaijan. One-third of the respondents fell within the category of either divorced or separated or widowed in Armenia (33%), while 28% of the respondents in Azerbaijan and 30% of the respondents in Georgia belonged to the same category.

Less than three-quarters of the respondents in Armenia (69%), 61% of the respondents in Azerbaijan, and 59% of the respondents in Georgia believed that a man should be the main decision-maker in a household. The majority of the respondents reported a monthly household income of less than $400 in Armenia (85%), Azerbaijan (71%), and Georgia (92%). Less than half of the respondents in Armenia (46%) and Azerbaijan (46%) either completely disagreed or rather disagreed with the statement that men should have more right to a job if there is job scarcity, while more than half of the respondents in Armenia (55%) and Azerbaijan (54%) either completely agreed or rather agreed with the same statement. In Georgia, less than three-quarters (70%) of the respondents either completely disagreed or rather disagreed with the

Table №1. Percentage of Female Respondents by Socio-Economic Variables in Armenia, Azerbaijan, and Georgia

	Armenia, n=842, %	Azerbaijan, n=817, %	Georgia, n=958, %
Employment status			
employed	29.10	24.60	25.57
unemployed	70.90	75.40	74.43
Settlement type			
capital	32.07	25.83	16.28
rural or urban	67.93	74.17	83.72
Education			
less than higher education	49.17	71.73	45.30
at least higher education	25.42	14.08	29.02
secondary technical education	25.42	14.20	25.68
Marital status			
married	54.51	61.57	56.26
single	12.59	10.89	13.26
divorced or separated or widowed	32.90	27.54	30.48
Household decision-maker			
man	69.24	61.44	58.56
woman or equally	30.76	38.56	41.44
Monthly household income (U.S. dollars)			
0-400	85.39	71.48	91.96
401 or more	14.61	28.52	8.04

Attitude toward having a job			
completely disagree	23.75	26.19	39.45
rather disagree	21.50	19.46	30.38
rather agree	24.94	27.17	23.38
completely agree	29.81	27.17	6.78
Age			
age (average)	48.19	44.29	49.74
Household size			
household size (average)	3.80	3.98	3.43

*Within each category percentages may not add up to 100% due to rounding.

statement that men should have more right to a job when jobs are scarce, and less than one-third (30%) of the respondents either completely agreed or rather agreed with the same statement. The average age of the respondents in Armenia, Azerbaijan, and Georgia was 48, 44, and 50, respectively. Finally, the average household size was four in Armenia and Azerbaijan and was three in Georgia.

Overall, the results in Table 1 reveal a consistency in the respondents' profile across Armenia, Azerbaijan, and Georgia. In other words, a typical female respondent from the South Caucasus region would be a married unemployed woman, in her forties with less than higher education, living in rural or urban areas in the household with more than three members where a man is considered to be the main decision-maker and their monthly household income is $400 or less, and she would agree with the statement that men should have more right to a job when jobs are scarce (except in Georgia, where most respondents completely disagreed with that statement).

Estimation Results

Cross-tabulations

Before presenting and interpreting the results from the logit models, the relationship between female labor force participation and the socio-economic variables used in this study is discussed first. This relationship is discussed based on the cross-tabulation results for Armenia, Azerbaijan, and Georgia presented in Table 2. As revealed by the results in Table 2, overall the female labor force non-participation rate vastly dominated the participation rate throughout the socio-economic variables across the three countries with few exceptions (for example, female labor force participation rate exceeded the non-participation rate in Armenia and Azerbaijan for women with at least higher education, and, in Georgia, for women having monthly household income of $400 or more). Nonetheless, the discussion of the findings in Table 2 is done in terms of the participant women (i.e., women in the labor force).

According to the results in Table 2, around one-third of the participant women in Armenia (33%), Azerbaijan (35%), and Georgia (29%) lived in capital cities. Approximately, one-quarter of the participant women in Armenia (27%) and Georgia (25%) and about one-in-five of the participant women in Azerbaijan (21%) lived in rural or urban areas. More than half of the participant women in Armenia (53%), 61% of the participant women in Azerbaijan, and 44% of the participant women in Georgia had at least higher education. Also, having secondary technical education more than doubled female labor force participation in all the three countries relative to the women with less than higher education.

Table №2. Female labor force participation by Socio-Economics Variable in Armenia, Azerbaijan, and Georgia

	Armenia			Azerbaijan			Georgia		
	Non-participant	Parti-cipant	Total	Non-participant	Parti-cipant	Total	Non-participant	Parti-cipant	Total
Settlement type									
capital	181 (67.04)	89 (32.96)	270 (100)	138 (65.40)	73 (34.60)	211 (100)	111 (71.15)	45 (28.85)	156 (100)
rural or urban	416 (72.73)	156 (27.27)	572 (100)	478 (78.88)	128 (21.12)	606 (100)	602 (75.06)	200 (24.94)	802 (100)
Education									
less than higher education	351 (84.78)	63 (15.22)	414 (100)	501 (85.49)	85 (14.51)	586 (100)	382 (88.02)	52 (11.98)	434 (100)
at least higher education	101 (47.20)	113 (52.80)	214 (100)	45 (39.13)	70 (60.87)	115 (100)	155 (55.76)	123 (44.24)	278 (100)
secondary technical education	145 (67.76)	69 (32.24)	214 (100)	70 (60.34)	46 (39.66)	116 (100)	176 (71.54)	70 (28.46)	246 (100)
Marital status									
married	341 (74.29)	118 (25.71)	459 (100)	386 (76.74)	117 (23.26)	503 (100)	400 (74.21)	139 (25.79)	539 (100)
single	63 (59.43)	43 (40.57)	106 (100)	62 (69.66)	27 (30.34)	89 (100)	87 (68.50)	40 (31.50)	127 (100)
divorced or separated or widowed	193 (69.68)	84 (30.32)	277 (100)	168 (74.67)	57 (25.33)	225 (100)	226 (77.40)	66 (22.60)	292 (100)
Household decision-maker									
man	421 (72.21)	162 (27.79)	583 (100)	397 (79.08)	105 (20.92)	502 (100)	429 (76.47)	132 (23.53)	561 (100)
woman or equally	176 (67.95)	83 (32.05)	259 (100)	219 (69.52)	96 (30.48)	315 (100)	284 (71.54)	113 (28.46)	397 (100)

Table №2.
continued

	Armenia			Azerbaijan			Georgia		
	Non-participant	Parti-cipant	Total	Non-participant	Parti-cipant	Total	Non-participant	Parti-cipant	Total
Monthly household income (U.S. dollars)									
0-400	530	189	719	476	108	584	677	204	881
	(73.71)	(26.29)	(100)	(81.51)	(18.49)	(100)	(76.84)	(23.16)	(100)
401 or more	67	56	123	140	93	233	36	41	77
	(54.47)	(45.53)	(100)	(60.09)	(39.91)	(100)	(46.75)	(53.25)	(100)
Attitude toward having a job									
completely disagree	122	78	200	137	77	214	264	114	378
	(61.00)	(39.00)	(100)	(64.02)	(35.98)	(100)	(69.84)	(30.16)	(100)
rather disagree	136	45	181	121	38	159	212	79	291
	(75.14)	(24.86)	(100)	(76.10)	(23.90)	(100)	(72.85)	(27.15)	(100)
rather agree	167	43	210	173	49	222	186	38	224
	(79.52)	(20.48)	(100)	(77.93)	(22.07)	(100)	(83.04)	(16.96)	(100)
completely agree	172	79	251	185	37	222	51	14	65
	(68.53)	(31.47)	(100)	(83.33)	(16.67)	(100)	(78.46)	(21.54)	(100)
Age age (average in years)	49.37	45.29		45.07	41.91		50.93	46.25	
Household size household size (average in # of members)	3.86	3.64		4.12	3.54		3.47	3.32	

*Percentages from row totals are reported in parentheses.

Around one-quarter of the participant women were married in Armenia (26%), Azerbaijan (23%), and Georgia (26%). Forty-one percent of the participant women in Armenia, and about one-third of the participant women in Azerbaijan (30%) and Georgia (32%) were single. Finally, slightly less than one-third of the participant women in Armenia (30%) and about one-quarter of the participant women in Azerbaijan (25%) and Georgia (23%) were divorced or separated or widowed.

Approximately, one-quarter of the participant women came from households where a man was the decision-maker in Armenia (28%), Azerbaijan (21%), and Georgia (24%). Less than one-third of the participant women lived in the households where the decisions were made either by a woman or equally in Armenia (32%), Azerbaijan (30%), and Georgia (28%). Almost one-quarter of women participating in the labor force in Armenia (26%) and Georgia (23%) and about one-fifth of women in the labor force in Azerbaijan (18%) came from households that had monthly household incomes of $400 or less. Roughly 46% of the participant women in Armenia, 40% of the participant women in Azerbaijan, and 53% of the participant women in Georgia were from households with monthly household income of $401 or more.

Thirty-nine percent of the participant women in Armenia, 36% in Azerbaijan, and 30% in Georgia completely disagreed with the statement that men should have more right to a job in case of job scarcity. In addition, 31% of the participant women in Armenia and 22% of the participant women in Georgia completely agreed with the statement that men should have more right to a job if there is job scarcity, while 22% of the participant women in Azerbaijan agreed with the same statement. The average age of the participant women in Armenia, Azerbaijan, and Georgia was 45, 42, and 46, respectively. Finally, the average household size was four in Armenia and Azerbaijan, and was three in Georgia. Summarizing the findings in Table 2, it needs to be mentioned that the percentages were more or less close to each other throughout the socio-economic characteristics for Armenia, Azerbaijan, and Georgia, indicative of cultural similarities between the people of the three countries.

Logistic Regression

The logit parameter estimates, the associated p-values and percent change in odds ratios are presented in Table 3. In this section, the results are interpreted solely in terms of statistically significant percent change in odds ratios. The level of significance chosen for this analysis was 0.05. Based on the p-value of the likelihood ratio χ^2 statistic, we conclude that the parameter estimates of all the independent variables were not jointly equal to zero for Armenia, Azerbaijan, and Georgia. Pseudo R^2 estimates were 0.135, 0.182, and 0.118 for Armenia, Azerbaijan, and Georgia, respectively.

In Armenia, living in the capital city decreased the odds of being employed by 34.7%, holding everything else constant. This finding was contrary to our expectations; however, women residing in the capital city and enjoying sufficient household income to the point where they do not need to work may have contributed to this result. Living in the capital city was statistically insignificant for Azerbaijan and Georgia. As anticipated, in Armenia, Azerbaijan, and Georgia having at least higher education increased the odds of being employed by 522.2%, 531.6%, and 414.1%, respectively, holding everything else fixed. As well, in Armenia, Azerbaijan, and Georgia, having secondary technical education increased the odds of being employed by 183.8%, 248.7%, and 177.7%, respectively, all else held fixed. (Table №3)

As expected, in Armenia, being divorced or separated or widowed increased the odds of being employed by 89.4%, everything else held constant. This factor was statistically insignificant for Azerbaijan and Georgia. Controlling for all other factors, having a monthly household income of $400 or more increased the odds of being employed by 94%, 108.6%, and 163.8% in Armenia, Azerbaijan, and Georgia, respectively. This result was not consistent with our expectations. However, an ever increasing cost of living that is forcing women to seek employment may possibly serve as an explanation for this finding.

Table №3. Logit Coefficients, Associated p-values and Percentage Change in Odds Ratios

	Armenia		Azerbaijan		Georgia	
	Coefficients	% change in odds ratios	Coefficients	% change in odds ratios	Coefficients	% change in odds ratios
Settlement type (base: rural or urban)						
Capital	-0.425*	-34.7*	0.378	46.0	-0.356	-30.0
	(0.027)		(0.077)		(0.112)	
Table №3 *continued*						
Education (base: less than higher education						
edu_atleast_higher	1.828*	522.2*	1.843*	531.6*	1.637*	414.1*
	(0.000)		(0.000)		(0.000)	
edu_sec_tech	1.043*	183.8*	1.249*	248.7*	1.021*	177.7*
	(0.000)		(0.000)		(0.000)	
Marital status (base: married)						
Single	0.439	55.1	0.038	3.8	0.038	3.8
	(0.089)		(0.900)		(0.875)	
div_sep_wid	0.639*	89.4*	0.236	26.7	0.171	18.6
	(0.003)		(0.334)		(0.428)	
Household decision-maker (base: man)						
wom_equal	-0.124	-11.7	0.227	25.5	-0.057	-5.6
	(0.501)		(0.232)		(0.730)	
Monthly household income (base: 0-400)						

inc_401_more	0.663*	94.0*	0.735*	108.6*	0.970*	163.8*
	(0.005)		(0.001)		(0.000)	
Attitude toward having a job (base: completely disagree)						
jobatt_rath_disag	-0.477	-37.9	-0.104	-9.9	-0.022	-2.2
	(0.051)		(0.695)		(0.907)	
jobatt_rath_ag	-0.702*	-50.5*	-0.240	-21.4	-0.447*	-36.0*
	(0.004)		(0.328)		(0.047)	

Table №3
continued

jobatt_cmpl_ag	-0.207	-18.7	-0.672*	-48.9*	-0.126	-11.9
	(0.344)		(0.011)		(0.716)	
Age						
age	-0.018*	-1.8*	-0.017*	-1.7*	-0.017*	-1.7*
	(0.003)		(0.025)		(0.004)	
Household size						
hhsize	-0.056	-5.5	-0.202*	-18.3*	-0.099	-9.5
	(0.275)		(0.001)		(0.056)	
constant	-0.544		-0.467		-0.744	
	(0.227)		(0.323)		(0.079)	
Number of observations	842		817		958	
LR χ2(12)	137.08		165.98		128.13	
Prob. > χ2	0.00		0.00		0.00	
Pseudo R2	0.135		0.182		0.118	

*p-values are reported in parentheses.

*Asterisk indicates statistical significance at the 5% level.

Holding all other factors constant, in Armenia, the odds of being employed decreased by 50.5% for women who agreed with the statement that men should have more right to a job when jobs are scarce. Having the same attitude toward a job, decreased the odds of being employed by 36% for women in Georgia, holding all other factors fixed. In Azerbaijan, the odds of being employed decreased by 48.9% for women who completely agreed with the statement that men should have more right to job in case of job scarcity, all other factors held constant. All these results were consistent with our expectations.

For each additional year of age, other things equal, the odds of being employed decreased by 1.8% and 1.7% in Armenia, and Azerbaijan and Georgia, respectively, other things equal. While this finding was not anticipated; however, as it was mentioned above, the influence of other factors may have led to this situation. For each additional household member, the odds of being employed decreased by 18.3% in Azerbaijan, other things equal. The impact of household size on the odds of being employed for Armenia and Georgia was statistically insignificant. Being single as well as the presence of female or both male and female decision-makers in the household had a statistically insignificant impact on the odds of being employed in all the three countries.

In summary, it needs to be pointed out that while the absolute values of the statistically significant logit coefficients were different across socio-economic variables, the signs of the coefficients were consistent across Armenia, Azerbaijan, and Georgia. This finding is suggestive of cultural similarities between Armenia, Azerbaijan, and Georgia.

Summary and Recommendations

Using the 2010 survey data compiled by the regional offices of the CRRC, a logit model was estimated to assess the effects of different socio-economic variables on female labor force participation for Armenia, Azerbaijan, and

Georgia. The results of the study showed that a set of socio-economic variables were key determinants of female labor force participation in the three countries. In particular, the results suggested that women residing in capital cities were less likely to participate in the labor force relative to women residing in rural or urban areas in Armenia, holding everything else fixed. In all the three countries, women with at least higher education and secondary technical education were more likely to participate in the labor market than women with less than higher education, holding everything else constant.

In Armenia, divorced or separated or widowed women had higher participation rates than married women, controlling for all other factors. Women whose monthly household income was more than $401 were more likely to participate in the labor force compared to women with monthly household income of $400 or less in Armenia, Azerbaijan, and Georgia, other things equal.

In Armenia and Georgia, women who rather agreed with the statement that men should have more right to a job when jobs are scarce had a lower participation rate in the labor force relative to women who completely disagreed with the same statement, everything else held constant. In Azerbaijan, women who completely agreed with the statement that men should have more right to job in case of job scarcity were less likely to participate in the labor force compared to women who completely disagreed with the same statement, other things equal.

Each additional year of age decreased the odds of women participating in the labor force in Armenia, and Azerbaijan and Georgia, all other factors held constant. Each additional household member decreased the odds of women participating in the labor force in Azerbaijan, all other factors held fixed. Being single as well as the presence of female or both male and female decision-makers in the household were found to be statistically insignificant in Armenia, Azerbaijan, and Georgia. Overall, the estimation results point to the

cultural similarities between the people of Armenia, Azerbaijan, and Georgia. Based on the findings of this study, the following is recommended to ensure maximum female labor force participation in the South Caucasus:

- implement strategies aimed at encouraging female labor force participation in the capital cities;
- increase investments in education and establish more educational facilities;
- create jobs with flexible working hours to fit the schedule of married women;
- implement strategies geared toward enhancing women's self-esteem and social status that will result in breaking the cultural stereotype that men are more entitled to jobs when jobs are scarce; and
- invest in child care facilities and make them affordable to women.

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Appendix A

Logit model looks as follows:

$$P(y = 1|x) = \frac{\exp(\beta x)}{1 - \exp(\beta x)},$$
(A.1)

where P is the probability of the event taking place, y=1, (a woman participating in the labor force), **x** is a vector of explanatory variables (a set of socio-economic variables), and β is a conformable vector of parameters to be estimated. Consequently, the probability of the event not taking place, y=0, (a woman not participating in the labor force), is computed as:

$$P(y = 0|x) = 1 - P(y = 1|x).$$
(A.2)

In the actual estimation of a logistic regression, the dependent variable is transformed into the log of the odds ratio, ln{p/(1-p)}, and the model to be estimated with the ε random error term looks as follows:

$$\ln\left(\frac{P}{1-P}\right) = x\beta + \varepsilon.$$
(A.3)

After specifying the explanatory variables, the β parameters are estimated using the maximum likelihood approach. Since the interpretation of logit parameter estimates does not provide substantive intuition, odds ratios are used. Odd ratios are exponentiated values of the logit parameter estimates (i.e., $e^{\beta i}$) and the percent change in the odds ratios are computed as $(e^{\beta i}-1)*100$.

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Identifying Socio-Economic Characteristics Affecting Poverty in Rural Areas of Armenia

This study attempts to determine household socio-economic factors affecting household economic conditions in rural areas of Armenia. To that end, an ordered logistic regression model was estimated using data from the Caucasus Barometer survey conducted by the regional office of the Caucasus Research Resource Centers in Armenia in 2013. The results of the estimation showed that household head health status, monthly household income, education level, and age composition of household were statistically significant determinants of household economic conditions.

Keywords: economic condition, ordered logistic regression, household socio-economic characteristics, the Caucasus Barometer survey

Introduction

Poverty is a significant driver affecting the welfare of nations. Nations with high levels of poverty are more vulnerable to economic downturns and political turmoil. According to the World Bank's definition of poverty, it is the *"inability to retain a minimal standard of living, measured in terms of basic consumption needs or some income required for satisfying them"* (World Bank, 2014).

A vast array of studies have examined the socio-economic and environmental impact of poverty. Despite increasing urbanization, poverty continues to remain a rural phenomenon. Approximately 75% of the earth's extremely poor population lives in rural areas (Anríquez, 2007). They mainly depend on agriculture, forestry, fisheries and related activities for survival. Poverty can lead to such issues as high infant mortality (Franz, 2006; Strully, 2010), increase in crime (Webster, 2014), poor health (World Health Organization, 2003), and hunger and environment degradation (World Vision, 2006). As such, it is of utmost importance to understand factors impacting poverty.

Until the end of the 1980's and the beginning of 1990's, Armenia was predominantly an industrial country with a high level of employment. However, after the Spitak earthquake in 1988, the break-up of Soviet Union, the Nagorno Karabakh movement, and the economic blockade put in place by neighboring countries, the country faced significant economic and political challenges (Griffin, 2002). The state-owned industries began to shut down leading to a rise in the level of unemployment. As a result, the country had to rebuild its economy and ensure its own sustainable development. Figure 1 presents the historical trend of per capita Gross Domestic Product (GDP) and urban and rural poverty rates. With an increase in per capita GDP, both rates of poverty were decreasing until 2008. Then, as a result of the global financial crisis, Armenia experienced a drop in per capita GDP from about $4,000 to $3,000 in 2009 (World Bank, 2014) with both poverty rates increasing in the

same year. Beginning from 2010, GDP per capita increased gradually, while urban and rural poverty rates started to decline only recently.

Figure 1. GDP per Capita and Urban and Rural Poverty Rates
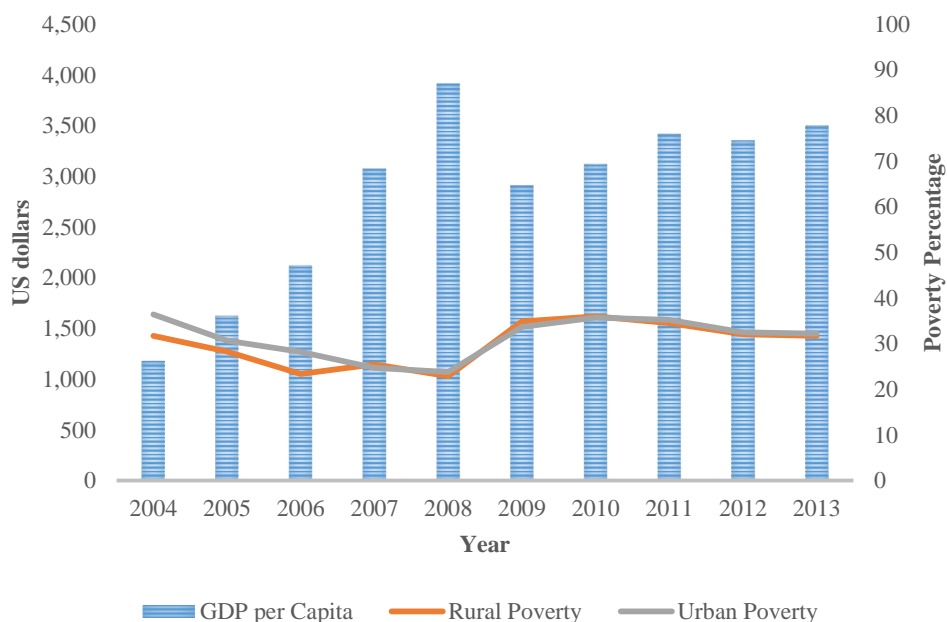
Source: World Bank http://www.worldbank.org/, National Statistical Service of the Republic of Armenia (NSSRA) http://www.armstat.am

According to the National Statistical Service of the Republic of Armenia (NSSRA), the absolute poverty line is used as basis for measuring poverty in Armenia, which assumes three components:

• Measurement of the main welfare indicator of households;

• Poverty lines below which individuals are classified as "poor"; and

• Measuring poverty indices.

Welfare measurement is calculated using a consumption aggregate (NSSRA, 2013). This is deflated by using two dimensional price indicators. The consumption aggregate also takes into account differences in food prices across quarters for rural and urban areas by estimating price adjustments for food consumption. Finally, a total consumption aggregate is expressed in annual average national price levels.

The poverty line is defined as *the monetary value of the minimum consumer basket, which represents the amount of goods and services that meet the needs of the minimum level of living standards formed (actually expressed) in society* (NSSRA, 2013)*.* The poverty line consists of two components:

- Food poverty line (estimated monetary value of minimum food basket) and

- Estimated cost of non-food goods and services.

The minimum food basket is formed based on per capita caloric requirements (NSSRA, 2013). The average caloric requirement for Armenia was estimated to be at 2,232 calories per capita per day. Then, the total cost of these calories is calculated by allocating them across the "most important" food items. An allowance for non-food expenditures is derived by taking the individuals whose food consumption is around the food poverty line as a reference group and calculating the share of non-food expenditures for this reference group. Then, it is added to food poverty line. Figure 2 presents the historical patterns of the food poverty line, the lower total poverty line and the upper total poverty line. They have been increasing slightly throughout the period of 2008 to 2012.

Figure 2. Food Poverty Line, Lower Poverty Line and Upper Poverty Line

Source: NSSRA http://www.armstat.am
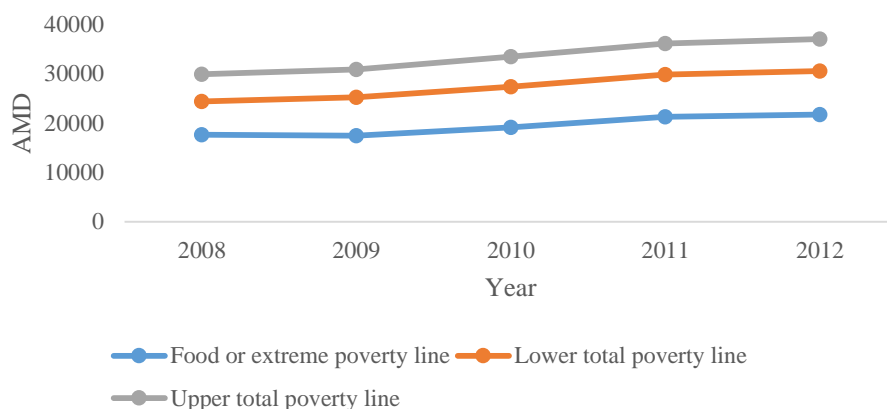
The main poverty indicators used are poverty incidence, gap, and severity indicators.

Poverty incidence represents the fraction of individuals with consumption per adult equivalent below the poverty line. The poverty gap shows how far people's consumption is below the poverty line. Finally, yet importantly, the severity indicator represents the inequality of consumption among poor.

According to the International Food for Agricultural Development (IFAD), despite the positive economic indicators of recent years, poverty is still widespread and severe in Armenia. Poverty in Armenia is almost evenly distributed across urban and rural areas. The country's poorest people live along the nation's borders, in mountainous areas of Aragatsotn, Gegharqunik, Lori, Shirak, Syunik, Tavush, and Vayots Dzor, an area that covers about 80% of the country and is home to about 40% of country's population (IFAD, 2011).

Figure 3 presents the GDP in current USD and agricultural growth during the period of 1999 through 2013. The GDP, which has been growing during the last ten years, faced a downturn in 2009 (Economist Intelligence Unit, 2011).

The main reason was unfavorable weather conditions in growing season, resulting in a sharp decline in agricultural production. Afterwards, both the GDP and agricultural growth has been simultaneously growing until 2012 when both experienced a decline.

Figure 3: GDP and Agricultural Growth

Source: NSSRA http://www.armstat.am, World Bank http://www.worldbank.org/
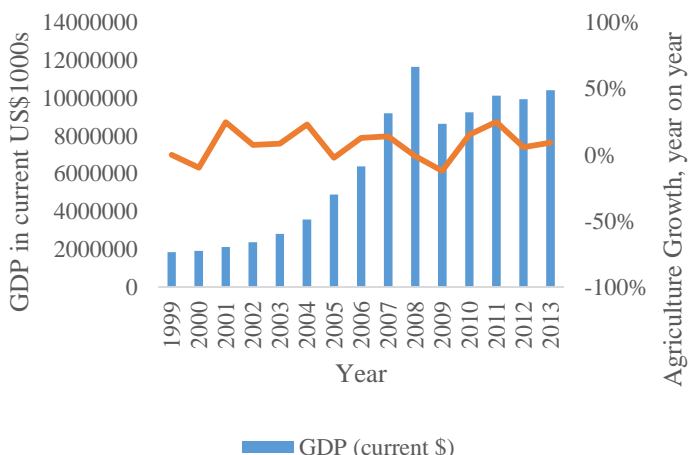
Rural households are more likely to be poor because the infrastructure and machinery they inherited from the Soviet Union is not suitable in terms of scale, and for the most part, it is already obsolete (IFAD, 2011). Rural households lack access to land, irrigation, agricultural machinery and financing.

Another important factor is the inequality of income distribution. The GINI index is the most widely accepted method of measuring income equality. It represents the deviation of actual household income from the uniform distribution. Figure 4 represents the historical values of the GINI index for Armenia. It decreased from 0.535 to 0.359 during 2001- 2005 period. Beginning from 2006, GINI index increased up to 0.389 in 2008. In 2009, after

global economic crisis, it dropped to the lowest level over the studied period. However, it has been increasing since then reaching 0.372 in 2013.

Figure 4. GINI Index in Armenia

Source: NSSRA http://www.armstat.am
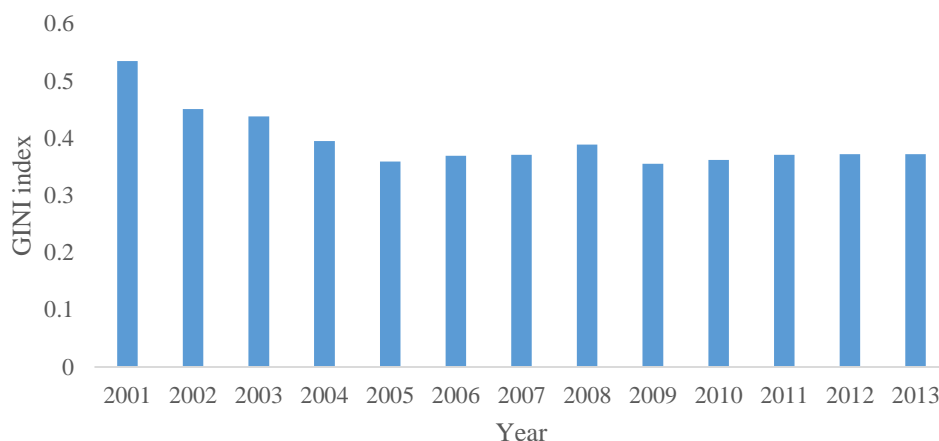
Background of the Problem

Despite the economic growth that has taken place during the last decade, poverty is still widespread in Armenia. With its negative impact on the socio-economic life of Armenian society, the fight against poverty is on the priority list of the Armenian government. Poverty manifests itself vividly in rural areas, mountainous regions, and especially regions close to national borders. The determination of the socio-economic characteristics of households influencing their economic condition would permit the design of government programs targeting the alleviation of the poverty issue. Hence, this study focuses on the determination of the socio-economic characteristics of households.

Purpose of the Study

The purpose of this study is to examine and better understand the effects of various socio-economic factors on household economic condition in rural areas of Armenia. To accomplish this, the present study has identified the statistically significant characteristics affecting economic condition of rural households.

Significance of the Study

 Based on the findings of this study, interested parties can identify the factors affecting rural households' economic condition, and based on those factors, they can develop policies addressing issues related to rural poverty.

Research Question

The research question of the present study is:

What are the socio-economic characteristics influencing economic conditions of rural households in Armenia?

Organization of the Paper

The paper proceeds by presenting a literature review in the next section. In the following section, the empirical specifications are discussed and the data description is presented in the following section. Then, the estimation results are presented and interpreted. The last section includes a summary of the results and a set of policy recommendations directed at improving the economic conditions in the rural areas of Armenia.

Literature Review

There are many studies concerning poverty in rural Armenia. These studies have mainly employed descriptive approaches to address the issue of poverty (Griffin, 2002; Bezemer, 2003; UNDP, 2004; IFAD, 2011). Griffin (2002) used data provided by NSSRA and the Poverty Monitoring and Analysis office within the Macroeconomics Department of the Republic of Armenia to analyse and draw conclusions about poverty and inequality in Armenia. She emphasized the importance of increasing investment in physical, human and natural capital, as well as increasing savings rates. These factors were viewed as complementary, since the effectiveness of one depended on the availability of the others. She then differentiated between urban and rural poverty by pointing out the importance of employment. The situation in rural areas was compared to that of urban areas, because of the equitable distribution of land. However, the labor productivity was low and continued to fall because the average size of land parcels was very small. Another important factor emphasized by the author was income inequality. The gap between expenditure distributions tends to be less unequal, since people with high levels of income do not spend their income and save some part of it, while people with lower levels of income tend to spend more than they earn by relying on borrowings, drawing from savings and selling some assets.

In their study Bezemer and Lerman (2003) supported the conclusions of Griffin by highlighting the presence of incidence of poverty and large income inequality. They reached this conclusion by analyzing data from their own large-scale survey of rural households in Armenia. The main aim of the study was to examine the ownership of capital and access to activities in relation to the incidence of poverty. They concluded that lower quantities and qualities of physical, human, financial, and social capital were the characteristics of the rural poor in Armenia.

Minasyan (2005) discussed the possible factors holding back the agricultural growth and hindering its potential for reducing rural poverty using the data

available from household surveys, national statistics, and expert estimations. It was found that growth in productivity was not substantial enough to cope with price shocks. The effects of economic growth on rural households through income from hired job and self-employment were very insignificant. Another important factor was the terms of trade; a comparison of the terms of trade faced by rural farmers in different regions shows that these terms are significant factors to be considered, since they are important in explaining the large variation of agricultural growth across regions.

The National Statistical Service of the Republic of Armenia (2014) developed a model for examining factors that are closely related to poverty. The data were obtained from the household's integrated living conditions survey conducted by NSSRA. A natural logarithmic consumption of per adult equivalent was used as a dependent variable, and characteristics of a household, such as age composition, size, presence of migrant members, employment status of household members, and household domicile; as well as characteristics of household head such as age, gender, education, employment status, and disability were used as explanatory variables. The results indicated statistically significant dependence of consumption of per adult equivalent on the household size, household head gender, age composition, education, migration, labor market participation, and household domicile.

It is a common practice to start poverty modeling by identifying a single monetary indicator for household welfare. Either total expenditure on consumption or total income over some period are the most widely used indicators (Ravallion, 1996). The next step is to define a poverty line that tries to objectively estimate the cost of the level of welfare needed for a household to avoid poverty. In the final step, an aggregate poverty measure is determined which incorporates information from the single monetary indicator and poverty line. Various socio-economic factors can be used as explanatory variables depending on the purpose of research.

In his study, Chaudhry (2009) used both a multivariate income regression, as well as logit model as an alternative to analyze the impact of socioeconomic and demographic variables on poverty by using the data obtained from survey. In the multivariate income regression model the natural logarithm of per capita income expenditures divided by the poverty line was used as a dependent variable, while household size, educational codes (household education level), participation rate (employment), female-male ratio (FMRM), worker female-male ratio, dependency ratio (dependents/adults), child dependency ratio, old dependency ratio, age of the household head (in years), age of the household head squared, persons per room in a household, population of livestock per household, the value of physical assets per household in thousand rupees, and landholding per household (area in acres) were the independent variables. The results showed that the household gains from farm and non-farm incomes were not substantial because of the insufficiency of income and employment multipliers of agricultural growth. The household size, dependency ratio and residential district increased the odds of a household being poor. In addition, education, livestock ownership, remittances and farming increased the chances of alleviating poverty.

Empirical Specification

To identify the socio-economic variables influencing household economic conditions in rural areas of Armenia, an ordered logistic regression model was estimated, where the dependent variable, economic condition, is modeled as a function of a set of socio-economic characteristics (variables). The empirical specification of the ordered logistic regression model estimated in this study is as follows:

Pr(response category for the jth outcome $= $ i)

$$
\begin{aligned}
= F(&\beta_1 + \beta_2 POOR\_HLTH_i + \beta_3 FAIR\_HLTH_i \\
&+ \beta_4 HH\_INC\_LESS\_USD\_250_i \\
&+ \beta_5 MAX\_INCOMP\_SEC\_EDUC_i + \beta_6 COMPL\_SEC\_EDUC_i \\
&+ \beta_7 SEC\_TECH\_EDUC_i + \beta_8 HH\_MALE\_RATIO_i \\
&+ \beta_9 HH\_FEMALE\_RATIO_i + \beta_{10} HH\_CHILD\_RATIO_i \\
&+ \beta_{11} HH\_ADULT\_RATIO_i + \beta_{12} HH\_OLD\_RATIO_i \\
&+ \beta_{13} HH\_EMPL\_RATIO_i + \beta_{14} HH\_UNEMPL\_RATIO_i \\
&+ \beta_{15} HH\_SINGLE\_RATIO_i + \beta_{16} HH\_MARRIED\_RATIO_i \\
&+ \beta_{17} HH\_DIV\_SEP\_WID\_RATIO_i + u_i)
\end{aligned}
$$

where,

Pr($ECONSTN\_4$)$_i$ is the probability of economic condition of the i-th respondent taking on 1 for not having enough money for food, 2 for having enough money for food, but not for clothes, 3 for having enough money for food and clothes but not enough for expensive durables like a refrigerator and washing machine and 4 for having enough money for expensive durables. It needs to be mentioned that in this study the four ordinal categories of the dependent variable reflect an underlying measure of the respondent's propensity to become less and less poor.

The independent variables are:

POOR_HLTH$_i$ is dummy variable for health condition taking on 1 for poor health condition and 0 otherwise for the i-th respondent,

FAIR_HLTH$_i$ is dummy variable for health condition taking on 1 for fair health condition and 0 otherwise for the i-th respondent,

HH_INC_LESS_USD_250$_i$ is dummy variable for monthly household income taking on 1 if the respondent has monthly household income of 0-250 USD and 0 otherwise for the i-th respondent,

MAX_INCOMP_SEC_EDUC$_i$ is dummy variable for education level taking on 1 if the respondent has no primary education, or primary education or incomplete secondary education, and 0 otherwise for the i-th respondent,

COMPL_SEC_EDUC$_i$ is dummy variable for education taking on 1 if the respondent has completed secondary education, and 0 otherwise for the i-th respondent,

SEC_TECH_EDUC$_i$ is dummy variable for education taking on 1 if the respondent has completed secondary technical education, and 0 otherwise for the i-th respondent,

HH_MALE_RATIO$_i$ is the proportion of male members in household of the i-th respondent, *HH_FEMALE_RATIO$_i$* is the proportion of female members in household of the i-th respondent,

HH_CHILD_RATIO$_i$ is the proportion of members under 18 in household of the i-th respondent,

HH_ADULT_RATIO$_i$ is the proportion of members aged from 19 to 62 in household of the i-th respondent,

HH_OLD_RATIO$_i$ is the proportion of members aged older than 63 in household of the i-respondent,

HH_EMPL_RATIO$_i$ is the proportion of employed members in household of the i-th respondent,

HH_UNEMPLOY_RATIO$_i$ is the proportion of unemployed members in household of the i-th respondent,

HH_SINGLE_RATIO$_i$ is the proportion of single members in household of the i-th respondent,

HH_MARRIED_RATIO$_i$ is the proportion of married members in household of the i-th respondent,

HH_DIV_SEP_WID_RATIO$_i$ is the proportion of divorced, separated or widowed members in household of the i-th respondent,

u_{ij} is the random error term, and βs are the parameters to be estimated.

The model was estimated using the STATA 10 software package declaring survey design for dataset with **svyset** syntax. First, by observing the statistical significance of the parameter estimates associated with independent socio-economic variables, key characteristics were determined. Then, by using the magnitudes of these parameter estimates, the percent change in odds ratios of being poor was calculated. Odd ratios were computed through the exponentiation of the ordered logit coefficients (i.e., $e^{\alpha i}$) and the percent change in the odds ratios was calculated as $(e^{\alpha i}-1)*100$.

Health

According to the World Health Organization (WHO) and the World Bank, having good health is not only important in protecting a family from poverty, but it also plays a significant role in reducing poverty. Poor people in good health are capable of working and studying, while those in poor health are not. Thus, the parameter estimates of *POOR_HLTH* and *FAIR_HLTH* were expected to be negative.

Average Monthly Household Income

Having an average monthly household income of less than 250 USD was expected to have a negative impact on the economic condition of a household. It is impossible to underestimate the role of income while characterizing poverty, to the extent that one of the common approaches to measuring poverty is based on income itself (World Bank, 2015; Chaudhry, 2009; Blank, 1993; United Nations, 2012; Organisation for Economic Co-operation and Development, 2013).

Education

Oftentimes education is considered to be the most important factor in poverty reduction. The more educated a person is, the more likely he or she is to avoid poverty, given the wider opportunities for employment education provides (Lacour, 2011; Munich Personal RePEc Archive, 2011). Therefore, education was expected to have a positive impact.

Dependency Ratios

Child and elderly dependency ratios were expected to have a negative impact. A higher number of children and elderly members in a given household would indicate a smaller number of workers (Chaudhry, 2009).

Employment

Employment ratios would typically have a positive impact, since the larger the share of employed members in a given household, the more likely it is for a household to be in a better economic condition (Holmes, 2013).

Sex Composition

The cultural norms in rural areas of Armenia limit women from working outside their household. This is common in many developing countries (World Bank, 2006). Taking into account this fact, one will most likely expect a negative impact for the parameter estimate of female ratio. However, seasonal migration of male members of households is common in rural areas of Armenia, thus, leaving women as heads of the household carrying all the burden of the household (IFAD, 2011).

Marital Status Ratios

The parameter estimates associated with the marital status ratios could have both positive and negative impacts. According to The United States Social Security Administration (2010), unmarried people are more likely to be poor, compared to the married ones. In contrast, Fremstad (2012) suggests that most parents with below-poverty incomes who are raising minor children are married.

Data Description

For analysis, household survey data gathered by the Caucasus Research Resource Center's (CRRC) regional office in Armenia, within the framework of the 2013 Caucasus Barometer (CB) survey were used. These data are available at the CRRC-Armenia's website and they contain all the necessary information to successfully complete the research. The sample used in this study contains information on Armenian respondents who were at least 18 years old at the time when the survey was conducted. A total of 634 observations for Armenia were used in the analysis. To analyze factors affecting rural household economic conditions in Armenia the following sets of household socio-economic characteristics (variables) were analyzed: household economic condition, respondent's health condition, monthly household income, respondent's education level, employment status, household members' age, sex, and marital status.

The data have been weighted in accordance with strata and primary sampling units, where the former accounted for the subdivisions of Armenia's geographical areas, while the latter represented the number of polling stations.

Percentages of respondents by socio-economics characteristics for rural areas of Armenia are shown in Table 1.

Table №1. Percentage of Respondents by Socio-Economic Variables in Rural Areas of Armenia

	Mean (%) n=634
Economic condition	
Money is not enough for food	32.81
Money is enough for food only, but not for clothes	33.28
Money is enough for food and clothes, but not enough for expensive durables like a refrigerator or washing machine	28.71
We can afford to buy expensive durables	5.21
Health condition	
Poor health	26.09
Fair health	48.18
Good health	25.73
Monthly household income	
More than 251USD	37.20
Less than 250 USD	62.80
Education level	
Incomplete secondary education	16.51
Complete secondary education	39.93
Secondary technical education	27.95
Higher Education	15.61
Household members' gender distribution	
Male ratio	43.72
Female ratio	56.12
Household members' age distribution	
Children (0-18 years old) ratio	22.26
Adults(19-63 years old) ratio	62.76
Old (64 years and older) ratio	14.93
Household members' employment distribution	
Employed ratio	28.94
Unemployed ratio	51.99
Household members' marital status distribution	
Single ratio	14.05
Married ratio	53.84
Divorced, separated or widowed size ratio	11.17

Rural households in Armenia without enough money for food accounted for 32.81% of total respondents. The share of households with enough money for food, but not for clothes was slightly more (33.28%). Roughly 28.71% of households were able to afford both food and clothes. Only 5.21% of respondent households could afford expensive durables. Roughly 26% of respondents living in rural households in Armenia reported that they were in poor health. The highest proportion of respondents in rural areas of Armenia (48.18%) evaluated their health condition as "fair", and 25.73% reported to be in good health. Roughly two-thirds of the respondents reported to have an average monthly household income of less than 250 USD (62.80%), while the rest (37.20%) reported an average monthly household income above 251 USD. Having completed secondary education was the most frequent reported education level in rural areas of Armenia (39.93%), followed by secondary technical education (27.95%), and maximum incomplete secondary education (16.51%). The least frequency was observed for "Higher education" category, 15.61%. Household sex composition, on average, was 43.72% male and 56.12% female. Age composition is another important factor that has been taken into account. On average, 22.26% of household members were children, 62.76% were adults, and the remaining 14.93% were the elderly. On average, 14.05% of household members were single, 53.84% were married, and 11.17% were either divorced or separated or widowed.

According to the CB sample data, a typical Armenian rural household would mainly consist of an adult married female who has complete secondary education, is in fair health, is unemployed, has an average monthly household income of less than 250 USD, and reports to have enough money to afford only food.

Estimation Results

Cross-tabulations

To ascertain the relationship between the economic condition and socio-economic characteristics of a household, a cross tabulation analysis was carried out. The results of the analysis are presented in Table 2. The cross tabulation of the economic conditions with socio economic variables makes it possible to draw the profiles of households in rural areas of Armenia that have reported not having enough money for food, having enough money for food but not for clothes, having enough money for food, clothes but not for expensive durables like a refrigerator or a washing machine, and having enough money to afford expensive durables.

Households not Having Enough Money for Food

The majority of respondents from these households reported to have fair health (46.41%), followed by poor health (43.09%) with only 10.50% of respondents reporting good health. The vast majority (82.78%) of households reported to have an average monthly household income of less than 250 USD, and only 17.22% reported having an average monthly household income of more than 251 USD. A quarter of respondents (25.18%) from this group had not completed secondary education, 42.83% had completed secondary education, 26.06% had secondary technical education, and only 5.94% reported higher education. An average household from this group consisted of 40.08% males, and 59.65% females. In terms of age distribution, these households consisted of, on average, 22.58% children, 57.66% adults, and 19.76% elderly people. The unemployed accounted for 62.76% of the size of household, while employed members were only 17.75%. Roughly, half of household members (50.50%) were married, 12.24% were single, and 15.82% were either divorced or separated or widowed.

Table №2. Household Economic Condition by Socio-Economic Variables

	Money is not enough for food	Money is enough for food only, but not for clothes	Money is enough for food and clothes, but not enough for expensive durables like a refrigerator and washing machine	We can afford to buy expensive durables
Health condition				
Poor health	43.09	25.30	11.19	8.73
Fair health	46.41	47.30	57.91	16.13
Good health	10.50	27.40	30.90	75.15
Monthly household income				
Less than 250 USD	82.78	69.51	39.90	24.58
More than 251 USD	17.22	30.49	60.10	75.42
Education level				
Incomplete secondary education	25.18	13.90	11.26	8.98
Complete secondary education	42.83	44.89	33.61	25.99
Secondary technical education	26.06	28.85	29.72	24.71
Higher Education	5.94	12.36	25.41	40.32
Household members' gender distribution				
Male ratio	40.08	43.59	46.58	50.65
Female ratio	59.65	56.30	53.26	49.35
Household members' age distribution				
Children (0-18 years old) ratio	22.58	22.36	22.95	16.54
Adults (19-63 years old) ratio	57.66	63.68	65.73	71.24
Old (64 years and older) ratio	19.72	13.95	11.16	12.23
Household members' employment distribution				
Employed ratio	17.75	29.62	35.28	56.12
Unemployed ratio	62.76	51.86	44.03	31.71
Household members' marital status distribution				
Single ratio	12.24	13.52	15.56	19.76
Married ratio	50.50	54.29	55.37	62.27
Divorced, separated or widowed ratio	15.82	10.86	7.67	4.16

Households Having Enough Money for Food but not for Clothes

About a quarter of the respondents (25.30%) from the households with enough money for food, but not for clothes, reported poor health, with roughly, twice as many reporting fair health (47.30%), and the remaining 27.40% evaluated their health condition as "good". About 69.51% of these households reported to have an average monthly household income of less than 250 USD, while the remaining 30.49% had an average monthly household income of more than 251 USD. The majority of respondents (44.89%) from this group had completed secondary education, 28.85% had secondary technical education, 12.36% had higher education, while 13.90% had not completed secondary education. In terms of sex distribution, an average household from this group consisted of 43.59% males and 56.30% females. Adults in these households accounted for 63.68%, while 23.36% were children, and 13.95% were elderly people. Roughly 29.62% of household members were employed, while 51.86% were unemployed. On average, a household with enough money for food but not enough for clothing consisted of 13.52% single, 54.29% married and 10.86% divorced or separated or widowed people.

Households Having Enough Money for Food and Clothes but not for Expensive Durables like a Refrigerator or Washing Machine

On average, 11.19% of respondents from these households reported poor health. The majority (57.91%) reported fair health and about one-third of respondents (30.90%) evaluated their health as "good". About 60.10% of households have enough money for food but not for expensive durables reported an average monthly household income of more than 251 USD. The remaining 39.90% had an average monthly household income of less than 250 USD. Roughly, 11.26% of respondents from these households had not completed secondary education, 33.61% had secondary education, 29.72% had secondary technical education, and about a quarter of respondents

(25.41%) reported to have higher education. A household belonging to this group on average consisted of 46.58% males and 53.26% females. Adults in these households accounted for, on average, 65.73%, children for 22.95%, and elderly people for 11.16%. About 35.28% of household members were employed, and 44.03% were unemployed. Approximately, 15.56% of household members were single, while 55.37% were married, and 7.67% were either divorced or separated or widowed.

Households that can Afford to Buy Expensive Durables

The respondents from these households had the following breakdown: 8.73% had poor health, 16.13% had fair health, and the majority (75.15%) had good health. The share of respondents with an average monthly household income of more than 251 USD was three times as large (75.42%) as the share of the ones with average monthly household income of less than 250 USD (24.58%). Approximately, 8.98% of respondents had not completed secondary education, 25.99% had completed secondary education, 24.71% had secondary technical education, and 40.32% had higher education. These households consisted of, on average, 50.65% males and 49.35% females, with adults accounting for 71.24%, children accounting for 16.54%, and elderly people accounting for 12.23%. Households from this group reported the highest level of employment (56.12%). Only 31.17% of the members of the households from this group were unemployed. The breakdown according to marital status was as follows: 19.76% were single, 62.27% were married and 4.16% were either divorced or separated or widowed.

Ordered Logistic Regression

The estimated coefficients, the associated p-values and percent change in odds ratios from the ordered logit model are presented in the Table 3. The

statistical significance of the coefficients was evaluated at a 5% significance level. The interpretation of the estimation results is done in terms of only statistically significant percent change in odds ratios.

Based on the p-value of the F statistic, which is equal to zero, it can be concluded that all of the parameter estimates were jointly statistically significant at the 5% significance level. The estimation results showed that the odds of being in a better economic condition (less poor) for the respondents reporting poor health were lower by 75.58%, compared to those who reported good health condition, everything else held constant. Similarly, for

Table №3. Ordered Logit Coefficients, Associated p-values and Percentage Change in Odds Ratios

	Coefficients	% change in odds ratios
Health condition *(base: Good health)*		
Poor health	-1.41* (0.000)	-75.58*
Fair health	-0.76* (0.005)	-53.23*
Monthly household income*(base: More than 251 USD)*		
Less than 250 USD	-1.13* (0.000)	-67.70*
Education level*(base: Higher Education)*		
Incomplete secondary education	-1.21* (0.001)	-70.18*
Complete secondary education	-0.93* (0.001)	-60.54*
Secondary technical education	-0.66* (0.042)	-48.31*
Household members' gender distribution		
Male ratio	2.51 (0.428)	1130.49
Female ratio	2.28 (0.473)	877.67
Household members' age distribution		
Children (0-18 years old) ratio	-9.72* (0.011)	-99.99*
Adults (19-63 years old) ratio	-10.83* (0.007)	-100.00*

Old (64 years and older) ratio	-10.98* (0.006)	-100.00*
Household members' employment distribution		
Employed ratio	0.53 (0.384)	69.89
Unemployed ratio	-0.68 (0.204)	-49.34
Household members' marital status distribution		
Single ratio	1.70 (0.278)	447.39
Married ratio	2.02 (0.259)	653.83
Divorced, separated or widowed ratio	1.13 (0.506)	209.57
Prob> F	12.40 (0.000)	

*p-values are reported in parenthesis.

**Asterisk indicates statistical significance at the 5% level.

those respondents who reported fair health condition, the odds of being in a better economic condition were lower by 53.23%, compared to those who reported good health condition, everything else held constant. Households that reported an average monthly household income of less than 250 USD were less likely by to be in a better economic condition by 67.70%, compared to households that reported an average monthly household income of more than 251 USD, everything else held constant. Another statistically significant determinant of household economic condition was education. The results of estimation showed that the respondent that did not complete secondary education had 70.18% less chance to be in a better economic condition, compared to those who had higher education, everything else held constant. Similarly, respondents who only completed secondary education or secondary technical education had their odds of being in better economic condition lowered by 60.54% and 48.31%, respectively, compared to those who had higher education, everything else held constant. Children ratio, adults' ratio and elderly ratio had the same impact on the odds of being in a better economic condition. Particularly, if the ratio of children to household size increased by one unit, the odds of being in a better economic condition decreased by 99.99%, everything else held constant. In case of number of

adults to household size ratio, a one unit increase in this ratio decreased the odds of being in a better economic condition by 100.00% everything else held constant. Like other categories of this variable if the percentage of elderly members in a household increased by one unit, the odds of being in a better economic condition decreased by 100.00%, other things held constant. The impact of characteristics related to gender, employment, and marital status distributions were statistically insignificant.

Summary and Policy Recommendations

The purpose of this research was to shed light on the characteristics that affect rural household economic conditions in Armenia. To that end, an ordered logit model was estimated using the CB dataset collected by the CRRC-Armenia in 2013. Also, using the method of cross tabulations, profiles of households in different economic conditions were drawn up.

The ordered logit estimation results showed that health conditions, average monthly household income, education levels, and age distributions were statistically significant determinants of rural households' economic conditions. Particularly, compared to having good health, having poor or fair health reduced the odds of being in a better economic condition. Having a low average monthly household income or a low level of education also reduced the odds of being in better economic condition. At all age levels, having additional members in household reduced the odds of being in a better economic condition.

A typical household with not enough money for food predominantly consisted of married female adults, who had completed secondary education, were unemployed and had average household monthly income of less than 250 USD. Respondents from this type of households on average reported fair health. A household with enough money for food, but not for clothes would typically consist of married female adults, who completed secondary

education, were unemployed and had average monthly household income of less than 250 USD. Respondents from this type of household usually reported to have fair health. A typical household with enough money for food and clothes, but not for durables, consisted of married female adults with complete secondary education, who were unemployed and had average monthly household income of more than 251 USD. A respondent from this type of household usually reported to have fair health. A typical household that was able to afford expensive durables consisted of married male adults with higher education, who had been employed and had an average monthly household income of more than 251 USD. A respondent from this type of household usually reported to have good health.

Based on the results of the present analysis, the following recommendations should be followed to assist households in improving their economic condition:

Establish healthcare institutions in rural areas of Armenia and provide affordable healthcare packages for households with bad economic conditions.

Increase average monthly monetary income through social welfare programs for households that are in relatively bad economic conditions,

Support investments in education and establish more educational facilities in rural areas of Armenia making it accessible for rural people.

Improve the living standards of the elderly by establishing rural nursing homes.

Assist families with many children by establishing affordable childcare facilities in rural areas of Armenia.

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International Capital Requirements in Banks and Insurance Companies
(BASEL III and SOLVENCY II)

Nowadays banking and insurance have become more complex business and in purpose to limit or mitigate risks in banking and insurance sector, as well as to insure the soundness of financial institutions, supervisors used to employee various prudential approaches and rules. Since the supervisory resources are scarce and approach "one-size-fits-all" did not worked well, risk –based approach become more important. In recent article are analyzed international supervisory approaches for banks and insurance companies- BASEL III and SOLVENCY II, also existed prudential regulations in Georgia and compliance with international requirements. Article suggests that besides some obstacles it is nessesary for Georgian financial sector to expand and be more compliant with international standards, namely, financial institutions must have some capital buffers which could be used to cover losses during financial short come. Reforms should be done gradually and high attention must be paid to insurance sector.

Keywords: Banking and Insurance supervision, capital requirements, Basel III, Solvency II, risk based approach

Introduction

In order to limit or mitigate risks in the banking and insurance sector, as well as to insure the soundness of financial institutions, supervisors used to employ various prudential approaches and rules. Today banking and insurance have become more complex businesses. Financial groups have diverse business and risk management models. Meanwhile supervisory resources, including staff, are scarce and need to be developed as effectively and efficiently as possible. Due to these reasons, supervisors started to adopt the so-called risk-based supervision model. This approach entails a departure from "one-size-fits-all" requirements that are applied uniformly to all banks and insurers regardless of their size and risk profile. An important focus in a risk-based approach is the potential impact that a bank or insurer's failure would have on the financial system. It is evident that the failure of a larger institution is likely to have a greater impact on the whole system; however, according to the risk-based approach, the failure of even small institutions should be also analyzed, because this type of failure may also undermine and harm the reputation of the whole system.

In this article international supervisory approaches for banks and insurance companies- BASEL III and SOLVENCY II, are analyzed as well as existing prudential regulations in Georgia, the compliance with international requirements, and the challenges faced by the Georgian financial sector in order to meet the aforementioned international requirements.

Main Principles of Risk Based Supervision

The risk-based supervisory framework involves the following elements:

Identifying significant operations- at this stage supervisory judgment is needed to determine the materiality of a bank or insurer's activities. Significant operations can be determined from various sources, such as

internal and external financial reporting, organization charts and strategic business plans.

Risk identification and assessment-risk identification take place at two levels: sector-wide risks and risks affecting individual firms;

Risk management, control and mitigants-this involves examining the firm's management structure, policies and procedures, systems and controls and then assessing how individual risks are managed, controlled and mitigated. Typically, risk management/control functions, which vary based on the size and complexity of a financial group, can be categorized as follows: risk management processes, compliance, internal audit, senior management oversight and board of directors oversight, risk mitigation;

Net risk- the aggregate level of inherent risk offset by the aggregate quality of risk management; the net risk assessment for individual activities can be supplemented by an evaluation of the direction of net risk to provide a forward-looking view.

Overall assessment- once the assessment of inherent risks, the quality of risk management and the resulting net risk evaluation for each significant activity is complete, an overall or composite rating can be determined for the bank or insurer.

Regulation of International Banking Supervision- Basel III accord- General Overview

In general, the main difference between supervisory and accounting capital (assets-liabilities) is that the supervisory capital must have loss absorption ability. Quite often accounting capital is a base for supervisory one with necessary adjustments. Under Basel III regulations, Tier I capital consists of the following components: common shares issued by banks that meet the common equity criteria, retained earnings, stock surplus resulting from eligible common shares, accumulated other comprehensive income and other disclosed reserves, common shares issued by consolidated subsidiaries by

banks and held by third parties (minority interest) that meet specified criteria, regulatory adjustments applied to Tire 1 capital. To be classified as common equity, an instrument will have to satisfy 14 criteria. These criteria seek to ensure that, regardless of its legal form, the instrument can fully, immediately and unconditionally absorb the losses. Basel III introduced a new minimum capital requirement –the minimum Common Equity Tier 1 (CET 1). This ratio relates items qualifying as common equity, net supervisory adjustments to risk weighted assets. The minimum level of this ratio is 4.5% since 2015 and total Tier 1 capital is 8% of risk weighted assets instead of 4%.
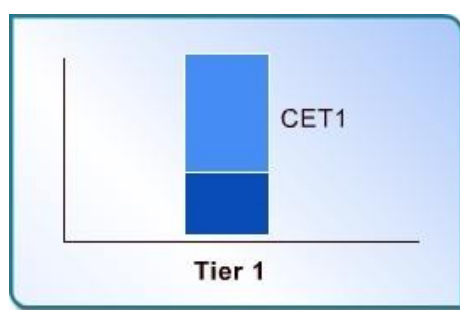
According to Basel III, resecuritizations are to receive higher risk weights than other secured exposure. Securitization is the financial practice of pooling various types of contractual debt such as residential mortgages, commercial mortgages, auto loans or credit card debt obligations or other non-debt assets which generate receivables and selling their related cash flows to third party investors as securities, which may be described as bonds, pass-through securities, or collateralized debt obligations (CDOs). Investors are repaid from the principal and interest cash flows collected from the underlying debt and redistributed through the capital structure of the new financing. Securities backed by mortgage receivables are called mortgage-backed securities (MBS), while those backed by other types of receivables are asset-backed securities (ABS). This is because they have a higher risk profile and accordingly they have higher risk weights.

Under Basel III changes have been made towards market risk procedures, since many banks have suffered losses from market risk during financial

crises. Banks determined their capital charges through their internal systems, which have to calculate a stressed Value-at Risk (VaR) capital charge; the purpose is to reflect market losses under a stressed situation. Such banks also must determine an additional capital charge –the incremental risk charge (IRC). IRC captures default risk and credit migration risk at a one-year horizon. Banks must use the charges determined for banking book securitizations to calculate the capital requirements for specific risk on their net traded securitization positions.

Basel III enhanced requirements towards counterparty credit risk, namely, to address general wrong-way risk, the effective expected positive exposure (effective EPE) must be based on stressed parameters. Banks must also identify and monitor the specific wrong-way risk with each legal entity to which they are exposed. To mitigate systemic risk, certain asset correlation factors used in determining credit risk capital requirements for IRB banks have been increased by 25%.

The committee introduced standardized capital requirements for credit value's change and these enhanced requirements apply to credit spread changes. Under Basel III the value of each derivative instrument must change upon changes of the base asset. To measure this change, banks must use the risk neutral asset's price; the change itself is called the credit value change.

Basel III reforms introduced a leverage ratio relating regulatory capital to a gross exposure measure, which is calculated on a quarterly basis. The leverage ratio is intended to constrain the build-up of leverage in the banking sector and reinforce the risk-based requirements with a simple, non-risk measure that establishes backstop.

Basel III introduced the Capital Conservation Buffer and the countercyclical buffer. The capital Conservation Buffer (CCB) corresponds to 2.5% of risk weighed assets and comes in addition to the CET ratio's minimum requirements. The buffer size started at 0.625% on January 1, 2016 and will grow to 2.5% by January 1, 2019, increasing by 0,625% each year. The

countercyclical buffer aims to ensure that banks' capital levels take account of the macroeconomic environment in which they are operating. The size of the aggregate buffer will vary between 0 and 2.5% of risk weighed assets. Under this regime, national authorities will monitor credit growth in their respective jurisdictions. If they determine that it is excessive and poses risks to the banking sector, they will have to decide if they want to activate the countercyclical buffer and, if so, to what level. They will also be responsible for releasing the buffer (that is, setting the requirement back to zero) when the credit cycle turns.

Below is the summary of Basel III reforms and their implementation

	2011	2012	2013	2014	2015	2016	2017	2018	As of January 1, 2019
Leverage ratio	Supervisory Monitoring		Parallel run until 1 January, 2017 Disclosure as of January 1, 2015					Pillar 1 Migration	
Minimum Common Equity Ratio (CET 1)			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation-on Buffer (CC Buffer)						0.625 %	1.25 %	1.875 %	2.60 %
CET 1+CC Buffer			3.5%	4.0%	4.5%	5.125 %	5.75 %	6.375 %	7%
Phase – in od deductions from CET1 (including threshold deductions)				20%	40%	60%	80%	100%	100 %
Minimum Tier 1 Capital ratio			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital Ratio (TC Ratio)			8.%	8.%	8.%	8.%	8.%	8.%	8.%

TC Ratio+CC Buffer			8.%	8.%	8.%	8.625 %	9.25 %	9.875 %	10.5 %
Countercy clical Buffer						Range of 0%-2.5% of common equity Implemented according to national circumstances			
Additiona l Loss Absorbing -cy for Internatio nally active banks						Range 1% to 2.5% (empty bucket at 3.5%)Composition determined by indicator-based approach			

Financial Stability in Insurance Companies - Solvency Introduction

Recently the activities of insurance companies and insurance groups have increasingly crossed national and sector boundaries and therefore this industry plays crucial roles in both domestic and global economies. It is important that insurance companies remain in sound financial condition in order to ensure the smooth functioning of insurance markets and the protection of policyholders.

An essential element in assessing the financial soundness of an insurer is the level of its capital relative to its risk profile. In other words, its capital adequacy. Capital adequacy refers to the extent to which an insurer has sufficient capital recourses to meet its regulatory capital requirements. Another critical element is the adequacy of provisions for claims that are expected to be made. Provisions may be known as insurance liabilities, actuarial liabilities, technical provisions, etc. In this they are mainly referred to as technical provisions. Solvency refers to the ability of an insurer to meet its obligations to policyholders when they fall due. It is a broader concept than capital adequacy. Solvency covers not only capital adequacy but also other aspects such as technical provisions, enterprise risk management, supervisory review and supervisory reporting.

Technical provisions and capital adequacy are very much interrelated. To be solvent, an insurer must have sufficient assets to cover its liabilities including

technical provisions. Technical provisions represent the funds needed to meet expected losses. In addition, an insurer should also have sufficient capital resources to cover its regulatory capital requirements. Regulatory capital requirements are intended to cope with unexpected losses. For a capital instrument to be considered as solvency indicator it is necessary to have less subordination and priority. Additionally, it should be available to absorb losses without any conditions.

Supervisory Regime Solvency II- Overview, Basic Principles

Solvency II is a risk-based approach intended to align capital requirements to the risks faced by insurers. Solvency II is intended to reflect the economic risks that insurers face by taking into account both asset-side and liability-side risks, as well as the interactions within and between such risks. Solvency II has a three-pillar structure:

Pillar 1 focuses on the quantitative aspects of solvency and how to calculate the capital requirements.

Pillar 2 focuses on qualitative measures (including the supervisory review process) and allow for additional capital requirements to supplement those calculated under Pillar 1.

Pillar 3 consists of disclosure requirements.

Requirements of Solvency II enhance the protection of policyholders and beneficiaries, as well as improve the financial conditions of insurers and reinsurers. The implementation of Solvency II is also intended to improve risk management at insurance firms and to increase transparency.

Supervisory regime Solvency II introduced broad guiding principles that are intended to enhance the approach to group supervision and solvency; namely: a.) proportionality - the group solvency calculation takes into account the proportional share held by the parent in its related undertakings; b.) elimination of double use of funds - the double use of own funds (also known

as double gearing) eligible for the Solvency Capital Requirement (SCR) calculation among the different insurers in the group is not allowed; c.) elimination of intra-group creation of capital - when calculating group solvency, no account can be taken of anyone's own funds eligible for the SCR arising out of reciprocal financing between the insurer and a related entity, parent or another related entity of the parent.

Solvency II requires that insurers hold capital not only against insurance risks but also against: 1.) market risk, the risk that insurers' investments decline in value; 2.) credit risk, the risk that third parties do not repay their debts; 3.) operational risk, the risk of systems breaking down or malpractice.

The valuation approach for all assets and liabilities outlined in Solvency II is based on the fair value concepts set out by the International Accounting Standards Board (IASB). In particular, assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; liabilities are valued at the amount for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction; however, when valuing liabilities, no adjustment is made to take into account the insurer's own credit standing. The technical provisions are based on their current exit value, which reflects the amount an insurer would expect to have to pay if it immediately transferred its rights and obligations under its insurance contracts to another insurer. The calculation of technical provisions must be market-consistent. Insurer-specific information is used in the calculation of technical provisions as that information enables insurers to better capture the characteristics of the underlying insurance portfolio. Market-consistency means that the calculation of technical provisions should make use of, and be consistent with, information provided by the financial markets and available data on insurance technical risks. The value of technical provisions is to be equal to the sum of the best estimate and risk margin.

There are two main approaches to calculate solvency capital requirements: 1.) The Standard Approach (SA) is a set of one-size-fits-all formulae that can be applied by all insurers, irrespective of their size, portfolio mix and geographical location; 2.) The Internal Model Approach (IMA) reflects an insurer's own risk profile and may be used provided supervisory approval is given. Not all insurers have sophisticated internal models that can be used to calculate their solvency capital requirements with the reliability required by supervisors. Since small and medium-sized firms may have difficulty absorbing the costs of building such models, the Solvency II framework provides the SA, which is intended to achieve similar results to those that result from implementing the IMA. The Standard Approach covers the spectrum of significant risks faces by insurers for each risk type. The capital requirements for each type risk (except operational risk) are calculated with each module calibrated to the one year 99.5% VaR level. The results are aggregated with diversification effects and a separate charge for operational risk is added. Adjustments for the loss-absorbing capacity of technical provisions and deferred taxes may be made to arrive at the total Solvency Capital Requirements. As we noted above, insurers may use the Internal Model Approach to calculate their Solvency Capital Requirements. The mentioned purpose model should be a VaR model with a confidence level of 99.5% or higher with a one-year time horizon and be approved by the supervisor. For two years after receiving supervisory approval to use the Internal Model Approach, insurers will be expected to also calculate the Solvency Capital Requirements using the Standard Approach. This will permit insurers and supervisors to compare the results between the two calculation methods. The Framework Directive sets out a number of conditions for supervisory approval of an insurer's use of the Internal Model Approach. Namely, an insurer must demonstrate that the model passes a use test, which requires that the model is embedded within a system of governance, a key tool in decision-making processes and updated regularly to reflect the insurer's risk profile. The insurer's internal model must meet quality standards related to the accuracy and appropriateness of the underlying data; how

diversification effects are taken into account within risk categories, as well as across risk categories; its ability to rank risk and its coverage of all material risks. The validation process should include an analysis of the stability of the internal model and test the sensitivity of the results of the internal model to changes in key underlying assumptions.

Under Pillar 2, supervisory authorities will review and evaluate the strategies, processes and reporting procedures established by insurers to comply with the Framework Directive and assess the capacity of an insurer's governance system to identify, assess and manage the risks and potential risks it faces as a business. Pillar 2 is intended to encourage insurers to improve their risk management systems and their effectiveness in identifying, monitoring and managing their risks. An insurer's risk management system should reflect its business model and risk profile.

Pillar 3 requires an insurer to disclose, annually, essential information relative to its solvency and financial condition. Before publication, the annual report must be approved by the insurer's administrative or management body.

Prudential Regulations in Georgian Banking and Insurance sector (Compliance with International Norms)

International institutions (The World Bank, IMF) periodically make financial stability assessments of the Georgian Financial system. Based on these recommendations supervisory authorities introduce new norms or update existed ones. The latest assessment was made in December of 2014 by the International Monetary Fund (IMF). According to latest Financial Sector Assessment Program (FSAP) there are essential improvements in banking supervision, namely regarding Basel Core principles implementation. The FSAP mission concluded that by introducing important reforms and maintaining a conservative approach, the NBG had implemented a comprehensive, advanced, and risk-based supervisory framework, which

provides for the early identification of risks and the most efficient allocation of resources. According to the requirements of National Bank of Georgia Commercial banks should: a.) evaluate the risk level which is acceptable for them, the so-called risk "appetite" which will be considered for supervision policy; b.) maintain an adequate internal model for own capital and liquidity assessment (the ICAAP -Internal Capital Adequacy Assessment Process). For now there are no explicit rules for the evaluation of such models; c) maintain forward-looking stress tests and analyze results;

In 2014, the components of Pillars I and II of the capital adequacy framework, which are based on Basel II/III, were fully launched. Updated capital is one of the adequacy requirements introduced for the minimum level of a banks' own funds: Core tier I capital should be a minimum 7% of risk weighed assets, the Tier I capital ratio is 8.5% and regulatory capital should be 10.5% of risk weighed assets. These regulatory requirements are rather more conservative than international standards (see above table regarding Basel III implementation dates). According to Basel II/III pillar 2 requirements, the National Bank of Georgia adopted instructions on capital requirements for concentration risk coverage. Under this regulation, banks should have capital for sector and geographical concentrations, as well as for other types.

In 2014 the Rule on the General Risk Assessment Program (GRAPE) also came into force. GRAPE's objective is to formalize the risk-based supervisory process of commercial banks. This document describes the various components of the continuous cycle of risk-based supervision and outlines the responsible structural units. GRAPE incorporates the stages of risk identification, analysis and assessment during different phases, periodic summary assessments and supervisory actions. The internal capital adequacy assessment and stress tests of pillar II are integral parts of this program. In accordance with the Basel III Pillar 2 requirements, the National Bank of Georgia has paid a significant amount of attention to financial instrument impairment methods and risk disclosure qualities. For these reasons, NBG has enhanced their cooperation with external auditors, and has also continued

working on the transition of commercial banks' regulatory reporting requirements to the International Financial Reporting Standards (IFRS). This initiative will ensure that the continuous regulatory reporting by commercial banks is based on the European Union reporting form (FINREP) prepared in accordance with IFRS. This will contribute to enhancing transparency and efficiency, and any double reporting burden will be avoided. Since 2014 there has been regulation on capital requirements for operational risk in accordance with Basel II standards.

FSAP made recommendations to introduce a Liquidity Coverage Ratio according to Basel III requirements and Contra Cyclical Capital Buffer for systematically important banks, as well as enhance requirements for information disclosure.

We should point out that the same FSAP paid very little attention to the supervision of insurance companies; however, there is a real reason for this. In the insurance sector no achievements have been made since the previous assessment: namely, no improvements in licensing criteria, which was supposed to have minimum requirements for management fit and proper; all foreign insurers were supposed to have minimum characteristics of financial strength, as well as supervisors which have the ability to make re-insurance program corrections, etc.

Unlike banking sector, there are almost no prudential regulations for the insurance sector. According to existing laws the only requirement is for minimum capital- life insurance 2,200,000 GEL, non-life insurance 2,000,000 GEL and re-insurance 2,200,000 GEL (until December 31, 2016 these were 1,500,000 GEL; 1,000,000 GEL and 1,500,000 GEL accordingly). The capital requirement is the same for all insurers and does not take into account the risk profile of insurance companies. From 2017 there will be new requirements on supervisory capital and solvency; (today supervision authorities have adopted some projects for regulatory changes).

Supervisory capital is defined as a guarantee on the financial soundness of insurer, which at every stage of insurance activity should be more than the minimum capital and solvency indicators. The definition of supervisory capital is quite simple and unambiguous: actually this is its own capital according to IFRS minus some corrections (such as: intangible assets, term proportion of investments in subsidiaries, deferred assets and liabilities, etc.). The main idea of corrections is that an insurer must have sufficient cash and assets, which are easily convertible into cash in purpose to cover expected or unexpected losses. These requirements are mostly in accordance with international capital requirements. According to new regulation, the project solvency indicator should be calculated by two methods: solvency is based either on incurred losses or the written premium (the maximum is taken for solvency), in case the insurer has only existed less than 3 years, than only a written premium method will be used. The idea behind this is that for the period of less than 3 years, the insurer will not able to determine the adequate conclusion on losses. In a written premium method, brute premiums will be used not net one, also in some cases this indicator is multiplied by 1.5 (which increases capital requirements); usually these are made for riskier contracts, for instance insurance of air-line or maritime transportation responsibilities, etc. For calculations of solvency requirements based on incurred losses, an average of three years worth of losses is considered, corrections are made with the same logic as in the case of written premiums.

According to updated projects, supervisory capital and solvency requirements will be unique for every insurer and this means that there will be no difference for capital requirements based on internal risk assessment models or risk profile, in accordance to the international Solvency II requirements. The year of 2017 will be somewhat of a transition year, since the capital injections should be made step-by-step during the whole year.

As we see from the above discussion, the banking sector is in much better shape in terms of compliance with international requirements when compared to insurance business. There have been many reforms done in

banking supervisions which are in compliance with Basel II/III requirements, but only minimum capital requirements will be active from the coming year in the insurance sector. International experience does show that banking and insurance regulations are quite similar in structure and in context.

There are some particular issues in the Georgian financial sector which somehow explain such differences: in Georgia, the insurance sector is less developed; the main demand is for medical insurance, which is not a profitable sector. Like in the banking sector, in the insurance sphere the dominant asset owners are insurance companies affiliated with large banks. There is a restriction for banks regarding non-banking activities, but in reality, banks which hold insurance companies, nowadays have the same new owner, so banks and insurance companies are under the same "umbrella". This has caused quite an unequal situation in terms of capital: actually, almost all insurance companies, except affiliated ones with large commercial banks, will need quite huge capital injection to meet new capital requirements. At the same time, there is no problem of capital in banking sector – according to assessments from every international organization. The banking sector in Georgia is quite well capitalized. Due to mentioned reasons managers of insurance companies argue, that these new regulations are in favor of large institutions and will result in decrease of small and medium size insurers. According to them these requirements need to be introduced only after the introduction of obligatory insurance for some insurance lines. We also must take into consideration the fact that changes in the insurance sector are very sensitive, since insurance is quite well-connected with other industries. For instance, it is very important to develop proper insurance schemes for the agricultural sector, since it is one of the priorities for the Georgian economy.

Conclusion

Despite the above-mentioned obstacles, it is necessary for the Georgian financial sector to expand and be more compliant with international standards. For this purpose, as well as for consumer protection purposes, financial institutions must have buffer capital which can be used to cover losses in case of financial shortcomings. The international supervisory framework tends to be harmonized; Basel III and Solvency II are quite similar: requirements of minimum capital, supervisory review process and

transparency which improves market discipline. This process is not surprising, since the business of financial institutions has become quite complex and global. In previous years, we faced almost the same process in banking sector: consolidation of banks occurred as the requirements for minimum chartered capital increased; however, this did happen gradually. If we look closely at the international supervision framework, we observe that reforms are usually made gradually. This should be necessary in Georgia too, particularly in the insurance sector. Usually financial institutions differ from each other in terms of market share, risk profile and their role in whole financial system. Due to these reasons, it is more reasonable to have prudential requirements based on such approach, and this all the more supports the claim that risk based supervision is more rational and flexible.

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Psychology of Online Customer Behavior

The online environment has been dramatically affected by customer behavior over the past years. The challenge of a sophisticated marketer became to outline the factors, which influence customer behavior in order to better plan future marketing objectives. Various dependent and independent factors exist, which are mainly grouped into social and psychological variables. Customers are constantly changing their preferences and behavior through the internet along with technological advancements. It became inevitable for a company to outline what the online user experience generates in the minds potential buyers. How the customer goes through the sales tunnel and what leads toward the decision to buy a certain product/service? The aim of this article is to outline the peculiarities of social and psychological factors over the web, which play a key role in internet customer behavior.

Keywords: Customer behavior; online customer; psychology of customers; behavior in online

Introduction

Worldwide there are 3.2 billion internet users (Ictfacts & Figures, 2015). Additionally, 25% of search results for world's top 10 brand points to user-generated content (Tuten & Solomon, 2014, p.3). Furthermore, every day, online influence is increasing as the number of users is increasing (Tuten and Solomon, 2014). The fact is that more and more people are becoming internet users on a daily basis and the digital era is influencing on their actions and preferences. Consumers are starting to pamper themselves by ordering a food from an online grocery store or booking a vacation online. This has made people change their behavior and demands. Digital marketers started gathering a huge amount of data from internet users in order to offer individual and tailored offers. Traditional channels of marketing through which marketers satisfy customers' need to fundamentally be rethought and redeveloped. As per a guru of marketing management outlined, marketers should always involve their customers in the creation process for their products/services (Kotler, 2009).

The extension of the capabilities that the internet brought to marketers gave them more flexibility to diversify promotional channels, but on the other hand, increased the demand and specific requirements from customers. Information is open and accessible for everybody and the traditional ways of offering a product with the description of the features are no longer working. It is more relevant to outline the significance of the value brought in the end by the products, than to claim their efficiency.

The psychology of internet customers is focused on tailor-made offers, they like to share the excitement brought from product to others. People start socializing and getting feedback on certain products or services. The referencing chain is raising dramatically and marketers should take into consideration the power of digital tools. Therefore, to fulfill the needs of customers, a company has to aim for establishing long-term relations. This

objective can be achieved through implementing interactive marketing campaigns and electronic CRM (customer relationship management) systems.

The emergence of the current version of the Internet - web 2.0 with supporting software and services, along with devices, triggered a culture of participation from people, which led to a horizontal revolution, implying that information flows not only from corporations and governments but also across people (Tuten & Solomon, 2014,p.3).

Marketers need to know everything about what kind of exogenous or endogenous factors are affecting their customers. What is their behavior when a single variable is changed? How do they react? What is their lifestyle? How they are spending their free time? What are their preferences in terms of making final decisions? When those questions are asked through the information received from the internet, customers can be grouped into niches and, therefore, marketers are able to reach target message through channels which specific customers are frequently using (Shiffman & Kanuk, 2008). It should be noted, that in cyberspace people trust to their social groups, rather companies, hence identifying the psychology of their behavior makes the task easier for marketers to fulfill their financial goals or to build strong brand equity.

The traditional customer funnel was linear and moved from awareness to brand loyalty, through familiarization, consideration and then purchase (Mangolda & Faulds, 2009).

Figure 1: Traditional Funnel
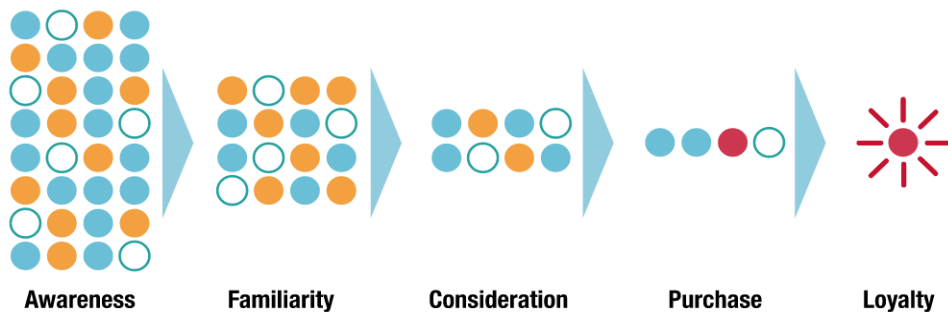
Source: (Elzinga, Mulder, & Vetvik, 2009)

Furthermore, as Elzinga, Mulder, & Vetvik, (2009) further identified, purchase decision-making is not linear with 4 distinct phases (figure 1), nowadays, the funnel looks circular, where in order to turn customers into loyal customers, it has the additional step of post purchase, where a person experiences the product.

Figure 2: Loyalty Ladder of Customer

Source: (Elzinga, Mulder, & Vetvik, 2009)

According to Keeler (2003) a brand exists in consumers' minds, which reflects their knowledge about the brand, associations, and experiences. As a brand, acting from the mindset of the customer allows them to shape brand's values, characteristics, and attributes and personally-referenced opinions and feelings about the brand's positioning. (Dimofte, Haugtvedt, & Yalch, 2015). Hence, through analysis of a consumer's mindset, marketers have the possibility to improve the consumer experience.

Method

Alongside with rapid growth of internet use, several methods have been implemented to ascertain factors influencing on customer behavior. Those factors are divided into two groups. The first group encompasses dependable variables, such as economical, demographical, situation and marketing mix (product, price, place, promotion) factors. In the second group there are independent variables, which are constantly deviating based on other exogenous factors. Internal factors are: personality, motivation, perception, attitude and external factors are: social class, culture, reference group and family. (as shown on figure 3)

Figure 3: Factors Influencing Customer Behavior
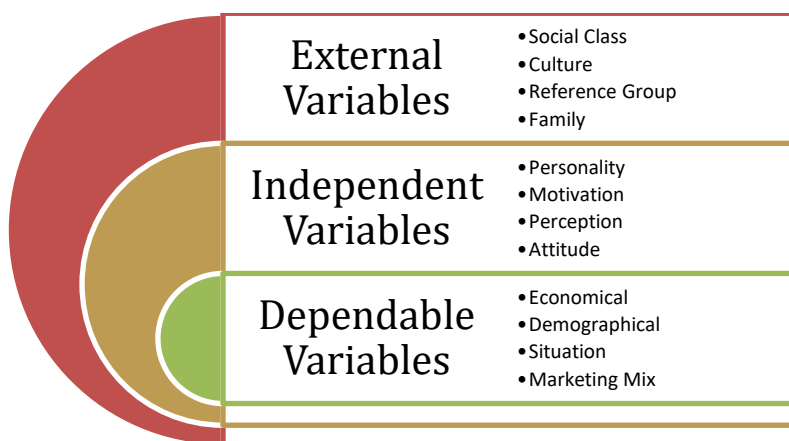
Source: Teodorescu "Customer Behavior", 2008, p. 47

Most factors are outside of the control of marketers, however, and this should be considered while planning a marketing campaign. Marketing effort towards an individual customer requires in-depth knowledge of both the psychological and social basis that drives customer behavior. In addition to understanding the psychological and social factors which have an influence on customer behavior, appropriate marketing auditing tools are important and necessary. A marketer might identify the characteristics of a target niche and plan marketing campaign accordingly, but without setting performance measurements, all marketing efforts will be unfulfilled. A marketing audit is an instrument through which a business assesses its vital units, targets, procedures, and solid activities, to decide opportunities and threats and prescribe an activity plan to enhance the organization's performance (Kotler, 2010) It evaluates the quality, threats, and adequacy of marketing efforts. It acquires information on company activities to forecast the future business needs.

A marketing audit is viewed by marketers as a system for evaluation the promotional activities and how it is delivered to the customers (Balan, 2011) The fundamental reason for using a marketing audit within a company is that it considers the advertising effect of organization and forecasts possible risks that the company might face in terms of customer loyalty and possible threats. A successful marketing audit starts with a consumer analysis and what asset does it bring to the organization. The evaluator has to focus on the following areas while making a customer analysis: consumer profile, consumer loyalty and what assets it brings to the company. The marketing audit can be executed only if the company has information and data about the customer's behavior.

In this regard, the evaluation should utilize endogenous and exogenous factors that relate to the company to successfully determine who are the buyers of their products, what features affect the consumer's purchasing power and what are the consumer's preferences regarding the point of sales. A customer profile encompasses the following characteristics such as

demographic and geographical data of customers, the type of product purchases, frequency and quantity of orders, payment preferences, and interests. After identification of profiles similarly characterized customers are grouped creating niches. The company has to assess what kind of benefit that niche bring to its business. Accordingly, the analysis should be performed on the customer's value to the company, the total value a customer brings to the company, Net Present Value (NPV) of the customer relationship and the percentage of customer share (Baker, 2008).

How can the company's customer value be described? In the majority of literature, customer value is defined as the difference between total costs of the customer versus total value offered to the customer (Balan, 2008). The value itself is comprised of image, staff and service elements. It has to be pointed out that the value perceived by a customer is dissimilar to the company's customer value. It is the difference between what the company offers in terms of satisfaction of the customer's needs and what the customer actually obtains, notwithstanding the fact that the customer's purchase behavior is affected by the value of the product. Based on customer value analysis, a company can reveal its bargaining power against competitors and outline its strengths in their sphere. There are five basic steps according to which the customer value analysis is carried out (Kotler & Keller, 2009, 162). The first step encompasses recognition of the main benefits that customers bring to the company. It is important to know why the customer is choosing a specific product or service. The second step correlates to the benefits that customers receive and investigates the advantages of the product. The third step is dedicated to the evaluation of business performance and outlines pros and cons against competitors. After analyzing the market, emphasis is put on the product itself. The fourth step is dealing with how consumers perceive the "4p's" (product, price, place and promotion) the marketing mix of the company. The last step, as in general, is related towards continuous monitoring of the customer preferences and identification of perceived value (Brown, 2012).

The identification of customer satisfaction is the starting point for the evaluation of company performance. Every business has to start assessing their performance according to its customer satisfaction on products, services and staff. There are several methods to periodically assess the performance of the business:

Periodic surveys for determination of customers buying behavior; or

The ratio of acquired customers and retained customers as well as lost customers (and reasons for this); or

Analysis of the suppliers that impact cost effectiveness and the final price of the product.

A widely spread technique for analyzing the front office of an organization is mystery shopping, which enables the company to identify the effectiveness of sales personnel and overall customer satisfaction with its products/services. (Hair, Bush, & Ortinau, 2010)

Beside performing marketing audits, in general it is important to understand the factors that influence customer behavior: perception, website features and characteristics, psychological and demographical factors and social framework. (Agarwal & Karahanna, 2000; Moon & Kim 2001; Torkzadeh & Dhillon, 2002). There are many products on the internet that customers can not personally access, for example: electronic books, music, electronic equipment or software. Mainly these products are bought by product descriptions and illustrations (Shun & Yunjie, 2006)

According to Cotte et al. (2006), there are four groups of online customers, which are divided by their motivations. Those are entertainment while surfing on the internet, discovering new information, shopping and receiving information. On the other hand Cheung M.K. et al. (2005) argue that online customer behavior is affected only by the individualities (internal factors), which are influenced by external circumstances and product features. Cheung

classifies individual characteristics with all behavioral factors. External variables are described as competition on the market, international rules and restrictions. Products are described with the shape, type, and quality. Concerning the online environment, it is described with ease of use, web page representability, ease of surfing, online shipping quality, security of transactions and speed of the internet. Those forces influence customer behavior which should be deeply analyzed by marketers to penetrate purchase intentions. Through the analysis of external and internal factors which are forming customers, they have been divided into four group: comfort seekers, brand lovers, rationales and price sensitives.

It should be noted that Larry Weber (2009) underlined the importance of enabling customers to participate in social networks for engagement and sharing their feedback on certain products/services. Social networks such as: Facebook, Twitter, Flickr, Pinterest are ideal environments to access a customer's point of view. Through allowing customers to share their innovative ideas, consumers have the ability to show ways to improve the consumer experience.

Furthermore, by commenting on each other's comments, they resonate with each other's feelings, while expressing their own stories about brand values (ibid). Thus, the brand has the potential to evolve with different activities within one platform, which allows brand co-creation.

On the other side, according to Hossain and Islam, (2015) some critics argue that the idea selection process is costly, as it takes a large team to analyze available data as well as choosing the implementable idea, therefore it is not worth it. However, this critique can be address by showing the benefits that the process brings, not only in terms of created product based on the idea, but in terms of the relationship that is built, a brand that's value is enhanced, and position of a company on customers' minds when they feel they are listened and valued. Being present on different platforms, and having owned crowdsourcing platform that targets different types of customers, not only

enables the business to track and facilitate communication to the business, it further brings benefits to the business.

According to (Hossain and Islam, 2015) a small number of a crowd provide valuable ideas and the majority of a crowd is involved with more consumption of information through consuming available content, as well as casting votes and giving suggestions to the existing ideas.

Arguably, passive users are equally important, as they provide low-cost (cost of employees analyzing ideas) market research, where the market is already evaluated for the ideas, which will be implemented in the future based on the customers' suggestions.

On the other hand, some critics argue that social's media main benefit can turn to be its main disadvantage. Even though publicity is good, negative electronic word of mouth has potential to disseminate with larger base in less time and last longer (Weber, L, 2015). The argument can be undermined, because social media exists by itself, accordingly, and there is a threat of negative publicity. However, by being present on different social media platforms, provides a better chance to be aware of negative publicity beforehand, or in a short-period of time and to be better able to protect a company's image.

Result

Online marketers have the ability to alter an online buyer's decision process by delivering relevant web experience, which is a synchronization of stimuli, quality of internet, emotions and product/service itself. Web experience starts with the search process, where customers are searching and finding appropriate products. It is common that they surf randomly through the internet and a proper marketing promotion may push them towards an impulse purchases. Due to the reason that internet enables the customer to compare another offer, in a selection process, they are frequently making comparisons with similar products. After a decision is made, the matter of a

secure transaction arises. Here the task of marketers is to create a "trusted" web-site, where customers will be able to securely pay and accomplish their commercial deal. The status of "trusted" web-site can be achieved by an appropriate design, which should be kept simple to be understandable, layout, sounds, atmosphere, and colors. Those are main factors, which are creating an effective web-site outlook. If those elements are tailored to meet personal needs, the company can create a good online customer relationship.

The effective web experience starts with customer perception. This is the starting point where customers make a sound judgement of their own environment. Generally, what is visible to one, might raise different emotions, unlike others, but marketers must create a virtual atmosphere where people share common senses, emotions and perceive objects as they are. From a scientist's point of view, perception is a result of a deep process in our minds, where a future picture is creating and the sense of expectation creates. Marketers should know and take into account with caution the perceptions of their customers. If the product does not match their overall picture then this will create disappointment. Hence, creating approximate reality requires from online marketers a deep understanding of the psychology of customers.

Trusov, M., Bucklin, R.E. & Pauwels, K. (2009) contend that online advertisers ought to know about the components that undermine the trust of customers and see how trust impacts the customer's online impression of a specific website. Sites must convey honesty and validity keeping in mind the end goal to induce customers to stop, investigate them and communicate over the web. Psychological elements play a critical role in helping online clients new to the merchant or new to the online exchanges overcome misrepresentation and questions of the site and seller. The significance of social communities in terms of creating online trust is obvious and persistently expanding for clients and companies. Lorenzo et al. (2009) consider that building trust is refined by utilizing vulnerability-decreasing components "guaranteeing the wellbeing of clients" individual data and exchange information, wiping out misrep-resentation and building trust between online clients and sellers.

Identity additionally impacts online shopper behavior to a great extent. In cyberspace, shoppers might have distinctive identities when contrasted with their everyday lives; they might utilize different personalities in the virtual world. Cybernetic gives a person with various identities or diverse personalities, much like heading trying on various outfits from the retail shop (Schiffman & Kanuk, 2009). Social communities are full of individuals building their odds of associating with others. The idea of embellishing positive qualities over the internet and getting excited by their peers is the main attraction for social media. The goal of marketers is to implement their strategy through social media, highlighting the consumer's virtual identity, rather product itself.

Kotler (2009) stated that one of the main factors which is influencing customer psychology online is the website atmosphere. It comprises of different elements. (design, layout, presentation, colors, and content). The atmosphere is a vital tool for marketers to attract customers, create a positive environment to stop visitors and interact with the site.

Family, friends, colleagues and reference groups are important social factors, which influence customer behavior. The power of virtual groups such as work, friends, shopping, religious, books and etc. has brought forth virtual WOM (word of mouth) referencing techniques.

Finally, digital space gave the customers ways to generate new behavioral extents. Comparing products online and receiving feedback from peers.

It is essential for organizations to constantly advance their internet advertising which allows two-way communication with customers and which is fundamental to business improvement. Any company ought to build its online networking segment (social media groups) as buyers are a piece of interpersonal organizations that impact their online recognition and trust in a specific site through WOM.

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History

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Reconstruction of Georgian Nationalism: The Role of Georgian Orthodox Church and the Institution of the Patriarch in the Reconstruction of Georgian Nationalism

Despite the fact that Georgian nationalism has been an a widely-studied phenomenon, in this article, I would like to demonstrate the role played by Georgian Orthodox Church generally and the Patriarch Institution particularly, in the reconstruction of popular narratives about Georgian nationalism. This article attempts to analyze how the Georgian Orthodox Church generally and Patriarch Ilia II, personally, were and still are able to generate and legitimize ideas about Georgian nationhood. Nationalism is of significant importance because it shapes Georgian beliefs and attitudes towards the state and Georgian identity. This research is based on content-analysis of epistles written by the Georgian Patriarch Ilia II, covering the period from 1978 to 2003. Using the content-analysis of epistles as the basis for research represents an original approach for studying the process of formation of Georgian nationalism.

Keywords: nationalism, religion, cult, moral, imagined community, authority, authoritarian ethics, charismatic authority, sublime, ideal, idealization.

Introduction

Georgian society is a reality represented by Georgian historical-religious narratives in a specific way. Any society produces power of morality to shape and orient itself through the particular value system. Georgian civilization is a system created as a product of its members' intellectual life. However, social realities affect and form participant individuals as well. A person, to some degree becomes subordinated to the collective life, bearing collective emotions and consuming collective goods (Durkheim, 1995).

The religious techniques of the Orthodox Church are mystical mechanisms and beyond their physical signs, mental operations are unfolding. The aim of religious techniques is not physical oppression, but on the contrary, the aim of religious operations is to reach, equip and make individual consciousness more disciplined (Durkheim, 1995). The power of the Christian Orthodox faith is spiritual and its supreme function is to influence the moral life of an individual.

The subject of this study is the role played by the Georgian Orthodox Church in shaping and forming Georgian national ideals. However, here enters the role of authorities as the most important contributors to the successful operationalization of ideals and value systems once created. The reason for choosing epistles as the basic material for analysis is the personal authority afforded to the Georgian Patriarch Ilia II. While creating and constructing ideals, it is authority, which plays a decisive role in shaping the minds and affecting the conscience of its followers.

According to Erich Fromm (Fromm, 2002), authority can be anyone – from parents to the state. Authority, which is believed to be perfect, is always seen as an ideal in which one should believe unconditionally and under whom one is subordinating itself. Thus authority incorporates ideas about the transcendental and the sublime.

Thomas Luckmann argued that there is an assumption in the sociology of religion, according to which religion is identified with the church (Luckmann, 1967). An additional complexity of the Georgian case is the personal authority of Ilia II, and concepts produced by him - *"Christian patriotism"*, which causes the tight interrelatedness of the Motherland and the Christian faith. In Luckman's view the model created by the church, which is internalized into an individual's life and which conditions integration and legitimization of behavioral norms, in the case of post-Soviet Georgia is due to the weakness of political organizations. The Orthodox Church becomes the constructor of not only individual but also state values. Even now it shapes those fundamental directions and value systems, which - as it argues - are vital particularly for its own wellbeing and the state's wellbeing in general. The strong authority of the Georgian Patriarch is the reason why norms dictated by the Orthodox Church are pursued and kept. what about the institutional specialization of the religion, it directs social understanding and society's view to the specific interpretation of the surrounding world and gives to the society unique patterns of specific social order.

Orthodox Church enters into relations with other specialized institutions whose foremost functions are secular in their character. Luckmann argues, that:

According to the context of relations, the church develops own secular interests, along with own doctrinal and liturgical traditions…While giving an official model to the church congregations, religious experts should reinforce secular activity of the church by giving sacred meaning to those activities. (Luckmann, 1967)

Methodology

As the research is based on the epistles of Georgian Patriarch Ilia II, I used the method of content-analysis in order to gather and analyze narratives about

nationalism included in the content. After analyzing the content of all the epistles from 1978 to 2003, I classified and connected topics in a most appropriate way to better demonstrate and understand the whole picture how Georgian church generally, and Georgian Patriarch particularly, were trying to reconstruct the ideas of Georgian nationalism.

In order to assess the social role of religion, I developed a theoretical framework for the research analyzing classical theories from the sociology of religion. Moreover, theoretical part of the research examines the importance of authorities. Examination of the concept of *authority* makes it easier to understand the authoritative power of Georgian Patriarch Ilia II. The work discusses the legislative fundamentals of authoritative power, the traditionalist and charismatic authority, the legislative forms of authority and hierocratic power. Among the various issues presented in the research, the following article includes the most important ones - the moral relationship between mythological ancestors and contemporary societies, the problem of idealization of the world, and the sublimation of ideas in specific personalities and institutions.

Having theoretical background as a strong foundation, this research aims at demonstrating the authoritative power of the Patriarch as an institution and the institution of the Georgian Orthodox Church. Also, this research discusses the power for legitimization of these strong institutions, their intervention into aspects of social life and their self-legalizing character revealed through purification of decision and regulation-making. The problem of nationalism is highlighted to underline the ideological basis of nationalism. Nationalism is represented as a system of ideal imaginary and, due to this fact that the meanings of religious and nationalistic feelings along with respective value systems are hardly differentiable. As a result, religious and secular interests of religious institutions mostly intersect each other.

Results

The Identical Nature of Orthodox Confession and Nationalism: Sacred Nature of Language

Throughout the history of the Georgian nation, "Georgianhood" was identified with the Orthodox faith. Long before the creation of Soviet Union, the Russian Tsarist Empire almost continuously fought against the Georgian Orthodox Church, which was thought to be the most important component of Georgian national ideology. The fact that the subordination of Georgian church was one of the main strategic objectives for the Russian Empire in order to assimilate the whole Georgia into Russian empire can be seen as a sign of ideological authority which the Georgian Orthodox church had; it is also a sign that the Orthodox faith and church were the most fundamental components defining Georgian national identity.

At the beginning of XIX century hundreds of churches were closed in Georgia. In 1811, the self-government of Georgian Orthodox church was abolished by Russian Empire. This event was followed by riots in almost every region of Georgia through 1818-1820. After abolishing the autonomy of Georgian Orthodox Church, liturgies in Georgian churches began to be held in Russian. The fact that religious practices were held in a foreign language created a kind of mental divorce between Georgians and their Church, ultimately causing a serious clash in the Georgian conscience (Ilia State University, 2013).

The creation of language barriers resulted in violent estrangement between Georgians and the Georgian Orthodox Church and opened the road for new demands. One of them was the need for the creation of a new ideal. Through the list of possible ideals, the most appealing and attractive was the ideal of the Georgian nation. An attempt to substitute the ideal of faith with the new ideal of the "Georgian nation", was the next political step done by the Church. According to G. Tevzadze, the ideal of the Georgian nation was born in the second half of XIX century. The clearest signs reflecting the idea of the

ideology of the Georgian nation was published media: newspapers and Georgian publishing house, headed by the society for expansion of literacy (Tevzadze, G.). According to Gellner and Anderson, a "nation" is an imaginary society, united by territory, language and culture (Gellner, 1983; Anderson 1983). Published media, according to Anderson, is one of the most important causes of the Reformations success and it created specific senses of time and contemporariness, simultaneously encircling and informing society as it expanded over a large scale. Along with the state intelligentsia, religious personalities also took part in the fight for keeping the Georgian cultural authenticity (Ilia State University, 2013).

History leaves the ideological, behavioral and institutional heritage, which in sum, compiles culture as a whole. Culture by itself is characterized by continuity. Cultural memory becomes re-activated as soon as the opportunity is given. This explains why in post-Soviet Georgia religious feelings and the authorities of the Patriarch and the Church have been strengthened (Ilia State University, 2013).

The Imaginary Religious-National Community

The importance of the Georgian Orthodox Church and the Georgian language for the authenticity of Georgian national identity is reflected in the popular expression by Ilia Chavchavadze "Language, Motherland, Faith." The second component, "Motherland" is indivisible from language and faith. Anderson argues that the images of nationalism could have been born only after fundamental cultural concepts had lost axiomatic meaning in human mentality (Anderson, 1983)**,** but in the case of Georgia, the first out of these concepts became the most important for keeping the national identity. The first concept represents the idea that the particular spoken and/or written language offers humans access to privileged ontological truth. The whole uniqueness of Georgian Apostolic Orthodox Church, according to Ilia II, is in

its origin. It is established by Christ's apostles, thus it is wholly connected with Jesus, the sacral object of Orthodox confession. As the truth is in Christ, so the Church as a "body of Christ," is the exclusive owner of the truth.

Throughout centuries, the dissemination of Orthodoxy and the church's truth and sharing of this truth within Georgian society has been done in the Georgian language. The Georgian language and the Georgian Orthodox confession are directly related to each other. The Georgian language and Orthodox faith are the key components of Georgian national identity. As mentioned earlier in this article, in his epistle, the Patriarch interestingly discusses Georgian statehood. The interpretation of Motherland by Patriarch Ilia II creates imaginary of a religious-national community, which is limited within a specific frame and is identified with cultural and spiritual history encircled within this frame **(**Easter epistle, 2003). It is interesting that the definition of Motherland by Patriarch Ilia II doesn't involve political borders or authentic political ideology of Georgia. Ilia II argues that leaving Georgia's political borders is dangerous for Georgia, as human beings who lives in abroad loses feelings of national authenticity **(**Easter Epistle, 2003). It seems that in order to keep Georgian language and faith, the feeling of Georgian nationhood and also keeping active belongingness to imaginary religious-national collectivity, it is vital to live on Georgian territory. The definition of Motherland, mentioned earlier also represents the importance of the *ancestors' cult* for Georgian Orthodox Church.

Cult of Ancestors

The ancestors' cult is the most represented phenomenon among other topics in the epistles. Its nature is especially emphasized and used for making historical narratives sacred by Patriarch Ilia II. The ancestors' cult and the narratives connected to ancestors are always closely related to the Georgian Orthodox Church. Thus, as a result, the Patriarch gives additional validity to

the importance of the church and confession for Georgia. Ilia II constantly makes a targeted selection of mythical and historical personages and emphasizes their purification for their deeds towards the Georgian Orthodox Church. The persons who fought for the Church and especially those who sacrificed their lives for the church are believed to have reached highest levels of patriotism - the fact underlining the identical interpretation of Church and Statehood. If discussed according to Durkheim (Durkheim, 1995), the ancestors and contemporary humans are associated in the same classified type and because ancestors are more sublime than contemporaries. The historical-religious personages represent rolemodels for modern humanity. *"..Instead of remaining outside the framework of society, they [ancestors] have become regular members of it",* writes Durkheim (Durkheim, 1995). Mythical and/or historical personages are closely akin to the members of contemporary societies. Due to the traditional fundamentalism of Georgian Orthodox Church, modern members of Georgian society must not only glorify the moral values of their ancestors, but also integrate themselves into the same moral system for their success and rescue. Good examples of religious nationalism are found in the following citations by Patriarch Ilia II:

The past of our country is full of examples about sacrificial love towards our Motherland: martyrs David and Constantine, Kings Archil and Luarsab, Dimitri Tavdadebuli, Queen Ketevan, and thousands of others sacrificed themselves for the confession and motherland and as role-models, entered the history of our folk and Church as great saints (Christmas epistle, 1997).

Can we imagine Georgia and Georgian folk without our confession and our relationships, our traditions and family-hood?! How would have been our country, if it didn't had such a sacrificial, devoted and strong defenders as were: Saint King Mirian and Queen Nana, Vakhtang Gorgasali, David Agmashenebeli, King Tamar, Archil and Luarsab, Dimitri Tavdadebuli, Queen Ketevan and thousands and ten-thousands other martyrs, who sacrificed themselves for the Motherland and confession (Easter epistle, 2002).

In the epistles, Patriarch Ilia II constantly emphasizes the sacralization of Georgian land:

The glorification of true Lord has been done more than two thousand years from our hallowed land; Twenty-hundred-years history of our Christianity is the secret of our survival and our divine renaissance (Christmas epistle, 2000).

Those collective ideals, writes Durkheim (Durkheim, 1995), which are represented by religion, are generated by an individual's internal world. Collective ideals condition collective directions of thought. Collective life teaches individuals how to form ideals and then, through assimilation of those ideals, gives a person the opportunity to perceive them. In the epistles, emphasizing the sacred nature of Georgian history serves to make a close connection between faith and nationalistic spirit and internalization of value system into the consciousness of society. The selective method used by Patriarch Ilia II while remembering saints recognized by Georgian Orthodox Church aims at the recreation and encouragement of those collective behaviors with all of those values and motivations being beyond those behaviors, which largely lay in the collective memory of society. It is noteworthy to mention that Durkheim believed that after internalization into individuals, collective ideals tend to transform according to an individual's habitus, taking different forms in each particular person. As society is more or less built upon evolving masses' ideas and thought systems (Durkheim, 1995), encouragement and activation of the ancestors' cult in contemporary society becomes dangerous as soon as it could be harmful for society's progress by developing social life in a more artificial way. According to political context, in times of the Soviet regime such emphases were important for strengthening the spirit of nationalism among members of Georgian society. Likewise, after the collapse of the USSR, Georgia officially gained independence and political freedom, actions which required correction and guidance. But, activation of such memories and proclivities in modern

societies affect masses of believers in a different way and might cause limited alternatives for envisioning progress.

The Importance and Function of the Church

After the end of the two-hundred-years of coexistence with Russian Empire and then, the 70-years of the Soviet regime, the reconstruction of Georgian national identity was the prior necessity in order to rehabilitate itself from the anomic situation and to resolve the state from deadlock. The Georgian Orthodox Church in the name of Orthodox Christian faith played an enormous role in these readjustment processes. If discussed according to Durkheim, the aim of religions is to form an ideal type of society. The fundamental feature of the religion is the acute idealization of the world. Every religion divides the world into two radically opposed parts - sacred and profane. The moral side of a religion aims at the substitution of the real world with the ideal world, and for this reason, it generates sublime ideas about the world and social order. In this process, the greatest importance is given to the cult – or to the active operational repertoire, with which the doctrine internalized into the behavioral mechanism gains the ability to work, simultaneously rampaging collective senses and at the same time strengthening and disseminating basic sets of values within large groups of society (Durkheim, 1995).

"The Church is the body of Christ. Its function is to cure human souls burdened with sins. The spiritual transformation is only achievable within the Church, because holly spirit rests here with all of his might and all divine secrets are fulfilled, sanctifying and enlightening believers" (Christmas epistle, 1998)*.*

The legitimization of the Orthodox Church is conditioned by the main object of the Orthodox faith - Christ. It is interesting that the sublimed idea about the superior and the transcendental entered the Orthodox Church through Christ himself. The Orthodox Church reflects the idea of Christ, thus it represents the idea of Orthodox faith. It owns the only truth, thus, it owns freedom, because

freedom is in truth, and truth is in God himself. We can argue that according to Orthodox Christian teaching, human beings, who are born with the right to have freedom of choice, are given only the right to make a radical choice – "to be, or not to be" under Christ's guidance. The Church is the only institution where religious rites are correctly fulfilled. Thus, the membership of the Church is immutable for believer. To some degree, servitude to and obedience towards the Church is equal to freedom, as only through this obedience one acquires an opportunity to access the truth (Christ) and thus, freedom itself.

Authority, according to Erich Fromm (2002), is the object, with which the supreme, sublime idea acquires rational, physical being. The rational, physical shape of the Orthodox confession's sublime idea is the Orthodox Church. As the Orthodox Church is conceived as an enactor of moral and ethical legislation, it becomes directly connected to each individual's and thus, generally speaking, to the whole society's super-ego. In this case, we are dealing with authoritarian conscience aimed at having not temporary, but long-term relationships with believers. Weber argues that traditionalist power is based on the belief in the holiness of daily-life; and according to Orthodox teachings, crucified Christ is permanently sacrificed for people's survival. Permanent activation of the sense of crime and the encouragement of contrition, also, recalling the doctrine that at the expense of peoples' lives the object of the religion sacrifices itself every day, affects the Freudian "Super Ego" and permanently reinforces the authority of the Church in peoples' minds and consciences (Fromm, 2002).

According to the Patriarch Ilia II, the doctrines, teachings and legislation of Christ's Church must remain unchanged, thus supporting and encouraging the firmness of a traditionalist world perception. The legitimating power of hierocratic government is founded on the Church's authority. The latter itself is strengthened by the idea of Orthodox Church authority – Christ/Logos. The Church is the conducting and executive organization of a specific ideology; moreover, its traditionalist viewpoint encourages the phenomenon of

unconditional power and the charisma of "the shepherd of Georgian nation" – Patriarch Ilia II.

The power of the Church and hierocracy has been and is still larger than the power of Georgian political organizations. Additionally, political organizations and political authorities receive their authoritative position among society only through cooperation and thanks to the acceptance from Church government. Due to this firmness of power and legislative strength, the Georgian Orthodox Church has played enormous role in re-construction of Georgian nationalism and Georgian identity.

A Significant Finding: the Concept of "Christian patriotism"

The analysis of epistles covering the period from 1978 to 2003 demonstrated the intervening power and interests of the Georgian Orthodox Church in almost every aspect of human life. A sharp emphasis is always on the vitality of Orthodox faith for Georgian society – the former enabling the latter to maintain Georgian identity. An important finding of this research was a concept of *"Christian patriotism"* that confirms my earlier suggested hypothesis. The Patriarch discusses Georgian national narrative and calls Georgian nation as an *outlasting nation*, and says:

Our people desired not only physical survival, but also maintenance of that huge mercy which came and entered our existence from the seamless robe of Jesus, from arrival of apostles, and from the vine cross of Saint Nino, granted her by Saint Mary the virgin (Christmas epistle, 1981)*.*

This demonstrates that Christianity and the Lord are so highly appreciated by and assimilated into Georgian nationalism that people were willing to sacrifice their lives not only to their homeland, but also to Christianity. Fighting for Christianity defined and conditioned the authenticity of Georgian society and the maintenance of national identity. The historical narrative

defines the most important motivation why Georgians fought over the centuries: maintenance of Christianity and preserving the sacral objects. Georgianhood and Christianity are identical. The Georgian land is holy as it keeps the seamless robe of Jesus, and it is the land chosen by Saint Mary the virgin. Homeland and Christianity are integrated values, and although freedom and authenticity are valid ideas, the ideological and national unification of Georgia is still done around religious, particularly, Orthodox Christian faith. *"Thus, it was Christianity, that saved us, and maintained our nationhood and freedom"* – writes Patriarch in his Christmas epistle in 1980.

Georgian national narratives are demonstratively religious narratives. National ideals and goals are identical with religious ones; the future of Georgia is thoroughly connected to the future of the Orthodox faith, and national development is directly related to the development of Orthodox Christian confession. The absence of narratives clearly secular in their nature might be the result of the fact that the main producers of those national narratives are religious institutions. The Durkheimian definition of the Church is relevant for the Georgian case too. The Church is a social organization, which has its own images about world order (Durkheim, 1995). The Georgian Orthodox Church is a superimposition of the function of state-leader. It puts major blocks in the building process of nationalism and national value system, and due to its religious nature, national narratives are structured with and build upon large number of religious themes. Such a closely interrelated connection between nationalism and the Christian faith unites the fundamental principles of Georgian nationalism, and represents the main orientation line for the epoch's development.

Patriarch tries to create collective memory, and hopes that the national spirit will be successfully formed in Georgian conscience. In during and after the collapse of Soviet Union such an attempt to re-create authenticity is especially important. And as a result - Homeland, Georgian language, history, famous heroes, fundamental orientation postulates and Georgian national model are

blessed and hallowed. Due to the absence or lack of nationalist movements and political organizations, the Patriarch Ilia II idealizes the model of Georgian nationalism. For the legitimatization of this ideal model, Patriarch bases project of Georgian nationalism on the religious fundaments.

Conclusion

A Civilization is created by society, and each individual is the product of this civilization. The wholeness of a society is represented through the image the society has about this unity, also the representation the society has about itself. The moral system of the society is sublimated into the sacred object (which is changing along the time) and with the traditional cult as a main contributor, continues to reach next generations through the tunnel of collective memory.

Sacred objects are those concrete figures which function to unite the society around imaginary icons of sublimed ideas being routed in them. Societies and collective perceptions create the circle with the center of specific signs and activities – the moral and cult are the substantial aspects of any sort and ideological belief. The moral is the main arbiter in the game of perceptions and beliefs – it is the fundamental regulator, while cult is the guarantor of permanent participation in this game along with expansion and dissemination of active empathy and solidarity. Without cult moral loses the ability to exist, equally as it is lacking morality, the cult itself becomes devalued; lacking ideological content, the cult is transformed as a part of mere folklore. Keeping this cult free of fundamental values as a tradition is a violation against human psychics. As long as society becomes encircled with the traditionalist barricades, it will be isolated and this will hinder the integration of the society into broader cultural space.

The late arrival of Enlightenment ideas in Georgia on one side, and the preservation and then intensification of traditionalist visioning on the other,

stipulated the discrepancies between the religious and political morals and the cult. The repugnancy of sacred texts and symbols from modern context, especially their interpretation with traditionalist representations, creates serious barrier for active reflection. Respectively, traditional cult preserves its values only ritually. The main function of political organizations is to strengthen nationalistic values among society and unite whole society around them. Their function is to create national identity for each member of the society, along with making modernization of world perception into the collective memory according and respective to the basic historical and value systems.

Nationalism and nation are those sacred concepts and sacred objects which create fundaments of civil religion. According to Anderson, the changes in the world perception revitalized these perspectives, weakened beliefs into sacred communes, languages and holy dynasties and generated ideas about nationalism. These changes were the harder influencers and supporters of ability to imagine the "nation" (Anderson, 1983). One of the main functions of religious institutions is to teach particular doctrines and guarantee proper performance of rites. The members who participate in those rites share group identity by accepting common sacred object(s) and try to reach it/them through rituals and rites (Durkheim, 1995). Religious organizations, as well as political agencies, attempt to create human identity and encourage primary sensation of given identity. Political and religious organizations construct collective memory, and thus they create collective reality. Notwithstanding the fact that reality exists as an independent phenomenon, its enforcement through the political or religious prism changes its colors and stimulates among society a specific vision of objective reality.

As nationhood and nationalism are secular religions by their nature, their substitution with transcendental religious values is simple. The absence of statehood and senses of secular nationalism or their weakness, produced by the weaknesses of political organizations, helps religious institutions, especially if this religious institution maintains authoritative stances itself. Among other

differences, the most important and noteworthy are the distinctively pregnable nature of political and religious institutions. Religious institutions, unlike political ones, have much implacable religious nature, thus, their ideology and disposition is very static. Because of this, those countries where religious institutions benefit from their great authority, while political organizations are positioned much lower on authoritative ladder, lean towards theocracy. Religious organizations, like political ones, have their own versions of organizing state and social order. As a result, in the countries where religious institutions are more popular than political agencies, the vision of world order modeled within and prescribed by religious organizations dominates. In order to activate collective effectiveness in cases when facing political failure also when value systems are destabilized, political and/or religious authorities try to regenerate traditionalist fundamental values and internalize them into the social conscience. Respective to the needs and demands of the state, the institution holding on to active ideology makes a thorough selection of historical narratives and events and sublimates supreme ideas in them. As a result, social conscience changes and the artificial construction of social reality unfolds. Concrete decisions, norms, morals and/or behavioral orientations are given sacred interpretations for their legitimization.

After gaining independence in 1991, Georgia found itself lacking experience in civil society and civic life in its national memory. While lacking a strong political nucleus and facing practically dissolved political organizations with distorted strategies for the future, Georgia felt a strong need for a powerful supporter and a foundation for future development. To strengthen itself, the state needed a powerful institution and the concept, which has a strong influence over the country and its society. Georgia had hardly any strong secular experience in its late history: concerning democracy, Georgia, as a new state had no opportunity to base itself on the First Republic as the First Republic was governed by Mensheviks. However, having huge conceptual meaning and validity historically, one of the strongest institutions was the church. Hierocratic experience absorbed in its memory various values powerful enough to give to political elites' stability to some degree. As a result, the

Georgian state chose its church as the main trustee to which it could base development processes and regain lost identity.

The space for development of nationalism, which was filled with civil values in the Western hemisphere, in case of Georgia became naturally filled by the Church. As a result, interests of the state and the Church found the point intersection. The values of statehood aspects of social life along with internalization of these values into society are done through their constant purification by Patriarch Ilia II. Throughout the history, identification of religious and state authorities, integration of state and religious narratives, the interception of hierocratic and state hierarchical interests and an attempt to keep the cult of ancestors active in the collective daily life serves for reconstruction the sense of nationhood among Georgian society. According to Benedict Anderson *"unconsciously making hypostases of nationalism, and then classifying it, human being interprets it as an ideology"* (Anderson, 1983). While discussing nationalism, Anderson argues that *"nation is imaginary political community – imagined inherently limited and independently"* (Anderson 1983). In the case of Georgia, as a result of the weakness of political organizations and due to the effective organization and authority of Georgian Orthodox Church, the Georgian nation, it can be argued, took the colors of an imaginary "religious community", the members of which became the followers of "religious patriotism." The fundamental goal of the Georgian Orthodox Church was to reconstruct the idea of Georgian nationalism; however, unlike Anderson's definition, the Georgian patriotism, according to the epistle by Patriarch Ilia II took the following shape:

The Motherland, this is a Georgian language, this is a spirit of our glorious ancestors, thousands of martyrs, kings, catholicons and patriarchs, worthies and Lord-arrayed fathers and mothers, this is our numerous temples and monasteries, our holies and sanctities, our art, architecture, writing. This is our temperament and way of thought" *(Easter Epistle, 2003).*

> *Thus, the close relationship between state interests of political and hierocratic governance has produced the concept of*

"religious nationalism". A concept, which was worked out by Patriarch Ilia II in his 1980 Christmas epistle and which still has its consequences in modern Georgians' perceptions about nationalism.

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Role of Tshwane Metropolitan Police in The Prevention and Control of Xenophobia-Related Crimes

The purpose of the study is to analyze the role of Tshwane Metropolitan Police in prevention and control of xenophobic related crimes in Tshwane. Based on a simple random sampling approach, a structured questionnaire was used to collect primary data from the sample of forty-five respondents who have once been involved in xenophobia in South Africa. Results derived from partici-pants' responses were presented and reported based on frequencies. For both the primary dimensions and the overall sample, the Keiser-Meyer Olkin values indicate that the instrument items were structurally valid. Based on the frequencies, data analysis was conducted on the historical roots of xenophobia, methods and techniques for combating xenophobic attacks, effectiveness of Metro Police in preventing xenophobia as well as challenges and limitations of the Metropolitan Police. Results from the study indicate that the majority of respondents perceived that culture proved to be part of the historic roots xenophobic violence in South Africa and methods and techniques used to combat xenophobia were indeed not effective; hence the Tshwane Metropolitan Police face limitations in combating violence.

Keywords: Xenophobic Violence, Metropolitan Police, Tshwane, South Africa

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Introduction

The subject of violation of human rights through xenophobic violence has attracted significant attention from numerous stakeholders in the realm of security studies. Academics, politicians, traditional leaders, policy makers and humanitarian experts have expressed substantial concern about the brutality and loss of human lives in South Africa as a result of xenophobic violence. The presence of brutal attacks and displacements of foreign immigrants in the country signifies a lack of humanity among the perpetrators. Exploration of the root causes of xenophobic violence, following Cuellar (2008, p. 531), should start by mapping out the pattern of violence from the past. In that respect, the spread of the wave of xenophobic violence across the country emanates from a set of factors which include criminality, frustration from an absence of entitlement to certain properties, high levels of poverty and unemployment, constrained delivery of basic services by the government and a lack of respect for law and order.

Following Lazaridis and Adjai (2013, 192), xenophobia is defined as "attitudes, prejudices and behavior that reject, exclude and often vilify persons, based on the perception that they are outsiders or foreigners to the community, society or national identity." If not prevented, xenophobia can manifest itself in several ways in a country which include victimization by police, brutal assault, murder and ethnic cleansing and mass expulsion from a country or an area. During the process of engaging in xenophobic violence, a country or specific communities within a country can become very vulnerable to death and/or injury to innocent people.

Xenophobia has significantly increased since the realization of the new democratic South Africa. The ANC wanted to build the nation but did not anticipate intolerance to outsiders (IOL, 2015). Foreigners were given access without any restrictions, which let them having equal opportunities and citizenship, leading to competitions with South Africans for limited resources. Xenophobia is rife at informal settlements as there is an influx of both

foreigners and locals from rural areas to Tshwane in search for a better life. As is common that in many parts of the world, Africa as well as South Africa has experienced migration of population from rural localities to urban centers in recent decades. Countries have been unable to cope with the rising urban population in an organized, formally-planned way in the short term. The most readily apparent consequences of these developments in South Africa are informal settlements that have sprung up in and around Tshwane, which also have to be compacted due to lack of land and space this also causes conflict as South Africans cannot allow foreigners to own land when they don't have land, or tin house. They have to make sure that they force the foreigners out for them to own that land.

The South African police service failed to prevent xenophobic violence. Many shops were looted, damaged or destroyed, and people have been injured or killed, it is of upmost importance for the police to be pro-active and well trained to deal with xenophobia. There is hardly a study that can help in policing xenophobia. Xenophobia is something that cannot be predicted or you can plan for, it is just something that catches you unaware and by the time you are fully aware, damages have already been done and the whole area is in smoke, people are running around all over and it is difficult to understand what happened as it started and escalated in the space of a moment. Police have to be called to come and maintain law and order and in most cases the police are outnumbered by the attackers and have to wait for the backup to put the situation under control. In the time that they are still waiting for the backup, more damage will be done and their efforts are futile, because at times lives will already been lost. The Tshwane Metro Police Department (TMPD) was established on April 4, 2002, independent from the South African Police Service. The department is funded by and accountable to local government; City of Tshwane Metropolitan Municipality as per the provisions of the South African Police Service Act (Act No. 68 of 1995) as amended. Section 64e of the Act prescribes the functions of a municipal police service as road policing, by-laws and crime prevention.

Based on the White Paper on Safety and Security (1998) crime prevention is regarded as "all activities which reduce, deter or prevent the occurrence of specific crimes, firstly by altering the environment in which they occur, secondly by changing the conditions which are thought to cause them, and thirdly by providing a strong deterrent in the form of an effective Justice System." In this respect, Tshwane Metro Police Department (TMPD) is aligned to these specific legislative mandates delegated to local government regarding security in communities. Therefore, Tshwane Metro Police Department has to align its strategies to national and provincial priorities, goals and objectives. The Metro police in this respect is responsible for combating all crimes such as xenophobic violence that take place in its area of jurisdiction.

The outbreak of xenophobic violence in Tshwane region has raised serious concerns about the safety and security immigrants residing in the country. The consistent recurrence of such xenophobia has posed questions about whether or not the Tshwane Metropolitan Police has been effective in preventing and combating xenophobic violence in the region's communities.

In recent years, the South African Police Service (SAPS) has come under scrutiny due to the increasing number of incidents in which civilians have been assaulted or even killed by the police. Cases such as the August 2012 killing of 34 mineworkers in Marikana in the North West province, the death of Mido Macia after being dragged behind a police van in Daveyton in Gauteng province, and the ruthless March 2014 assault on Clement Emekeneh in Cape Town are just the tip of the iceberg of the ever escalating brutality of the SAPS. Although the majority of reported cases of police brutality are isolated incidents, they do nonetheless point to brutal behavior which in itself evinces a systemic problem of beating and killing foreigners. Most foreign nationals have become for quite some time victims of brutality and death due xenophobic violence orchestrated by South African citizens as well as perceived police ineffectiveness in curbing xenophobic violence.

Against the background of the problem cited above, the objectives of this study are to determine the historical roots of xenophobia in South Africa; examine methods and techniques for combating xenophobic attacks, investigate the effectiveness of the Tshwane Metro Police at preventing xenophobia, and determine the challenges and limitations of the Metro Police in combating xenophobia. The main questions addressed in this study include: What are the historical roots of xenophobia in South Africa? What methods and techniques do the Metro Police use for combating xenophobic attacks? Are the Tshwane Metro Police effective in preventing xenophobia in their designated municipality? What are the challenges and limitations of the Metro Police in combating xenophobia?

Research Methodology

Description of the Location of Study

Pretoria is a city located in the northern part of Gauteng Province, South Africa. It is one of the country's three capital cities, serving as the executive (administrative) and de facto national capital; the others are Cape Town, the legislative capital, and Bloemfontein, the judicial capital. Pretoria is a city within the City of Tshwane Metropolitan Municipality as one of several constituent administrations (also including Centurion and Soshanguve).

Population of Study, Sample and Sampling Procedure

The population of this study consisted of both South African citizens and foreign national residing in South Africa; particularly in Tshwane region. The sample size of the study was determined in such a manner such that it contained an appropriate number of respondents from this population. In this study, the sample size comprised fifty (n = 50) participants; out of which forty-

five of them provided valid and fully completed responses, yielding 90 percent effective response rate. The convenience random sampling technique was used to select research participants. Participants who were at least eighteen years old were targets as appropriate respondents. The participants were male and female nationalities or citizens of different African countries which included South Africa, Zambia, Democratic Republic of Congo, Zimbabwe, Malawi, Kenya, Angola, Uganda and Mozambique.

Instrument, Data Collection and Method of Data Analysis

A semi-structured questionnaire was used as the primary data collection instrument for this research study. The variables upon which data were collected using the questionnaire were developed and integrated into the questionnaire. Section I of the questionnaire provides the demographic profiles of respondents; Section II covers the historical roots of xenophobia in South Africa; Section III provides methods and techniques of combating xenophobia; Section IV provides the effectiveness of Metro Police in preventing xenophobia; Section V covers the challenges and limitations of the Metro Police and Section VI covers the role of media in combating xenophobia. The questionnaires were distributed to the respondents. The structure of the questionnaire was explained to the participants in terms of the information it contained and the recommended expected time for completion and return of the questionnaires for data capturing and analysis. The respondents were requested to answer questions raised on every construct in the questionnaire. Data collected from the participants through use of questionnaire were sought, processed and analyzed using Statistical Package for Social Sciences program for windows. Statistical analyses results were computed on frequencies, descriptive statistics, scale reliability, exploratory factor analysis and principal component analysis.

Structural Validity of Items

The structural validity was examined based on the Keiser-Meyer-Olkin criterion.

Table № 1: Structural Validity Tests of Items per Dimension based on Keiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (MSA) criterion

| Dimension	Items	MSA-value	No. of Items
Historical roots of xenophobia in South Africa	Do you think xenophobia is part of South African culture? Do you think xenophobia is associated with violence in South Africa? Do you think South African police officers are xenophobic or prone to violence?	0.500	3
Methods and techniques for combating xenophobic attacks	Are the police proactive in dealing with xenophobia? Do you think the current arrest methods of police can deal with xenophobic attacks? Do you think use of water cannons or rubber bullets can deal with xenophobic attacks? Do you think police have skills to combat xenophobia?	0.671	4
Effectiveness of Metro Police in preventing xenophobia	Do the police arrest the right perpetrators of xenophobia? Do the police act on evidence to arrest perpetrators? How can you measure the effectiveness of police in terms of xenophobia? Do the police follow the correct procedures and regulations to combat xenophobia?	0.617	4
The challenges and limitations of the Metro Police	Do you think the Metro Police has enough material resources to combat xenophobia? Do you think Metro Police has enough human resources to combat xenophobia? Do the police have the legislation to combat xenophobia?	0.607	3
Overall KMO-based MSA		**0.684**	**15**

The Keiser-Meyer-Olkin (KMO) approach was used to determine the suitability of the size of sampling for factor analysis. The overall measure of sampling adequacy (MSA) indicated by the computed Keiser-Meyer-Olkin (KM0 = 0.684) value confirms that the sample of items explored under each dimension towards analysis of the xenophobia in South Africa. The KMO result computed in measuring the sampling adequacy indicates that the questionnaire items as per each given construct satisfied the criteria for appropriateness of performing exploratory factor analysis. From a statistical perspective, all the items used in the research survey were adequate to explain the aspects deemed necessary in providing the outlook of xenophobia in the country.

Results, Analysis and Discussion of Findings

Historical Roots of Xenophobia in South Africa

From the total respondents surveyed (Fig 1), many of them (42%) indicated that they are not aware of the origins relating to emergence of xenophobia in South Africa. Relatively considerable was the reason given by 38% of the respondents that the immigration of foreign nationals into the country that resulted in seeing foreigners taking jobs contributes as part of the origins of xenophobia in South Africa. Similarly, 20% of the respondents indicated that the selling of cheap products by foreigners and looting by local South African nationals from the shops of foreigners can be regarded as part of the origins of xenophobia in the country.

Figure 1: Response on Origin of Xenophobia in South African
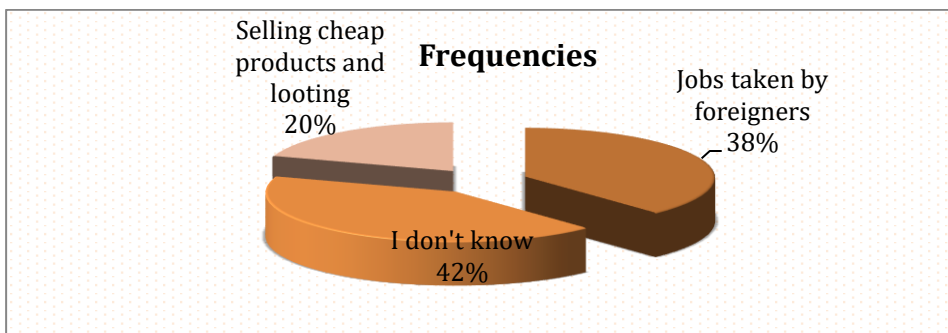
Xenophobia and South African Culture

Figure 2 indicates that more than half (56%) of the respondents do not agree that xenophobia is part of South African culture; while 11% indicate that they do not know whether or not xenophobia is part of the country's culture. Nevertheless, 33% of the respondents surveyed do perceive that xenophobia is part of South African culture.

Figure 2: Response on Xenophobia and African Culture

	No	I don't know	Yes
Percentage	56	11	33
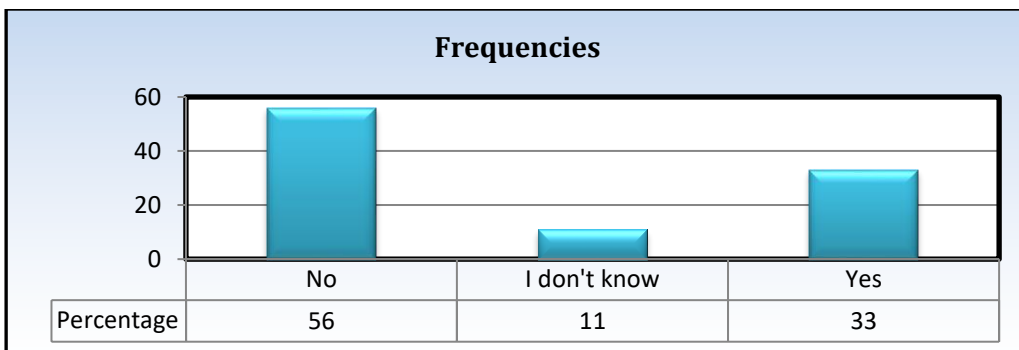
The majority of the respondents revealed that xenophobia is not part of South African culture; for instance, in Mabopane and Soshanguve South, foreigners were given RDP houses by the community. They have letters from the owners of those houses, to use them, so this is non-violence against other nations, because south Africa is a multi-cultural country. This statement was

supported by some foreigners who responded by saying that in a country like South Africa there are people who are good and some are bad. During xenophobic attacks, if the people who are our customers that we know very well are the ones that come and rob us and others will come. South Africa has two major racial groups namely black and white and these two have their own different customs and beliefs. It is common belief that the whites believe in superiority over blacks, while blacks are divided on this issue, some say a white man is a black man's medicine, while some do not see eye-to-eye, so this means that whites are xenophobic to any black person because they will never compromise their status to any black person. Two of the research respondents who are white foreigners married to white South Africans responded by saying culturally whites are more xenophobic than black South Africans, they cannot attend events with their spouses because they speak only English.

Xenophobia and Violence in South Africa

More than half (58%) of the participants surveyed (Figure 3) indicate that they perceive xenophobia to be associated with violence in South Africa. Only 2% of the respondents do not know whether xenophobia is associated with violence; while 40% of the respondents do not think that xenophobia is associated with violence in the country.

Some of the respondents blamed foreigners for not complying with South African law; they are blamed for providing inferior products in the country, like fake CD and DVD. South Africans accuse foreigners to be arrogant and taking money out of the country, that is why there is violence by the Greater Gauteng Business forum to take them out of the townships; they blame them for killing their businesses, with their cheap stuff, so they always promise more violence until they are removed. Some respondents compared xenophobia to Sharpeville and Boipatong massacres. In both incidents, lots of

people lost their lives and the police were responsible because they failed to prevent the loss of life. The difference was only that the xenophobic is the locals against foreigners but the casualties are the same. Some foreigners responded by saying that xenophobia is violence. In Attridgeville, foreign business owners responded by saying that one mistake can cause their shops to be vandalized by a mob of people; all the time they are on alert because they can be attacked anytime.

Figure 3: Response to Xenophobia and Violence in South Africa
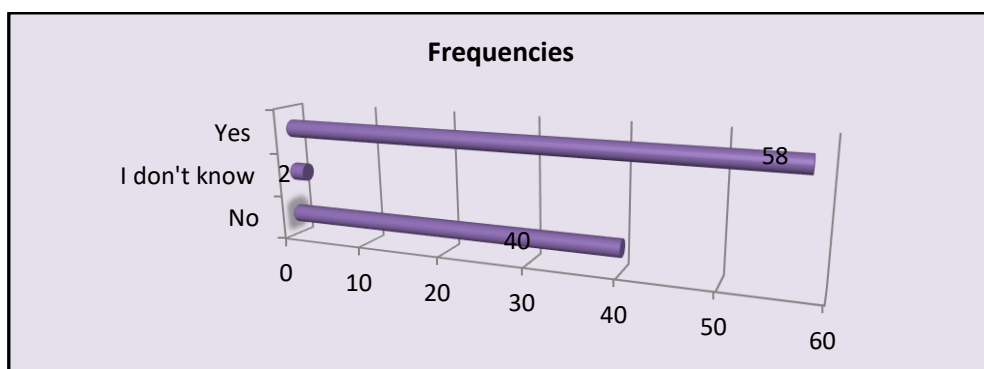
We should look back at our recent history if we want to understand the extent of violence and crime in South Africa. It should come as no surprise that violent crime remains disturbingly high in South Africa. What is surprising is that there is not even more crime and violence, considering how we have dealt with our violent past; We have increasing poverty and inequality, and have failed as a country to secure confidence in and respect for the rule of law (Chandre, 2014).

During the xenophobic attacks in the informal settlement in Attridgeville we saw some of the horrifying incidents of people being burned and assaulted, many shacks were vandalized. This reminded us of the violence during the struggle when property and people were tortured and destroyed, so xenophobia is indeed violence in South Africa. This country has lost many

lives because of the violence that is never-ending. The Marikana massacre is also testimony to the violent nature of South Africans and again the ultimate failure of our police to combat violence.

South Africa Police Officers and Xenophobic Tendencies

While 44% of the respondents perceive South African police officers as xenophobic or prone to violence, 47% of the survey respondents are of different view and do not perceive the country's police officers as xenophobic or prone to violence. 9% do not know as revealed in Figure 4. Some respondents perceive South African Police as not xenophobic, rather they are just dealing with xenophobia. They responded by saying that police help and defend them when they are attacked, therefore police are perceived to be acting according to the law. That is why they do not hate anybody. Police are not xenophobic after all. In some instances police have gone beyond their call of duty, where they setup a television set in the hall in which displaced migrants were staying. Other police officers went out of their way to bring in mattresses so that migrants did not have to sleep on the chilly concrete floors. Whatever the reasons, it was a moment in which the relationship between the police and the migrants was reconstructed as one of securing protection and realizing a sense of a humanitarian justice. It is evident that if the police were xenophobic many more lives would have been lost during incidents like the ones in in Attridgeville. Some of the best work done there was done to rescue the many foreigners who were trapped on the hills of the squatter camp.

Figure 4: South Africa Police Officers and Propensity to Xenophobia and Violence
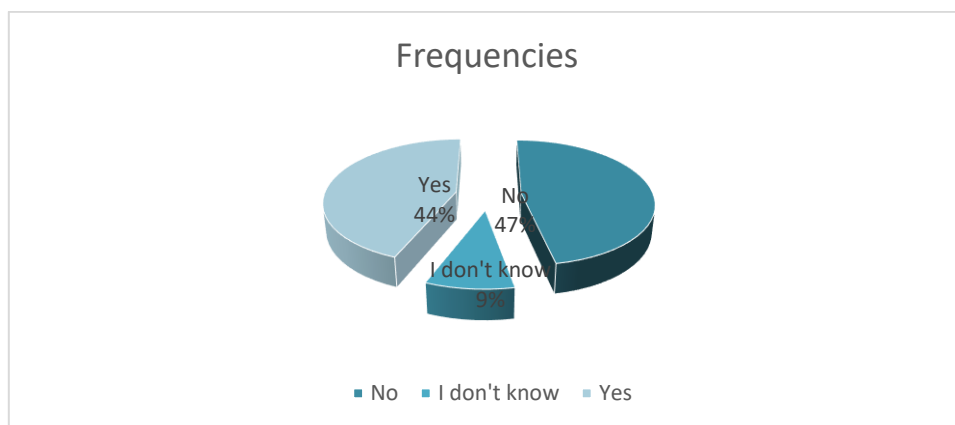
Methods and Techniques for Combating Xenophobia Related Attacks

Pro-active Policing of Xenophobia

From the surveyed local and foreign nationals (Figure 5), 62% indicate that they are of the view that the police are not proactive in dealing with xenophobia; while 7% of the foreign and local nationals reveal that they do not know whether or not the police are proactive in dealing with xenophobia. However, 31% of the respondents agree that the police are proactive in dealing with xenophobia.

Figure 5: Response on Police Proactive Policing of Xenophobia
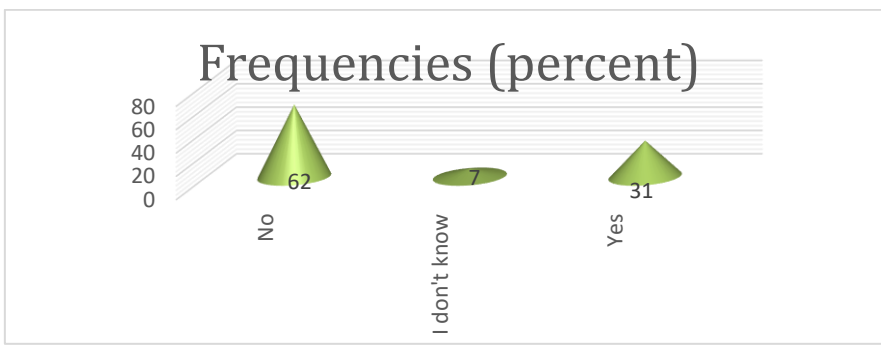
Adequacy of current arrest methods

As revealed by Figure 6, while 42% of the respondents do not think the current methods of police arrest can deal with xenophobic attacks; 49% of the participants indicate that they do not know whether or not the respective methods of arrest can deal with xenophobic attacks. Only 9% of the participants are of the perception that the current methods of arrest of the police can deal with xenophobic attacks.

Figure 6: Response on Whether the Arrest Methods Can Deal with Xenophobia

	No	I don't know	Yes
Percentage	42	49	9
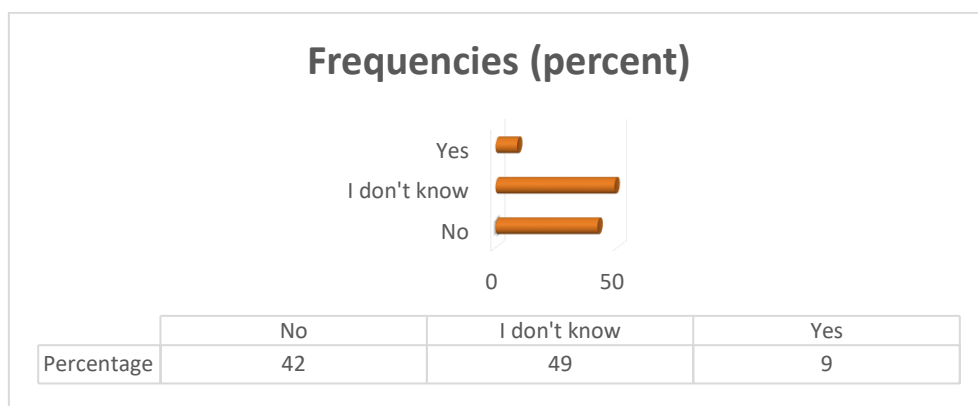
The respondents do not know if the arrest methods are effective or not. It was the first time we saw this in South Africa, and not too much had been heard about xenophobia, so it was people killing each other, it was black on black violence and very bad. Following this, police arrested people on information from the community which might be wrong and this resulted in the wrongful arrest of people. There were legal battles which cost the government a lot of money. The police must make sure they arrest the right perpetrators of xenophobic violence and that proves to be difficult if they do not have information from the community. The police will have to properly identify the culprits and be sure before arrest because wrongful arrest is very costly to the state in terms of legal costs.

The Use of Water Cannons or Rubber Bullets to Combat Xenophobia Riots

More than half (58%) of the participants disagree that the use of water cannons or rubber bullets should be used to address xenophobic attacks (Figure 7). Additionally, 24% of the respondents indicate that they do not know whether or not that use of water cannons or rubber bullets can deal with attacks related to xenophobia; while 18% of the participants agree that use of water cannons or rubber bullets can deal with xenophobic attacks in the country. Most respondents disagree that the use of water-cannon will help; they believe that these tactics can make the situation worse because when the police leave the scene. The people who have been hit can come back and seek revenge for their pain suffered during the day. The use of these materials can only stop the violence temporarily and so this cannot be effective.

Figure 7: Response on Use of Water Cannons or Rubber Bullets to Combat Xenophobic Riots
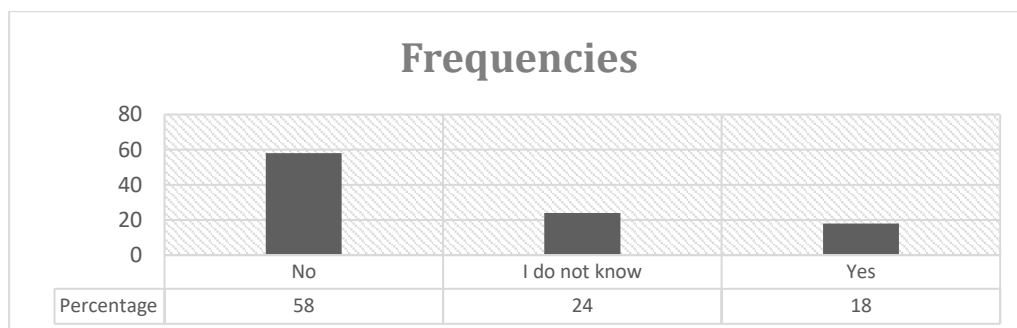
The use of the water-cannons should only be considered when the situation is totally out of control. The police should try other means but unfortunately sometimes they just use them without checking for alternatives.

Adequacy of Police Skills to Combat Xenophobia

The response to police officers' skills to handle and combat xenophobic violence are shown in Figure 8. According to the results of the survey, marginally above half (51%) of the respondents indicate that they do not know whether or not the police have skills needed to combat xenophobia; while 42% of the participants indicate that they do not think that police have the requisite skills to combat xenophobia; while only 7% of the respondents are of the view that police do have the skills needed to combat xenophobic. This result clearly points to the skills gap that exists in the South African Police system with regard to response to xenophobic attacks.

Figure 8: Response on Police Officers' Skills to Combat Xenophobia

Frequencies

	No	I don't know	Yes
Percentage	42	51	7
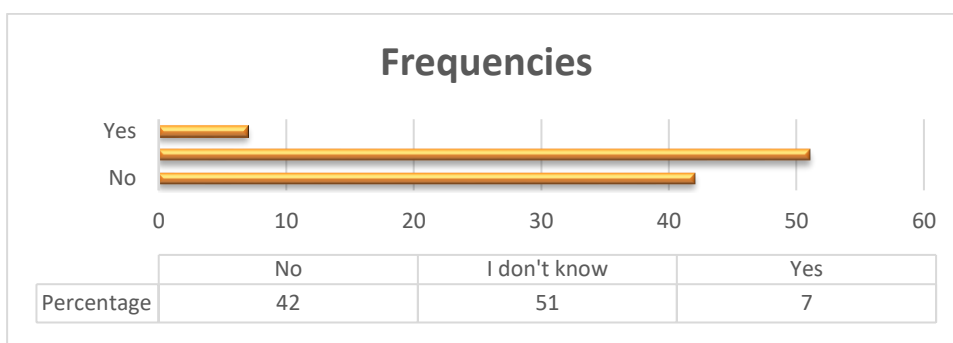
The respondents do not know if the police have the skills needed to combat xenophobia, the police are unable to differentiate between service delivery protest and xenophobia, the police only want money and nothing else. The skills of a person are seen in the execution of his or her duties. In our opinion, the respondents have seen the police at work combating xenophobia or any other kind of violence. For them to not know it means that a lot needs to be done to make sure that the people of this country believe in the skills of the people who are serving and protecting them.

Police Training to Combat Xenophobia

Police training involves imparting knowledge and technical skills to the police force to deal with protective measures, for the protection of property and citizens in the country. The majority of the 69% of the respondents indicate that they do not know whether or not the police have training to combat xenophobia. On the contrary, while 24% of the participants are of the perception that the police do not have training to combat xenophobia; 7% of the respondents are of the view that the police have training to combat to combat xenophobia. This result in the survey, as revealed in Figure 9,

indicates the level at which the public is not sure of the type of training that the Police engage in, specifically related to xenophobic violence.

 Figure 9: Response on Police Training to Combat Xenophobia

Most respondents don't know if the police have undergone training to combat xenophobia. They believe that the police do not show any knowledge and skill of being trained; they strongly believe that they need training and that this will result in the better policing of xenophobia. In-service training, a routine continuous training requirement for members trained in crowd management, is also never systematically undertaken by station members. This raises doubts about their ability to deal with situations they may face.

Effectiveness of Metro Police in Preventing Xenophobia Related Violence

The Police and the Arrest of the Perpetrators of Xenophobia

In the recent xenophobic attacks involving the looting of foreign owned shops, the Police was found to be either helpless or to deliberately watch the

perpetrators as they commit the act. Figure 10 reveals that 42% of the participants show that they do not know whether or not the police arrest the perpetrators of xenophobia. 38% of the respondents are of the opinion that the police do not arrest the right perpetrators of xenophobia. On the other hand, 20% of the respondents are of the view that the police arrest the perpetrators of xenophobia. The fact that most respondents do not know whether the police arrest perpetrators is a cause for concern which invariably reveals the level of ignorance amongst the public in this issue.

Figure 10: Response on Whether Police Arrest of the Perpetrators
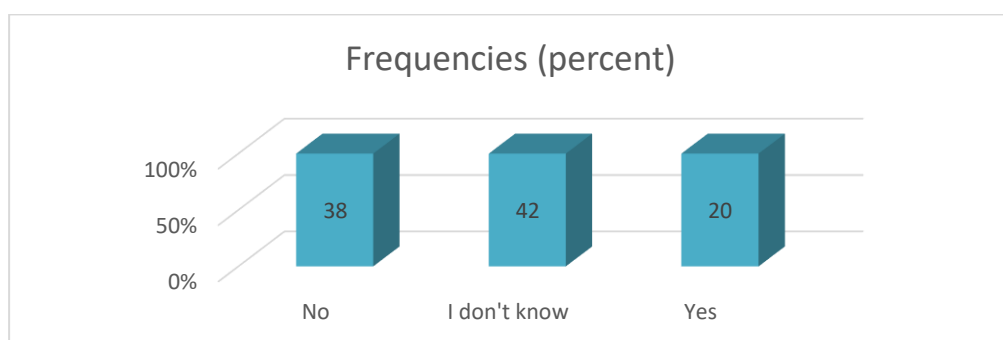

The respondents believe that if the police were arresting the targeted people, most of them would be in jail and will be scared to commit xenophobic-related violence. Some respondents believe that the police are just taking a chance, maybe if it happens in front of them, they can would be able to arrest the target people but most cases people run away when the police arrive so the police will then arrest some people they find in that area and most of them may be innocent by-standers or people going on with their business and have no part in the violence. If the target perpetrators are committed to jail terms, then the other members of the public will be scared to perpetrate xenophobic violence that the contrary will be the case if the perpetrators are not arrested and jailed.

Police Acting on Evidence to Arrest the Perpetrators of Xenophobia

An important question is whether the Police service acts on evidence in relation to the arrest of perpetrators of xenophobic attacks. This result of this study in Figure 11 shows that marginally above 53% of the respondents expressed that they do not know whether or not the police act on evidence to arrest perpetrators of xenophobic violence, while 29% perceive that police do not act evidence when it comes to arrest of target perpetrators of xenophobic attacks.

Some respondents believe that police just arrest people in order to stop the violence. Most of the perpetrators usually run for their lives instead of being arrested so the police arrest the wrong people even without evidence. The problem is that it is not easy for people to give information to the police; under these circumstances the police will have no evidence but to act on assumptions in most cases. Respondents think that if the police were acting on evidence many perpetrators will be in jail. Acting and arresting people with evidence remains so critical in the prevention of xenophobia. It does not help to arrest a mob of people only to find out that they were mere by-standers who do not have any clue about what is going in that area. It is just a very complex issue that needs police to prove beyond doubt that the persons arrested are indeed the perpetrators or are involved in xenophobic violence or part of it thereof. The community does not help the police instead they hide the perpetrators, so building a better community–police relationship is of outmost importance.

Figure 11: Response on Whether or not Police Acting on Evidence to Arrest the Perpetrators
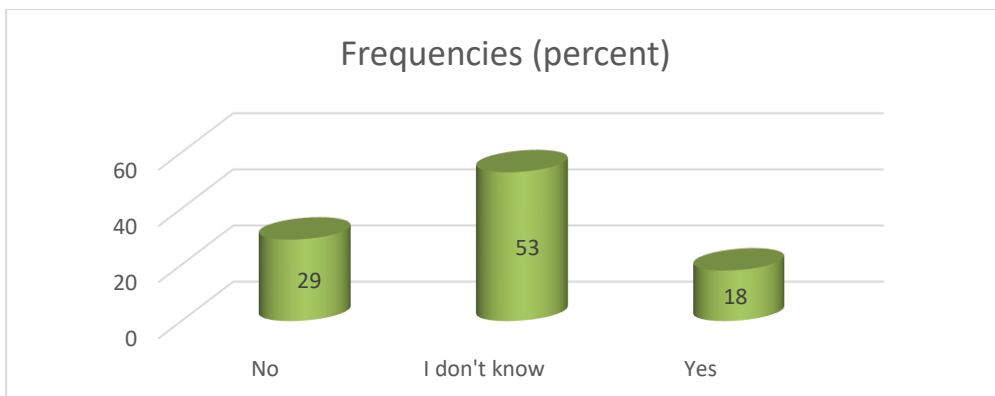
Police Effectiveness in Prevention and Control of Xenophobia

Although 51% of the respondents surveyed rated the effectiveness of the police poor in terms of dealing with xenophobia, 33% of the participants were of the view that the effectiveness of the police can be rated average in terms of xenophobia. Moreover, 33% of the respondents indicated that they the effectiveness of the police is generally good when dealing with xenophobia.

Figure 12: Police Effectiveness in Prevention and Control of Xenophobia
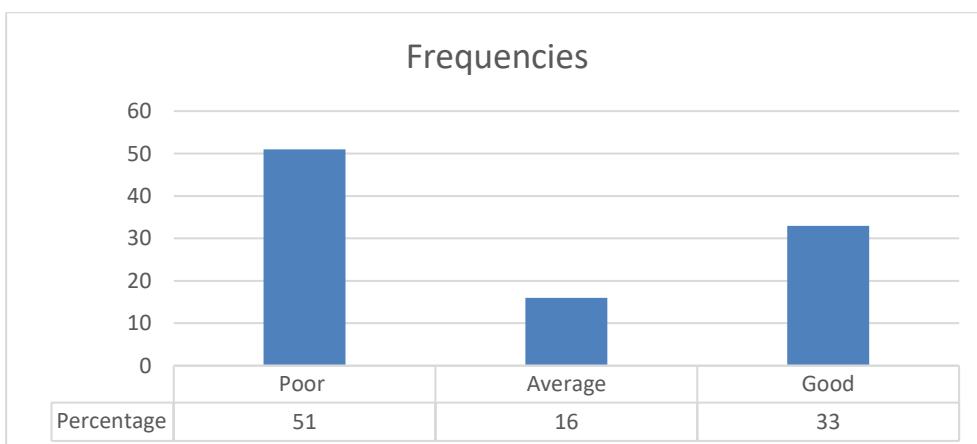
The respondents evaluated the police as ineffective in handling xenophobia. The police lack skills to combat xenophobia and the continuous re-occurrences of xenophobia makes it easy to say that they are ineffective and poorly trained in this regard. Some respondents are of the opinion that the police come after people have died and they should be able to make sure that xenophobia doesn't occur again. Some respondents believe the police should be on the ground to educate people and meet with the community leaders to sensitize them about the xenophobic violence. However, community leaders say police are always reactive; they are waiting for something to happen and they start running and using teargas. It is alarming for the community to rate the police as poor. This calls for the need for the police to intensify their community involvement in order to win the trust of the community. When there is no xenophobic violence, the police must always make the public aware that they are not waiting for the outbreak of xenophobia but they are coming up with mechanisms to make them police xenophobia better.

Following of the Correct Procedures and Regulations to Combat Xenophobic Violence

Based on the results of this study (Figure 13), the majority (67%) of the respondents indicate that they do not know whether or not the police follow the correct procedures and regulations to combat xenophobia. Furthermore, while 13% of the participants surveyed in the study are of the view that the police do not follow the correct procedures and regulations to combat xenophobia, 20% of the respondents are of the view that police follow the correct procedures and regulations in combating xenophobia.

Figure 13: Response on Whether the Police Follow the Correct Procedure and Regulations to Combat Xenophobic Violence
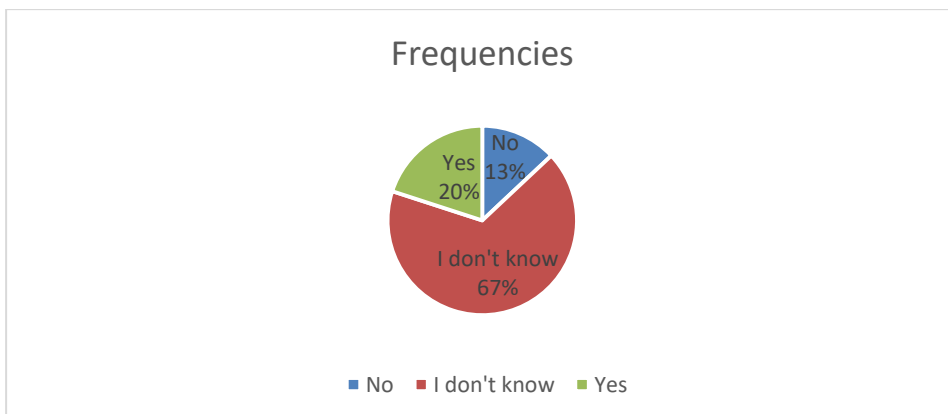

The respondents are not sure if the police use the right procedures to combat xenophobia. Some respondents think that the police just do not follow any procedure. According to the respondents, they just take Palm guns to disperse the people and do everything they think will stop the violence and do not necessarily checking the procedures and regulations. In many instances the police have resorted to using rubber bullets to disperse crowds. Police action in these instances was labeled as 'aggressive' by the general public and some media and was even compared to that of the riot police during the 1980s and early 1990s.

Community and Other Role-players' Involvement in Combating Xenophobia

All the respondents surveyed in the study (Figure 14) are of the opinion that dealing with xenophobia should be regarded as a function of the community as a whole rather than the police only. These results therefore suggest that the police alone cannot be held fully responsible for the failings in dealing with xenophobia; hence every member of the community should take part in fighting against xenophobia and its related criminal activities.

Figure 14: Response on the Involvement of the Community and Other Stakeholders in Combating Xenophobia
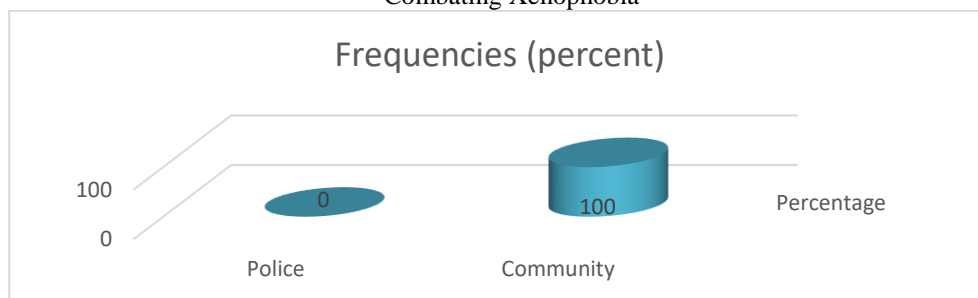
The respondents responded overwhelmingly that the community must be involved in giving the police information about the perpetrators of xenophobia, because they know them and live among these perpetrators. All of the respondents believe that this should be a joint effort between the SAPS, Metro Police, Church, the congregation and other stakeholders. Their inclination is that the community must take action against xenophobia and the elements that cause related violence. The police must stop corruption caused by taking money from foreign shop-owners in order to increase police trust within the community and the foreign nationals. There should be a better understanding between all the stake-holders to make sure that xenophobia is not justified. The response from the respondents proves that there is a need for proper-communication, mutual respect and understanding between the community, foreigners and the police. The police have to use the community police forums and relevant structures to give feedback to the community in order for the community to know whether the police are doing well or having challenges to address community issues including xenophobia and its related violence.

The Challenges and Limitations of the Metro Police

Availability of Material Resources to Combat Xenophobia

As Figure 15 shows, more than half (60%) of the respondents indicate that they do not know whether or not the Metro Police has enough material resources to combat xenophobia; 29% are of the perception that the Metro Police do not have enough material resources to combat xenophobia. On the contrary, 11% of the respondents are of the opinion that the Metro Police have enough material resources to combat xenophobia in the country.

The respondents are of the view that the Metro police rely on SAPS cars to stop xenophobia. They have on resources like the *Nyalas* and Armoured cars to protect themselves during the violence; they wait for the police to come to help them. Some respondents say that the metro police cannot manage the xenophobic violence and this is a big challenge. To prevent xenophobia metro Police need cars that are designed to travel in the squatter camps where there is no roads -- an ordinary car will not be able to go through the rough roads of the squatter camps. There are other resources which are needed and they should be readily available as and when the need arise to save lives.

Figure 15: Response on Availability of Resources to Metro Police
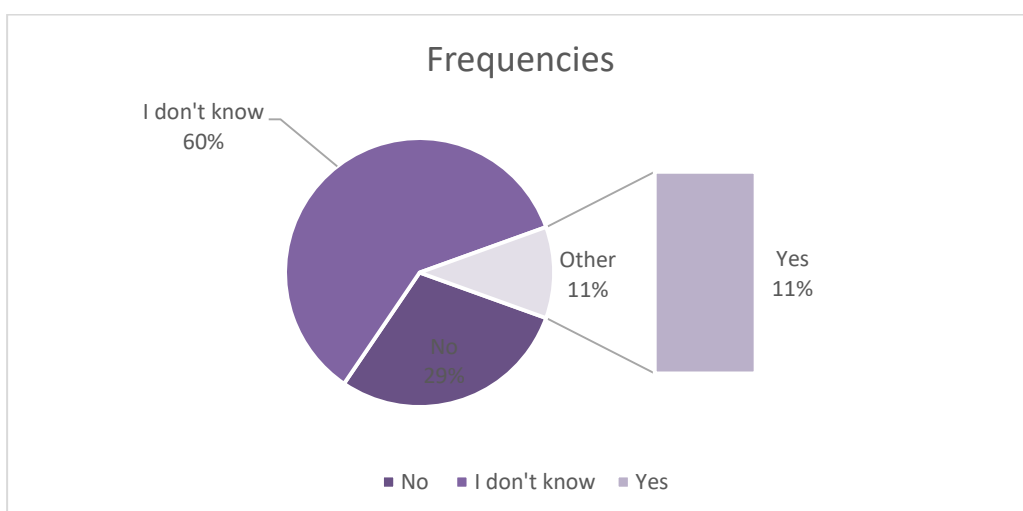
Availability of Human Resources to Combat Xenophobia

From the study results (Figure 16), with a total of 45 respondents surveyed, 73% indicate that they do not know whether or not the Metro Police has enough human resources to combat xenophobia. Moreover, 22% expressed that they are of the view that the Metro Police do not have adequate human resources to combat xenophobia; while only 5% are of the opinion that the police have enough human resources. It appears more convincing from the results of this study that the Metro Police may not have enough human resources to deal with xenophobic attacks.

Figure 16: Response on Availability of Human Resources to Combat Xenophobic Violence

|	No	I don't know	Yes
Percentage	22	73	5
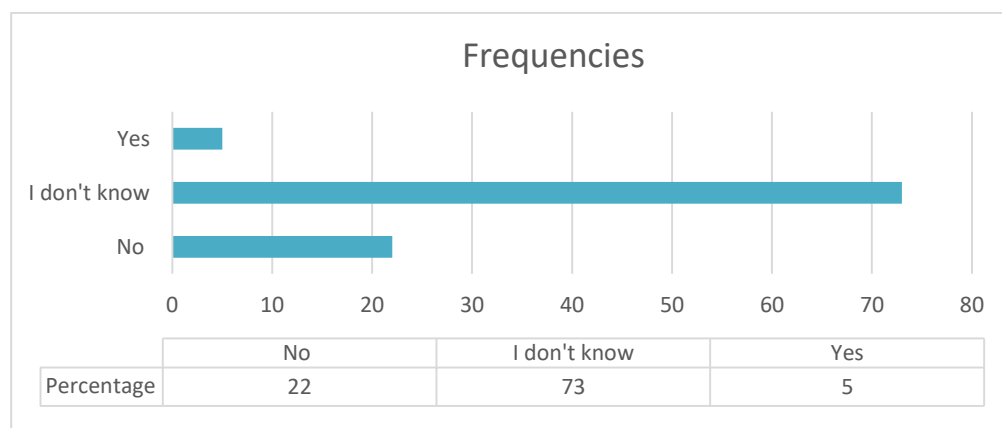
The respondents are of the view that Metro police have not enough members to cover the area affected by xenophobic violence. If the attacks are all over Tshwane, they wait for the SAPS to back them up. They believe that the metro police is too understaffed to prevent massive xenophobic violence in its jurisdiction. Some respondents believe that they cannot control the massive crowds that are rioting and that they need the SAPS to back them or take-over the situation. They rely on the SAPS public order policing unit to combat xenophobia. There is a need for the metro police to have enough resources to

combat xenophobia. The outbreak of xenophobia is unpredicted and this means that the police agency have to put contingency plans in plans in case of xenophobia which can start in a flash and suddenly the whole area is up in smoke. There should be a plan that must be followed in case there is xenophobic violence; people must be assured of their own safety and that of their property during such violence.

Availability of Legislation to Combat Xenophobia

Exactly 73% of the respondents indicated that they do not know whether or not the police have the legislation to combat xenophobia. Additionally, while 19% of the respondents are of the view that the police do not have the legislation to combat xenophobia, 8% of the remaining participants are of the opinion that the police do have the respective legislation (Figure. 17).

Figure 17: Response on Whether There is Legislation to Deal with Xenophobic Violence
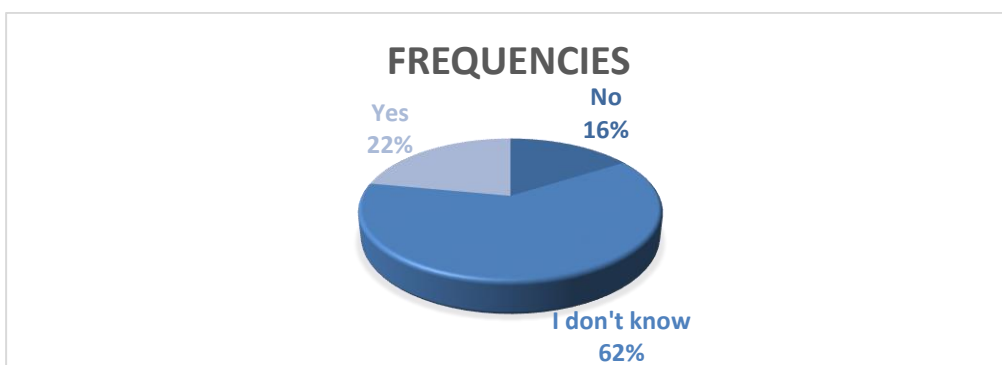
These events caused serious violations of the human rights of many people living among us, including within Tshwane. The Centre for Human Rights at the University of Pretoria, therefore, undertook a research project 'Strengthening Democracy in South Africa: Fighting Xenophobia,' to look into the causes and some pertinent manifestations of human rights violations, and to investigate what the role of human rights law has been and how its role

could have been more pronounced. While threats of xenophobic violence have been flaring up after the World Cup remain just "rumors," the government has gone on the offensive and developed a plan to prevent and deal with any outbreak of violence. However, law enforcement agencies will monitor the threats and if they were found to be credible, preventative measures will be put in place immediately. It is clear that there is no law that deals with xenophobia. None of the respondents knew exactly if there is such law, we must bear in mind that some of the respondents are the metro police officers who must enforce this law.

The Role of the Media Regarding the Police Combating Xenophobia

The majority of the respondents surveyed had mixed views about the major role played by the media towards combating xenophobia. While some of the respondents generally indicated that the media sometimes helps to reduce xenophobia, they were of the opinion that sometimes the media promotes xenophobia due to the way in which some journalists report issues surrounding the factors leading to xenophobia. Some respondents, however, believe that the media does not at all help in combating xenophobia. Although they report xenophobia as if it is a bad thing but the media sometimes give their views that the main issue is around job security.

Conclusion and Recommendations

The South African Government and security cluster, mainly the Police, should demonstrate even stronger condemnation and intolerance of Xenophobia in both words and deeds. For example, the Government of Botswana once handled the same problem over the years when the country once suffered from the same influx of immigrants from the neighboring Zimbabwean citizens and that this had been causing occasional irritations on the citizens.

The government of Botswana successfully implemented a policy of diffusing the growing instances of xenophobic views in the mass media. Over a decade ago, the second president Ketumile Masire responded to a citizen's complaint that foreigners were taking up opportunities by asking the complainant where he was when the foreigners did that. He continued by saying that the foreigners should find us there.

While this study has created a platform for dialogue and interest in improving the relationship amongst local students, non-local students and staff, a larger scale research study would have a much greater impact in effecting changes. A national study should be undertaken to determine the level of xenophobia in South Africa at a national level. This will enable researchers to determine the commitment of the country's citizens towards eradicating any form of xenophobic behavior. A future study should focus on the etiologies and intervention of xenophobia in South Africa as it would be interesting also to investigate the reason that makes African foreigners to be the only target in most cases. Overall, when the xenophobic attacks go beyond what police resources can manage, the Army must support the police and use painful military means that do not lead to death.

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Acknowledgement

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Conflict of Laws: Analysis of The Rights of an Heir Under Lesotho Customary Laws and Common Law Prescripts

This paper discusses the rights of the heir under Basotho Custom. The paper depends on secondary data sources, namely the laws and status of Lesotho, statutes and academic literature as the main sources of data. Information derived from various sources was contextually analysed and presented in the form of logical arguments. Based on the data gathered, the general overview of the heir and the relevant authorities from which his rights are derived is discussed. The paper also discusses in depth the validity of written instructions or wills vis-à-vis the customs, traditions and practices of the people of Lesotho. This is followed by arguments about the determination of who becomes an heir under specific circumstances surrounding the facts given and lastly the rights of the heir against any imaginable parties is discussed.

Keywords: Heir, Inheritance, Customary Law, Lesotho, Will, Conflict of Laws

Introduction

This papers articulates what happens to a deceased's estate in the case of a situation where he dies without a child from a legitimate marriage but does have a son from one of his concubines. The imaginary case to be analysed and discussed in this paper is as follows: a certain man called Thabo (not real name) dies leaving his widow, named Teboho (not real name) who has no male child with him. He makes written instructions that his illegitimate son (Thato) who was taking care of him when he was sick should inherit his estate. When Thabo died, he had not paid Mokete (not real name) the native medicine man who treated him while he was sick a couple of cows for the medicine he gave to him, (*moriana oa sepeiti*) because his concubine Manto (not real name) had sold all his cattle and his estate.

Given the above, there appears to be confusion in contemporary Basotho society with regard to who specifically is the heir under Basotho custom? How valid is a written will *vis-à-vis* the Basotho customs and traditions with regard to inheritance? What rights does an heir has over other parties mentioned in this scenario? These contexts and situations are currently potent flashpoints for conflicts among family members and raise some questions that require the use of authorities and laws to determine who the heir of the deceased is and what are the rights of the heir under Basotho custom against all other authority. Against this backdrop this paper presents a detailed conceptualization of whom an heir is under Lesotho Laws and the rights of an heir over and against respective "others" in the inheritance practices of Lesotho.

Who is an Heir under Lesotho Law?

The Basotho custom follows a patrilineal tradition in relation to matters of inheritance and succession. Inheritance devolves from the father to his eldest

son, known as the heir. According to the Laws of Lerotholi,[1] the heir is the first male child of the first marriage. When there is no male child in the first marriage, the heir shall be the first born male child of the next wife married in succession. If there is no male issue, the successor shall be the brother of the deceased. If there is no male issue in any household, the senior widow becomes the heir and is expected to consult with the relatives of her deceased husband for advice.[2] In the event that the heir is a minor at the time the deceased passed away, Section 12(1) stipulates that a guardian will be appointed who is usually the widow. The guardian has a duty to keep the records of the estate and such records are open for discussion with relatives.

The heir, apart from inheriting the goods of the deceased also inherits the deceased's debts and obligations. Hence under custom he is called *moja-a-lefa*, meaning 'you eat and you pay'. This has resemblance to the Roman Dutch law in the sense that *mojalefa* is called 'Heres' who inherits both obligations and assets. In Basotho custom, the deceased's estate is treated as a single unit called *lefa*. This aspect of custom is also identical with the Roman estate law known as the *heriditas*. However, there is a difference between Basotho custom and Roman law due to the fact that under Basotho custom, there was only one heir who is the eldest son, whereas under Roman law, all the children of the deceased were automatically heirs.

The heir in Basotho custom is regarded as having stepped into the shoes of the deceased (*mojalefa o kena liteng tsa mofu*). He merges his own patrimony with that of the deceased. There is no separation between the assets of the two. The Basotho customary heir has duties summarised as follows:

- To acquire and take charge of the deceased's estate. This means that the deceased's property became the heir's property.

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[1] Laws of Lerotholi Section 11(1) Part 1.
[2] Laws of Lerotholi Section 11(2) Part 1

- To bury and to make arrangements for the burial of the deceased. This is to be done in conjunction with the other members of the deceased's extended family; however, it is the heir that has the legal obligation.

- The heir has a right to the debts that were owed to the deceased and consequently had a duty to collect those debts.

- The creditors of the deceased had a right to claim payment of the deceased's debts.

- The heir who stepped into the deceased's shoes had a duty to look after the deceased's dependants and to discharge all the legal obligations that the deceased had.

- If the deceased allotted property among his houses and children and the heir came to know about this, the heir must carry out the deceased's wishes. (Maqutu 2005: 294-295).

- Having highlighted the position of the heir under Basotho custom, the validity of written instruction will now be discussed.

Validity of Written Instructions under Custom

Under Basotho custom, a person is permitted to specify in writing the person or persons to whom his own property should pass after his death. At common law the medium used is a will. The difference between the two systems lie mainly in the formalities required. A will normally must be signed at the end by the testator in the presence of two or more competent witnesses who are present at the same time, and these witnesses must have attested and subscribed the will in the presence of the testator. Written instructions on the other hand are probably sufficiently valid if they can be shown to be the authentic work of the testator by means of any reliable evidence (Maqutu 2005: 322). These dispositions are only valid if they do not deprive the heir

of the greater part of the estate.[3] This provision according to Duncan (2006) was meant to refer only to polygamous families. It, however, appears to have extend to monogamous families. In *Mokorosi v Mokorosi*,[4] it was held, in the case of a monogamous family, that 'by section 14(1) of the Laws of Lerotholi, a will is recognised as valid provided that the heir is not deprived of the greater part of the estate.' Another aspect of this provision is that it places a limitation on the freedom of testation as opposed to the 1873 Law of Inheritance Act which gives every man freedom to make a will.

According to Poulter (1999), the Law of Inheritance Act came originally from the Cape Colony and continued in force in Basutoland in 1884 when the *General Law Proclamation* was promulgated. Section 5 of the *Law of Inheritance Act* states

"every person competent to make a will shall have full power by will… to disinherit or omit to mention any such child, parent, relative or descendant without assigning any reason…, any law, usage or custom now or heretofore in force in Basutoland notwithstanding and no such will as aforesaid shall be liable to be set aside as invalid, either wholly or in part, by reason of such disinheritance or omission as aforesaid."

This gives the impression that as long as a person executes a valid will (either under custom or common law) and was competent to do so, his wishes must be carried out regardless of any restrictions in Sesotho laws. Poulter holds the view that the Cape Law of inheritance has given every *Mosotho* freedom of testation. However, it has been argued that the phrase 'competent to make a will' provides a clear indication, that this Act is limited to persons who have abandoned a customary way of life and have adopted a European mode of living (Mosito 2008). In *Hoohlo v Hoohlo*,[5] the decision was made on the assumption that the freedom of testation does not apply to *Basotho* who have

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[3] Laws of Lerotholi, Section 14(1) Part 1
[4] 1954 H.C.T.L.R 24
[5] 1967 – 70 LLR318

not abandoned the Sesotho way of life. Also in the Mokorosi case of 1954[6] and the Thomas Mokorosi case,[7] it was assumed by the courts that a *Mosotho* living a customary way of life has no freedom of testation.

The question whether a person has abandoned a customary mode of life and adopted a European way of living is a question of fact to be determined on the particular facts of each case. This 'mode of life' test falls within the purview of the Master or the High Court.[8] The courts use some guidelines to determine whether someone has abandoned the customary way of life and embraced the European way of life. These elements were discussed in *Mokoroosi v Mokoroosi*,[9] also in *Hoohlo v Hoohlo*.[10] Poulter sums up the criteria as follows:

   i) living in a district headquarters or what used to be called a government reserve;

   ii) not having any land allocated by a chief for ploughing or having cattle grazing in the common pasture in the rural area;

   iii) earning a living from a profession, commerce, and industry or government service;

   iv) living in a European style house with several rooms;

   v) owning a motor vehicle;

   vi) wearing European clothes;

   vii) possessing a bank account or a life insurance policy;

   viii) adhering to the Christian faith;

   ix) being married by civil or Christian rites and committed to monogamy;

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[6] 1954 H.C.T.L.R 24
[7] 1967 – 70LLR 1
[8] Administration of Estate Proclamation. No. 19 of 1935.
[9] 1967-70 LLR 1
[10] 1967-70 LLR 318

x) giving children a European education, not sending them to a circumcision school;

xi) sleeping on a bed and eating at a table with the whole family;

xii) consulting an attorney in various matters including the drawing up of a will.

These criteria have been criticised by some scholars as artificial, however they are used as a guide up to the present time in Lesotho judiciary.

In reference to facts of contemporary cases in Lesotho, one is not certain of the mode of life lived by deceased (Thabo) so as to ascertain whether the 'mode of life' test will be applicable. However applying the Basotho customary principles, the written instructions made by a deceased is permitted, but for it to be enforced the provisions of the *Laws of Lerotholi*[11] has to be applied, whereby the heir shall not be deprived of a greater part of the estate. This brings up the argument *as par* who is the heir in a situation where a man dies with a written will where he appointed an 'illegitimate son' to inherit his property.

Determination of the Deceased's (Thabo's) Heir under Lesotho Laws

By virtue of Section 11(2) of the Laws of Lerotholi which states as follows: "If there is no male issue in any house, the senior widow shall be the heir, but according to the custom, she is expected to consult the relatives of her deceased husband who are her proper advisers." A childless widow under custom is the sole heiress of her late husband (Maqutu 2005:290). In chieftainship matters, Section 10 of the Chieftainship Act of 1968 provides that a childless widow becomes the heiress to her husband's chieftainship. Also, the case of *Bereng Griffith v 'Mantsebo Seeiso*,[12] the plaintiff based his

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[11] Section 14(4).
[12] 1926-55 H.C.T.L.R.50

claim on the belief that under Basotho custom a woman is incompetent to fill any administrative office, that she is not *sui generis* – that, whether as a maiden, wife or widow, she was entirely subject to the control of the male head of her family; that she can never become the owner and controller of property, that she has no *locus standi in judicio* and that all matters concerning her and the property of her house can only be transacted by the male head of her family. However, in passing the judgement, Landsdown J mentioned the frequent practice of women being the controller and administrator of the affair of her own house when her husband has passed away.

In Basotho custom, for purposes of succession, a house without a son is regarded as childless. Yet the marriage is not regarded as childless so long as she can still bear children with some other acceptable male relative of her husband in order, if necessary to 'raise seed' by her (Maqutu 2005: 219). Such children born are regarded as legitimate and are regarded as lawful successors to the deceased. This explains the reason why in the Bereng Griffith case, Lansdown J found it to be wrong to refer to the widow as the wife of the *mokeneli* (the person who marries his brother's wife) when he is supposed to be just a 'seed raiser'.

Apart from the chieftainship case, there are authorities that support the position of a woman assuming the head of her house. In *Mothebesoane v Mothebesoane*,[13] a woman was found to be appropriate to be the head of the house where she was married to the head of the house. Also in *Mafoso v Moorosi*,[14] a mother sued for her daughter's seduction; *Likotsi v Masilo*,[15] it was held that the widowed mother, not the father's brother was responsible for the delicts of the child, finally in *Rantja v Rantja*,[16] a man who sued for his widowed mother's lands without her authority was found to have acted wrongly.

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[13] 1978 LLR 384
[14] J.C 17/44
[15] 1/44
[16] 140/51

Based on the principles mentioned above, one can conclude that the widow of the deceased man is the appropriate heiress to the estate of her late husband. This should be the case notwithstanding the fact that her deceased husband has written instructions where he appointed his 'illegitimate child' a child born out of wedlock to inherit his property. In this case, his wishes however, cannot override custom (*Thabo v Makobela*[17]). Having determined the heir under Basotho custom, the right of the heir against each of the parties mentioned (the illegitimate child, the concubine and the native medicine man) are discussed below:

Rights of the Heir against the Illegitimate Son

Under Basotho Custom, there is a general rule that an adulterine or illegitimate child cannot succeed because they are not blood. This principle was demonstrated in *Rasethuntsa v Rasethuntsa*,[18] where there was a dispute over property left by their mother for the two brothers, Bula and Tom. On appeal, it was held that as their mother had never married, the status of her children was that of minors in the Rasethuntsa family, her property is therefore to devolve on the Rasethuntsa heir. In a similar manner in *Thabo v Makopela*,[19] the estate of one Seporo was disputed by his illegitimate grandson and his next junior brother. Before his death Seporo had stated that it was his desire was for his grandson to inherit his property. It was however decided that his desire could not override custom and that illegitimate children have no claim on estates.

An illegitimate child (child born out of wedlock) in Basotho custom belongs strictly to the mother's family. If the father subsequently married the child's mother, that does not change his position towards the child. In order for the child to be legitimised, the natural father must also enter into a special

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[17] J.C 360/47
[18] J.C 216/1947.
[19] J.C 360/47

agreement acknowledging the legitimacy of the child and there must be an agreement with the mother's parents for the transfer of the child to the natural father.

An ox or a cow, called *kheoma ea seotla* is given to the mother's parents for bringing up the child to the natural father's family. It is after all these rites are performed that the child becomes legitimised. In *Makotsoko Majara v Thelingoane*,[20] the issue of legitimacy of the last child *Kobela Majara* was raised by the plaintiff and it was held by the courts that there was a valid customary marriage performed by the parents and that the son was properly legitimized thereafter and therefore entitled to succeed.

Another angle to the perception of legitimacy under Basotho custom is a situation where the children born are not the biological offspring with their father. This happens in *lebota* (marriage to a fictitious person) and *lebitla* (marriage to a person already deceased) marriage. Such children are considered as legitimate because they are the seeds raised for the deceased person and they are accepted by his family. In Melintsoele v Ramokhele,[21] it was held that a son born out of the *lebitla* marriage was entitled to succeed as the chief.

Applying all the principles stated, the adulterine child (Thato) has no right to succeed Thabo. The widow (Teboho) is not obliged to follow the written instructions of her deceased husband (Thabo). His wishes even though they ought to be respected cannot override custom. The adulterine child cannot therefore claim any inheritance or step into the deceased shoes.

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[20] 1999-2000 LLR 164.
[21] 1974-75 LLR130.

Rights of the Heir to Settle the Debts Owed to the Native Medicine Man (Mokete)

One of the obligations of the heir under custom is to settle the debts and obligations of the deceased. The common saying '*mojalefa ke moja-a-lefa* (the heir not only eats but has also to pay) applies over debt settlement. In *Ramochela v Sekouti*,[22] the heir was held liable to pay his younger brother's *bohali (bride price)* despite the fact that he pleaded that his estate was small and he had not finished paying his own *bohali*. It was also stated that he could be assisted by members of his family.

Applying this principle to the present facts of the case, the widow, Teboho has the obligation to settle the debt incurred by her deceased husband, Thabo. She has the full responsibility for the cow owed in settlement of the debt even though it is apparent that she had no estate or cattle to inherit as the deceased's concubine has sold them. She can however seek the assistance of her husband's male relatives since they are supposed to be her natural advisers.[23] The implication of the above is that an heir is liable to both costs and benefits associated with the deceased who he/she has inherited.

Rights of the Heir against Manto (Thabo's concubine)

Manto was Thabo's concubine, whom she had sold his cattle and estate. It can be inferred from the facts that she had done this before Thabo's death as he was unable to settle the debt of the cow he owed to the native medicine man. The deceased had no property to inherit upon his death except for the debt incurred for his medicine. Teboho has no right of action against Manto, her husband's concubine. She can however once again seek counsel from her deceased husband's male relatives over the matter.

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[22] J.C 224/69.
[23] Laws of Lerotholi Section 11(2) of part 1.

Conclusion

The discourse critically analysed leads to conclusions on the determination of an heir and the rights of an heir in Lesotho laws. According to the laws and custom of Lesotho it is therefore concluded that the widow of a deceased man who died childless remains his heir apparent. The widow therefore has right over estates and property of the deceased and by implication liable to his debts. All these are based on her rights under the Basotho customary principles, which seeks to protect the heir from a situation where he or she is deprived of their legitimate rights. In practice, irrespective of the duality of laws in Lesotho, the customary laws override the common law prescriptions, especially with regard to traditional issues such as marriage and family. This is an advantage of customary laws over the common law system.

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Linguistics and Literature

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Georgian Historical Realities in
Julier Chevalier's Noah's Grandchildren

The novel Noah's Grandchildren by Julier Chevalier, an American writer of the first part of 20th century, has made an outstanding contribution not only in the field of literature, but in history as well. The novel, however, by far, surpasses many well-known facts taken from the history of Georgia and brings attention to the legends of important historical value. On account of the novel not being translated, it has hardly ever been accessible to people who have deep interest in it. Noah's Grandchildren has remained inaccessible not only to the masses of Georgian readers but it has missed the attention of specialists too.

In the novel, the action takes place at the beginning of 20th century. The novel depicts the major economic-political events and the reality of the Democratic Republic of Georgia. To a certain extent Georgia fights its way against Soviet Russia, which ends in annexation of the country by Russian invaders. Furthermore, it leads to the emigration of the government of Democratic Republic of Georgia.

The American writer narrates impressive episodes from the history of our country (the Christianization of Georgians by St. Nino, the origination of the Georgian alphabet, etc). The descriptions of the living conditions of Georgians and their ethnographic traditions are given specific significance here.

Keywords: novel, literature, Julier Chevalier, Noah's Grand-children, American writer, Georgia

Introduction

The novel *Noah's Grandchildren* by Julier Chevalier, an American writer of the first part of 20th century, has made an outstanding contribution not only in the field of literature, but in history as well. The novel, however, by far, surpasses many well-known facts taken from the history of Georgia and brings attention to the legends of important historical value. On account of the novel not being translated, it has hardly ever been accessible to people who have deep interest in it. *Noah's Grandchildren* has remained inaccessible not only to the masses of Georgian readers but it has missed the attention of specialists too.

In the novel, the action takes place at the beginning of 20th century. The novel depicts the major economic-political events and the reality of the Democratic Republic of Georgia. To a certain extent Georgia fights its way against Soviet Russia, which ends in annexation of the country by Russian invaders. Furthermore, it leads to the emigration of the government of Democratic Republic of Georgia.

The American writer narrates impressive episodes from the history of our country (the Christianization of Georgians by St. Nino, the origination of the Georgian alphabet, etc). The descriptions of the living conditions of Georgians and their ethnographic traditions are given specific significance here.

In the introduction of the novel, much is said about the way the book was written. One of the main characters describes the story the author had while living in Georgia in the form of a traveler's story. Peculiarly according to the author's outline, "The boy was born and lived on the great rolling plains of Texas. He had never seen a mountain; nor had he ever seen the sea. Because of this, perhaps, there was one story of which he never tired." This was a legend about Noah and his grandchildren.

"The boy became a man and the man traveled... After years of travel it so happened that the man stood on the mountains of Ararat... Up the grassy hills...

he saw a little house... As the traveler watched an aged man came from the house and approached his resting place.

The old man held in one hand a horn of wine which he offered to the traveler, saying at the same time with a low bow "Victory be with thee. Refresh thyself and long life to thee!" And then he added proudly, that "I'm of those who are called in this land Karthli, for we are the descendents of Karthlos, the son of Togarmah, who was the great-grandson of Noah" (Chevalier, 1929, pp. 1-4).

"Best of all the land" and people "of the Karthli, which is called Georgia, the traveler loved that part which is called Guria" and Gurians because of their hospitality and patriotism. From the American writer's point of view, despite "all the hardships of foreign invasion and cruel oppression they have never lost their deep love for their native land and their proud inheritance of liberty and wonderful tradition." As J. Chevalier said, he so quickly became accustomed to the living conditions of Gurians that he stayed to live in Guria for some time and "the traveler became one with the Gurians" (Chevalier, 1929; 7-8).

However, we can conclude from the novel, that the writer traveled to other parts of Georgia as well, for example, to Samegrelo, Ajaria and Tbilisi.

Apart from the story of "The sons of Togarmah", the first chapter of the novel contains other turning points in history. For instance, during one of their conversations, "the priest told him (The traveler – O. N.) of St. Nina, who, fleeing from Tiradates, the cruel King of Armenia, came to them bringing the Word of Christ out of Capadocia in the third century after his crucifixion" (Chevalier, 1929; 6).

The novel pays particular attention to the increasingly important role of the Christian religion in the history of Georgia. The writer's keen interest in the past events, his depiction of the various parts of Georgia's history make enrich

the story and show not only the author's deep knowledge of Georgia's history and culture but also his respect and admiration for them.

The novel is marked by the writer's idealized way of characterizing Noah Jhordania. The writer puts emphasis on N. Jhordania's characterization, as he was considered to be the person who could bring independence back to Georgia in the 1920s.

From my point of view, the novel is distinguished by the accurate portrayal of political reality. Particularly, turning Armenia and Azerbaijan into Soviet countries that didn't support the sovereignty of Georgia. The novel gives objective reflections of the attitude of people towards the destabilization of the country.

Julier Chevalier gives an accurate description of the forceful emigration of N. Jhordania and the members of his government. To support this claim, I'll examine one episode from the book as an illuminating example:

"A car with the image of White Georgi reached the harbor. The rumor spread among the people "there is "Our Noah" sitting in the car", turned to be true. N. Jhordania, having heard the news about the current situation from the governor of Batumi announced sadly, that "it would be foolish to fight when we have no hope of winning. Enough of our brave Karthli have been killed as it is."

"No one answered the president. There was nothing to say. He had merely spoken aloud what they had all felt in their hearts for the last two days. Georgia had again fallen to foreign invaders" (Chevalier, 1929; 281-284).

After this, an atmosphere of tension fills the novel which is felt by every Georgian after the tragedy. The following episode supports this. In this scene the main character - little Gogi meets the head of the country - N. Jhordania once again and has a talk with him:

"It is my little Gurian neighbor who sat with me in the castle gardens! See, said the president, who had not forgotten their talk, the wall was not made so strong by me after all. I have been a poor Surabo (The main character from "The Castle of Surami" by Daniel Chonkadze, is meant - O. N.). And in a few hours, perhaps, I shall be as dead as Surabo has been these hundreds of years. One must be young to be a hero like Surabo. I'm too old. You young people must become the Surabos who will bring strength to the tribes of the Karthli: you who are fighting.

I'm not fighting, Gogi managed to murmur. They say that I am too young to fight. That is what they told Surabo. He was younger even than I am... No man is too young to die for his country, that is what Surabo said, and I, too, say the same.

You are right, said he (Noe Jhordania – O. N.), as Surabo was right. You can serve your country equally as well... I am going to give into your keeping the honor of all the nation of the Karthli.

Here the president paused for a moment and pulled from beneath the cot a small leather bag... The president lifted from the velvet and held it in the light of the window. To the small end of the pear was affixed a round disk. The surface of the disk had been carved with letters and an image... The letters were the letters of the "soldier's writing" of the Karthli and the image was that of White Georgi the patron saint of the Caucasus and all Georgia.

This, said the president solemnly, is the great seal of our country which is placed upon all our papers. If it should fall into evil hands, such as the hands of these invaders, it would cause great harm. Evil people might write wrongful things on paper, and when they sealed them with image of St. Georgi no one would be able to know that it had not been done by me or some other of our true Karthli.

He paused again... He reached into the leather bag again and pulled out a red bundle. When he had unfolded this bundle Gogi saw that it was the flag of the Karthli – a red flag with a square of black and white in the corner. The president wrapped the box in the flag (Where the National Emblem was - O. N.) and continued:

... The enemy may overtake us, or I may fall by the road, for I am a very old man. For this reason I am about to give our great seal of the Karthli into your hands. You are young and you wish to serve your country. Some day I may come for it. If I do not come and the time should arise you will know what is to be done. Your heart will tell you what is best for the tribes of Karthli and whom you may trust... Farewell, son of Guria" (Chevalier, 1929; 286-290).

The extract is marked by a deep allegorical style based on depicting the hardship in a historically accurate way. It also illustrates the great fondness of the American writer towards Georgia.

Patriotism in little Gogi, readiness for serving his country and idealization of national heroes (In this case Surabo, the main character of "The Castle of Surami") reveal more than the specificities of the example and allude to more general phenomena. Similar kinds of enthusiasm always existed and still exist among the reasonable part of the Georgian population.

As for little Gogi being rewarded with State symbols by N. Jhordania, this is not historically accurate. (It's a well-known fact that Georgian symbols (flag, emblem) of those times were being kept in a Georgian estate of Levil, Paris), but it bears allegoric significance. The rewarding of a young Georgian boy with these sacred things, I think indicates that he is charged with restoring independence to Georgia, something that would occur decades later.

In brief, these are the historical references in the novel *Noah's Grandchildren* by Julier Chevalier. For all its factual information, the events described by the author coincide with historical realities, but in some cases, the narration is full

of variety of artistic interpretations and imagery. In all of its forms, the most essential thing about the American writer's novel is, without exaggeration, his deep and sincere love for Georgia.

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