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# ***ABSTRACT***

of a dissertation for the award of the educational and scientific degree "Doctor"  
(in Economics) in the doctoral program "Finance, Money Circulation, Credit  
and Insurance" (Finance) on the topic:

## ***IMPACT OF FINANCIAL CRISIS ON CON- SUMER DEMAND IN THE FASHION IN- DUSTRY***

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# **I. GENERAL CHARACTERISTICS OF THE DISSERTATION**

## **1. RELEVANCE OF THE TOPIC**

Clothing is an inseparable part of human history and civilization, and according to Uniform Market (2025), the global clothing market amounts to 1.85 trillion dollars and forms 1.6% of the world GDP, with the number of people employed in related activities exceeding 430 million, which is over 11% of the world's workforce. At the same time, the fashion business has its own specifics and peculiarities that determine both the business models applicable to it and the specificity of consumer demand for the products created by the sector. Of significant research interest is the question: How have the crises of the last decade affected this sector and how has it managed to cope with the emerging challenges?

The present study can be defined as interdisciplinary given its research focus, which includes key aspects related to clarifying the genesis of financial crises from a theoretical and historical perspective, clarifying the specifics of the fashion and luxury industries as part of economics, marketing and the role of information technologies in the modern economy and corporate business.

## **2. OBJECT AND SUBJECT OF THE STUDY**

**The object** of this study is the fashion business in the context of emerging crises in the 21st century.

**The subject** of the dissertation is the state and trends in the fashion business sector, influenced by changes in consumer preferences.

## **3. RESEARCH THESIS**

The dissertation is built on **the research thesis** that the specific nature of the fashion sector and the associated specific consumer demand patterns have a stabilizing impact on the development of the sector in times of crisis.

#### **4. PURPOSE AND OBJECTIVES OF THE DISSERTATION**

**The main objective** pursued in this study is to assess the impact of emerging crises in the 21st century on consumer demand in the fashion sector.

Achieving the main goal of the study requires the formation of the following more specific **tasks** :

1. To conduct a critical review and analysis of views on the nature and genesis of financial crises.
2. To clarify the emerging changes in the nature and development of financial crises through the prism of their historical development over recent centuries.
3. To assess the overall effect on the economy of emerging crises in the 21st century.
4. To clarify the specifics and peculiarities of the fashion sector, as well as its relationship with luxury goods.
5. To assess the impact of emerging crises in the 21st century on the fashion and luxury sectors, in order to identify specific trends and features of their development
6. To conduct a study and assessment of the impact of emerging crises on the behavior of the Bulgarian consumer in relation to the fashion and luxury sector.
7. To discover key similarities and differences in the behavior of Bulgarian consumers of fashion products compared to consumers in leading global markets

#### **5. RESEARCH METHODOLOGY**

The dissertation uses traditional **scientific research methods**, such as: the historical method, the comparative method, the inductive and deductive method, the method of analysis and synthesis, the descriptive method, the observation method, questionnaire surveys and other methods, combined with appropriate

graphical and statistical tools. In analyzing the state and trends in the fashion industry and luxury goods sector, publicly available data on the researched issues, the results of a planned study, as well as information from interviews and informal conversations with representatives of the sector in our country were used.

The survey was conducted between February 1 and May 31, 2025 among responding users in Bulgaria through an online survey available at: [https://docs.google.com/forms/d/e/1FAIpQLSffpcSdN-\\_ykMvqyiB\\_4AKrT4Z1LN6HpsUPCIh0Bfv-KUOsdQ/viewform](https://docs.google.com/forms/d/e/1FAIpQLSffpcSdN-_ykMvqyiB_4AKrT4Z1LN6HpsUPCIh0Bfv-KUOsdQ/viewform)

The survey used the respondent method, and an invitation sent via social networks was used as a means of initial contact. The questionnaire was prepared in full accordance with the questions asked and possible answers from similar studies conducted by MMGNET Group (2024), PWC (2024), KPMG (2021) and BOF and McKinsey & Company (2025), in order to achieve maximum comparability of the results obtained.

The survey is anonymous and the questions in it are optional. The questionnaire contains 39 questions of a predominantly qualitative nature of a closed type, including dichotomous (1) and multivariate (20) questions, questions with more than one possible answer (17), and open-ended questions (1). As of May 1, 2025, 133 completed and valid questionnaires for processing were received. The presented results and conclusions are valid only for the participating respondents.

For the purposes of creating the electronic questionnaire, Google tools were used. Forms, and for statistical analysis and graphical presentation - MS Excel 365. Due to the small volume of valid questionnaires for analysis, only applicable methods for statistical processing and analysis were used for the purposes of the analysis, and in particular - the frequency distribution of the responses, as well as applicable methods for graphical presentation of the results. The chosen methodology also corresponds to the methodology of the leading studies, which in turn is a prerequisite for comparability of the obtained results.

## 6. LIMITATIONS OF THE STUDY

**Beyond the scope of the dissertation** are questions related to the entirely technological aspects of fashion, which would shift the focus of the research.

## 7. STRUCTURE OF THE STUDY

**The dissertation is structured** in three chapters:

**Chapter 1. Theoretical views on the emergence and genesis of financial crises** examines the first attempts of financial science to explain crises, including through their relationship with trade and the business cycle. Emphasis is placed on the key change in economists' views on the role of the state and crisis management that occurred after World War II. Special attention is also paid to contemporary views on the crises of the 21st century, against the background of the emerging change that is displacing the traditional banking sector as the main cause of the economic crises of recent decades.

**Chapter 2. Financial Crises in the Modern Economy** provides a historical retrospective of the emergence of financial crises in the history of mankind, starting with the tulip mania and ending with the crisis resulting from the coronavirus and the war in Ukraine. Special attention is paid to assessing the impact of recent crises on the Bulgarian economy.

**Chapter 3. Consumer Demand in the Fashion Industry in the 21st Century** focuses on the role of clothing, fashion and luxury in human society and the change in the perception of the fashion industry over the centuries. The specific features of the sector are outlined, as well as the leading factors that determine consumer demand for fashion and luxury goods. The chapter provides an economic analysis and assessment of the impact of the crises of recent decades on the global fashion and luxury market, and through the presentation of the results of the survey conducted, the specifics of consumer demand for fashion and luxury goods in our country are highlighted.

## **8. APPLICABILITY OF THE RESEARCH RESULTS**

**The main results of the dissertation** can be defined as **scientific and applied**, whose **originality and scientific significance** stems from the expansion of scientific research in the field of economic analysis of the impact of crises on the fashion and luxury sectors.

**The practical significance and applicability** of the study are related to both outlining the real picture of the fashion and luxury goods sector in our country, as well as identifying the leading factors that influence consumers when searching for and shopping for fashion and luxury goods.

**The results of the study have been popularized among the scientific community** through the publication of 3 articles and 2 reports.

## II. STRUCTURE AND CONTENT OF THE DISSERTATION

The dissertation has been developed in compliance with the requirements of Art. 27, para. 2 of the Regulations for the Implementation of the Law on the Development of the Academic Staff in the Republic of Bulgaria. It has a total volume of 234 standard pages and structurally includes:

**First.** An introduction of 4 standard pages.

**Second.** Main text, composed of three chapters with a total volume of 169 standard pages.

**Third.** Conclusion with a volume of 5 standard pages.

**Fourth.** A list of 136 literary and internet sources used, of which 102 are in English and 34 are in Bulgarian.

**Fifth.** The dissertation is illustrated with 79 figures and 1 table.

**Sixth.** Declaration of originality according to Art. 68 para. 2 of the Regulations for the development of the academic staff at the D. A. Tsenov Academic University

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## **I II. MAIN CONTENT OF THE DISSERTATION**

### **Introduction**

The introductory part of the dissertation work justifies the relevance and significance of the chosen topic. The object and subject of the research are defined. The goal and tasks that will be solved in the research are set. The defended thesis is formulated. The methodology of the research is presented and the limiting conditions for the development are stated.

### **Chapter 1.**

#### **THEORETICAL VIEWS ON THE EMERGENCE AND GENESIS OF FINANCIAL CRISES**

The first more in-depth attempts to explain financial crises and the factors that cause them appeared only in the 18th century, and in the overwhelming majority of cases, they criticized the views imposed so far, directing their searches to the imperfections of the capitalist system of production as the main and inherent factor for their occurrence. For example, the French economist Sismondi points out that in their quest to maximize profit, investments are directed to sectors with high profitability, and not to those that consumers actually seek, which in turn reflects on insufficient real consumption, combined with overproduction/oversupply. This imbalance in demand and supply, caused by increased competition, is resolved through price adjustments, reflecting on a decrease in employment and income in society, and ultimately to the occurrence of a crisis. According to Malthus, the aggregate demand of workers is insufficient to cover the goods produced, and the state should be a source of additional unproductive consumption, stimulating the economy and protecting it from crises. Subsequently, these views were further developed and upgraded by authors such as Marx, through the law of the falling rate of profit, and Hobson, through his theory of underconsumption.

With the emergence of the idea of the business cycle, a number of economists saw in it an answer to the causes of the emergence of crises. For example,

Juglar discovered that trade crises in this period are always accompanied by monetary crises, the basis of which are speculative operations and the desire for quick profit during the prosperity of the economy, and crises are an inseparable part of the process: "prosperity - crisis - liquidation". In this context, Schumpeter also launched his idea of "creative destruction" explaining how emerging innovations destroy old economic structures in order to create new ones, and economic crises are necessary for renewal and progress. Similar views are found in the "Solow model" explaining the dynamics of economic processes and their interaction with the factors of production (capital, labor and technology).

Other authors defend the view that financial crises are not random events, but are the result of systemic processes in the behavior of, measured by various economic indicators. Wicksell, for example, explains crises as a clash between the monetary interest rate and the natural interest rate, thus emphasizing the role of banks in the process of the emergence of financial crises. Hayek, for his part, adds that central bank interventions lead to unsustainable economic development and crises, mainly by disrupting the natural balance between savings and investments by lowering interest rates and increasing the quantity of money in circulation. The statements are complemented by Fischer's views on the role of debt deflation in the dynamics of financial crises, economic instability and the cyclical nature of economic processes. Hilferding further emphasizes the role of financial capital and its influence on economic crises, taking into account the growing importance of banks in the economy, launching the concept of the emergence of a new phase in capitalism (the phase of financial capital).

The emergence of the Great Depression and the crises surrounding World War II prompted economists to seek new approaches and solutions for crisis management. Case's "General Theory of Employment, Interest, and Money" was precisely the much-needed conceptual shift, emphasizing the role of effective demand, investment, and government policy in mitigating economic crises and business cycles, primarily by managing aggregate demand through government spending. These views were adopted and developed by economists such as Sam-

uelson, who introduced the idea of interactions between various economic variables in the context of business cycles within a circular economy, in which small shocks can lead to serious economic consequences.

In contrast to views of active government intervention, Friedman defends the view of the power of the free market and the importance of the money supply for economic stability, for which he believes that fluctuations in the money supply are a major factor in the emergence of business cycles, and excessive expansion or contraction of the money supply by central banks leads to economic instability. In this context, financial crises are seen as phenomena that are rooted in the mismanagement of the money supply and the loss of confidence in financial institutions, and excessive government intervention in the economy leads to additional instability.

The growing role of banks and financial markets in the second half of the twentieth century is reflected in the so-called "financial instability hypothesis", through which Minsky offers a new understanding of the emergence and genesis of financial crises in the context of business cycles and which explains how periods of economic stability lead to the accumulation of risks that cause financial crises. The role of psychological factors, such as optimism and euphoria on the part of investors, which can lead to excessive risk-taking (speculative euphoria) and the emergence of speculative bubbles, is also increasingly being taken into account, and how the growth of speculative and Ponzi financing in the economy leads to an increase in its instability and vulnerability to crises. At the same time, Krugman points out that modern financial crises are the result of systemic problems in the regulation of financial markets, financial liberalization, and excessive financial innovation capacity.

Changes in investor behavior have been reported by authors such as Tobin, who, through the "trinitarian model", explains the interaction between capital, money and risky assets, and the emergence of financial bubbles as a result of overly optimistic expectations of economic growth or unfounded confidence in certain sectors. In turn, through his theory of rational expectations, Lucas emphasizes the limited possibility of state intervention, whose actions are foreseen and

taken into account in the expectations of investors, and as the main reason for the emergence of crises, he points out the lack of information and uncertainty during unexpected shocks for investors. In this context, Akerlof points out that the inefficiency of economic markets is due to asymmetric information between different market participants, and wrong decisions as a result of incomplete information lead to the emergence of financial bubbles. As Stiglitz points out, markets are not perfect and cannot achieve optimal results, especially in conditions of uncertainty and lack of complete information, and when these market failures accumulate, they lead to cyclical fluctuations and instability in the economy.

Modern theories of financial crises build on classical views by taking into account the processes of globalization and financial integration of world markets, thus combining the impact of local economic factors with global ones and the various transmission mechanisms between economies. Today, economists increasingly replace the term “banking crisis” with “financial crisis”, despite the fact that the banking sector plays a dominant role in the modern economy and financial markets. This is why Gordon and Tallman emphasize the almost complete cessation of the normal functioning of the financial system during a crisis, and Gritten and Coillo point out that in such a situation, financial institutions lose a significant part of their value and are unable to provide the necessary funds to pay their obligations.

Some specialized studies advocate the view that the basis of a financial crisis is usually problems in the banking sector, since it is the core and the main part of the entire financial sector, and the problems that arise in it are transferred to other financial institutions and to the economy as a whole. According to Benston, commercial banks are the main channel for the transmission of monetary policy, but as a result of their inherent specificity they are highly susceptible to loss of liquidity and solvency. At the same time, however, in order to speak of a banking crisis, according to Bordeaux, it is necessary to observe financial difficulties leading to the erosion of the majority of the capital of the banking system, and Leuven, Valencia and Grossman add that in addition to bank runs, a crisis is also present when government intervention is needed to save the sector.

In recent decades, the Svishtov Financial School has established itself as a center for studying problems related to the stability of the banking system. Authors such as Radkov, Mihaylov, Vatev, Bozhinov, Dimitrova, Radukanov, as well as Popov and Dodov, who have defended doctoral dissertations on the topic, work in the field of banking crisis management.

## **Chapter 2.**

### **FINANCIAL CRISES IN THE MODERN ECONOMY**

Financial crises have had a significant impact on human history, with their frequency and impact increasing with the increasing role of financial and banking institutions in the modern economy. And if crises in general have occurred in earlier historical stages, the “tulip rush” is a key transition in their genesis, as traditional trade crises turned into financial ones by transforming tulip bulbs from a purely agricultural commodity into an investment asset and trading them through futures contracts on the stock exchange.

The emergence of the “Mississippi Bubble” in France and the collapse of the “South Sea Bubble” in England in the 18th century marked the next evolutionary step in the development of financial crises. In both cases, the crisis arose as a result of speculative attitudes of investors towards certain companies created in the conditions of public-private partnership. The granted monopoly rights for a certain type of activity, combined with the implicit guarantee of the state as a partner in the venture, strengthened the interest in investments, along with the expectations of quick and high incomes with a low degree of risk. And if in the case of “The South Sea Company” we can look for the cause of the collapse in the misuse of information by its owners and managers, then in “Mississippi Company” the problem arises from the company's connection to a bank Bank Royale and the attempt to impose fiat money as legal tender.

A significant source of financial instability can also be the lack of regulation, combined with minimal state intervention (“Laissez-faire”), which are basically the cause of some of the crises in the United States. For example, the lack of a central bank, increased competition in the sector, combined with the free

printing of own money by American banks during the so-called "era of free banking" and the withdrawal of foreign capital from the economy, are at the root of the crisis of 1837, which led to the bankruptcy of over 1/3 of all banks. Limited regulation and intervention in the banking and financial sector are at the root of the crises of 1857, which led to the collapse of the New York stock market, and of 1929 (the Great Depression), which lasted almost a decade.

The processes of globalization and integration of national economies are also a frequent cause of financial crises. Starting from the crisis in the USA in 1819, caused by the collapse of American agricultural production in Europe, passing through the debt crises in the 1980s and the Asian crisis, the globalization of financial problems reached its peak during the World Financial Crisis of 2007. The increased frequency of crises, especially in the 21st century, combined with the increased instability of the modern global financial system as a result of over-indebted countries, high real estate prices, unstable capital flows, increasingly creates reasons for concern, both because of their growing scope and because of the impact on leading economies, the emergence of long-term instabilities and the breakdown of trust between financial institutions.

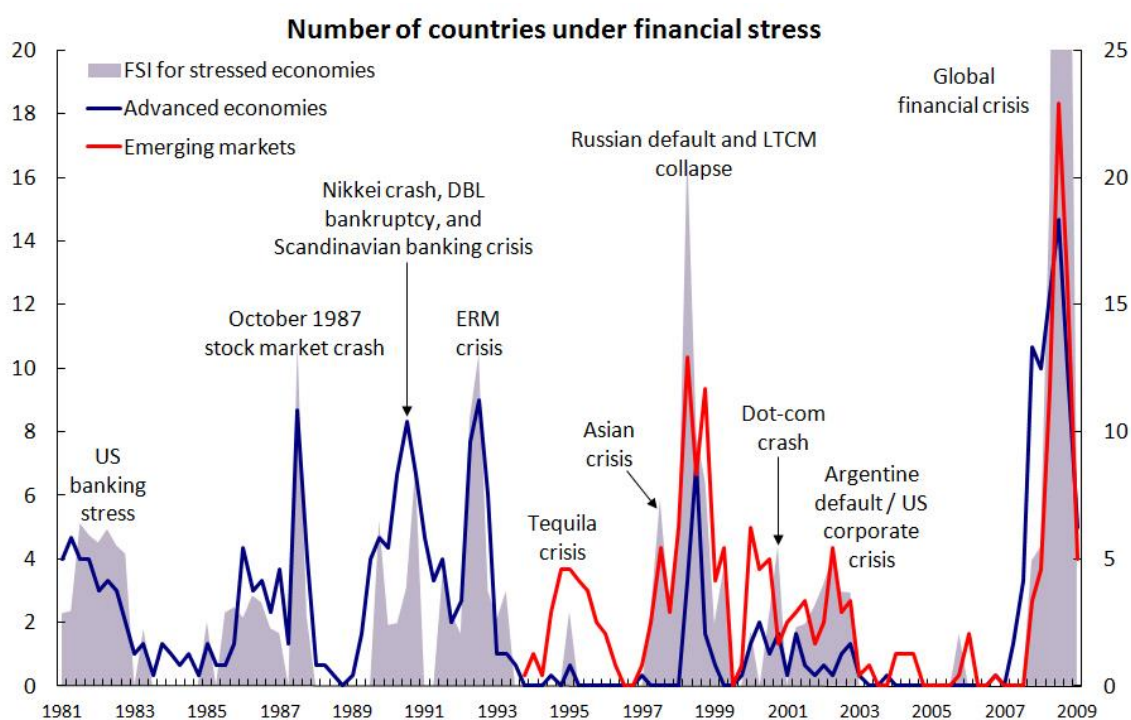


Fig. 1. Financial crises of the last 50 years

Source : (Moghadam, 2010)

the 2007 global financial crisis, the 2010 eurozone sovereign debt crisis, the COVID-19 crisis), combined with the increased instability of the modern global financial system (over-indebted countries, high real estate prices, volatile capital flows) have raised concerns among financial circles (Bandt et al., 2021). Recent financial crises have become increasingly widespread and devastating, affecting the core of the global economic system, affecting economies that generate a significant share of the world's economic product, and generating significant long-term instabilities (Yılmaz, 2021).

All these crises lead some authors (Hsu, 2017) to argue that the contemporary global financial system, which is based on the efficient markets hypothesis, i.e. that financial markets, as self-correcting and symmetric, automatically reflect all available information about assets through changes in their prices, has suffered a total failure and requires a rethinking of the economic foundations of the financial management of the economy. Even the former chairman of the US Federal Reserve, Alan Greenspan, admits that he was wrong to approach monetary policy from the ideology of the free market, since instead of reaching equilibrium, markets can stagnate without active measures from regulators.

If we look at the impact of the Global Financial Crisis, its impact was not limited to a narrowly defined market - geographical or asset class, but rather gave rise to a global breakdown of trust between financial institutions, which very quickly affected the real economies of countries, regardless of their participation in the affected financial markets (Mazzola, 2022). Financial globalization, deregulation, liberalization, unregulated expansion of financial markets, the introduction of new and innovative financial instruments led to the development of the so-called shadow banking (shadow banking) and increasingly risky speculation in financial markets and transformation of the global financial system (Marichal, 2009). This corresponds to the change in the nature of financial crises noted by Grytten and Koilo, which have transformed from those caused by banking panics and credit crashes into financial crises caused by stock market crashes, bursting financial bubbles, currency crises and defaults by countries (Grytten and Koilo, 2019).

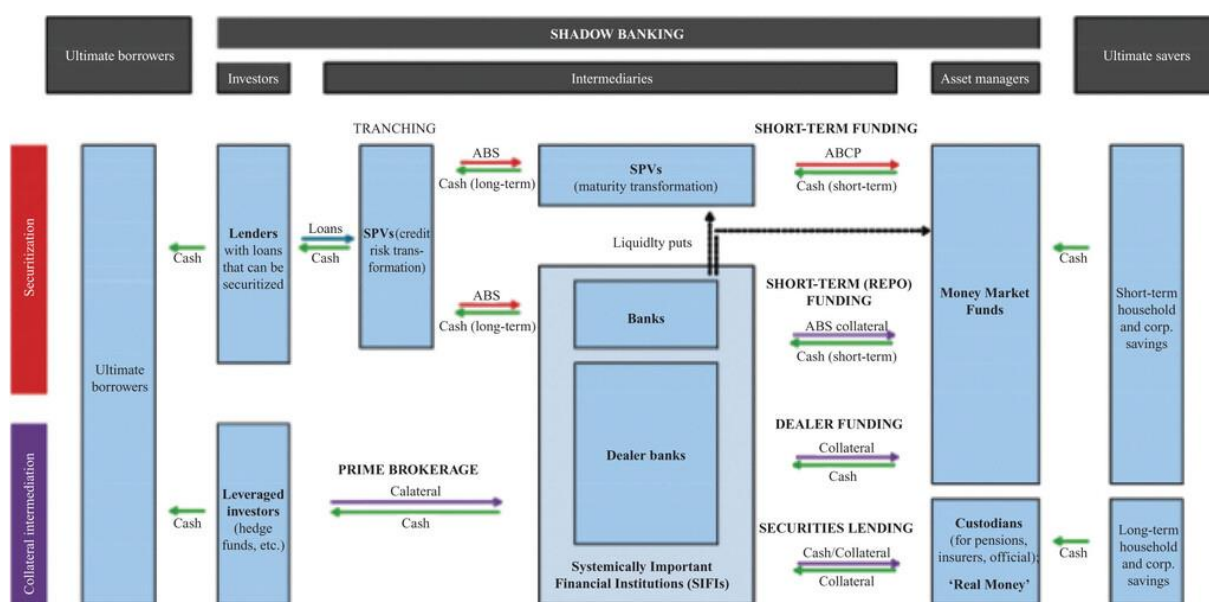


Fig. 2. Interconnections between traditional and shadow banking systems within alternative financing with securities

Source: (Marshall, 2014)

The emergence of the phenomenon of "shadow banking" is largely due to financial globalization, deregulation, liberalization, unregulated expansion of financial markets and the introduction of new and innovative financial instruments. These changes, in turn, were essential prerequisites for the ongoing transformation of the global financial system and the change in its risk profile, due to the lack of state guarantees for the financial resources and securities invested in shadow banks. This is also the main reason why the Global Financial Crisis is not perceived as a classic banking crisis, but rather as a financial crisis based on short-term financial debt instruments and derivatives.

Although financial crises generally arise as a result of market imperfections, the economic crisis resulting from the pandemic has shown that excessive administrative actions by the state can distort the market and lead to liquidity problems in the economy and recession. A similar example can be given by the sanctions taken in recent years, which stifled the European economy, depriving it of cheap resources and markets, generated deindustrialization processes (especially in the German economy) and increased inflation in the US and the EU.

As Blanchard and Pisani-Ferry (2022) point out, the effects of the conflict on European economies in terms of trade and foreign direct investment in the short term are mainly related to the collapse of exports to Russia and the reduction of the capital of European companies, and in the long term: to the restructuring of supply chains and foreign direct investment from Russia. In terms of energy sources, in the short term Europe faces higher energy bills due to increased global demand and additional transport costs, combined with possible supply difficulties and disruptions. Also, difficulties are expected to be experienced by companies whose production is highly dependent on cheap Russian gas, or whose production is energy-intensive or with a low level of energy efficiency.

The collapse in the production of energy-intensive industries by almost 20% raised concerns about the deindustrialization of the European economy, with the German economy being among the most affected. This led to a decrease in exports from these sectors of the economy and a deterioration in their level of competitiveness. The increase in energy prices also led to a contraction of real income in the European economy and a decrease in purchasing power in the union, and the increased inflation rates also led to a real decline in wages. (Archan-skaia et al., 2024)

The military conflict also has a negative impact on food prices, as the two warring countries are among the largest exporters of wheat, and production and exports are hampered and limited as a result of military actions and imposed sanctions. Over the past year, some stabilization of food prices has been observed as a result of increased competition resulting from increased seasonal supply and weaker global demand.

At the same time, European economies are also facing increasing military spending, both to increase their own defense capabilities and to support the Ukrainian state with military equipment, investments in its military-industrial complex, and maintenance of its military structures. After the start of hostilities, Europe opened its doors to those most affected by the war and accepted over 6 million refugees on its territory, providing them with full access to its social programs. Ensuring the costs of accommodation, living and subsistence diverted a

significant amount of resources from programs to restore European economies after the pandemic.

All this further complicates the recovery processes of the European economy, reflecting on unemployment levels, household disposable income and the subjective feeling of insecurity. All these negative trends have led to the emergence of extreme political movements and parties opposing the processes of integration and globalization.

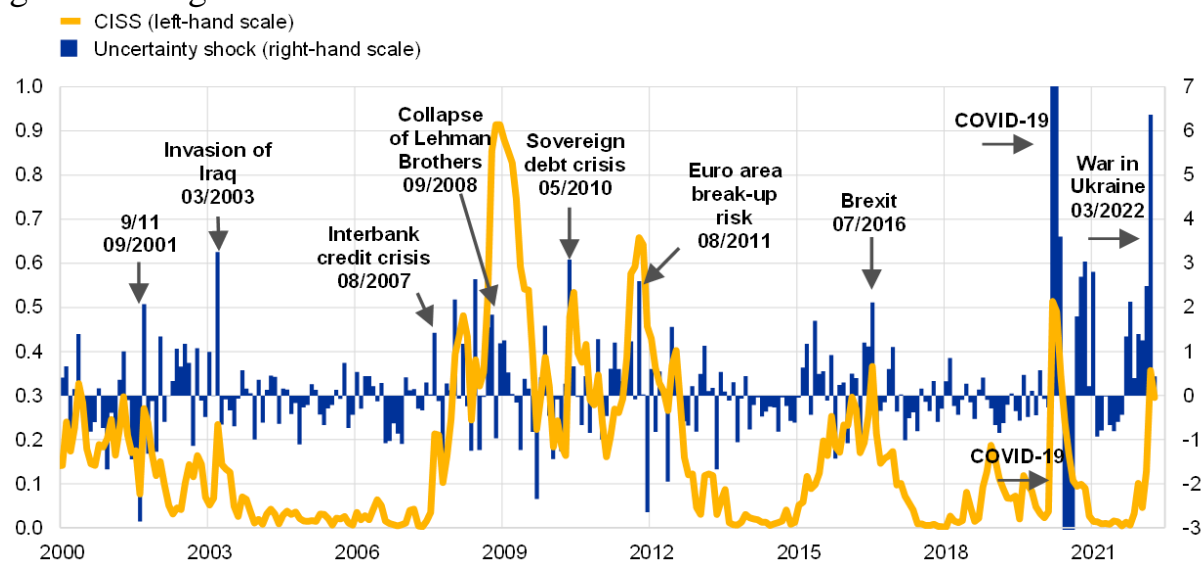


Fig. 3. Changes in the composite indicator of systemic stress and the level of uncertainty

Source: (Bobasu and De Santis, 2022).

The Bulgarian economy recovered relatively quickly from the effects of the Global Financial Crisis, recording relatively high growth rates and realized budget surpluses, but the Covid crisis and the war in Ukraine had a negative impact on its development. Although during the pandemic the decline in GDP in our country was lower than that of the EU, and the government took a number of measures to support the economy and households, the decline in investment activity, production, trade and consumer consumption was significant. The recovery of our economy was further slowed down as a result of the negative effects of geopolitical confrontation and the EU's decision to reduce dependence on cheap Russian resources and energy sources, which in turn led to a decline in private investment, production, imports and exports.

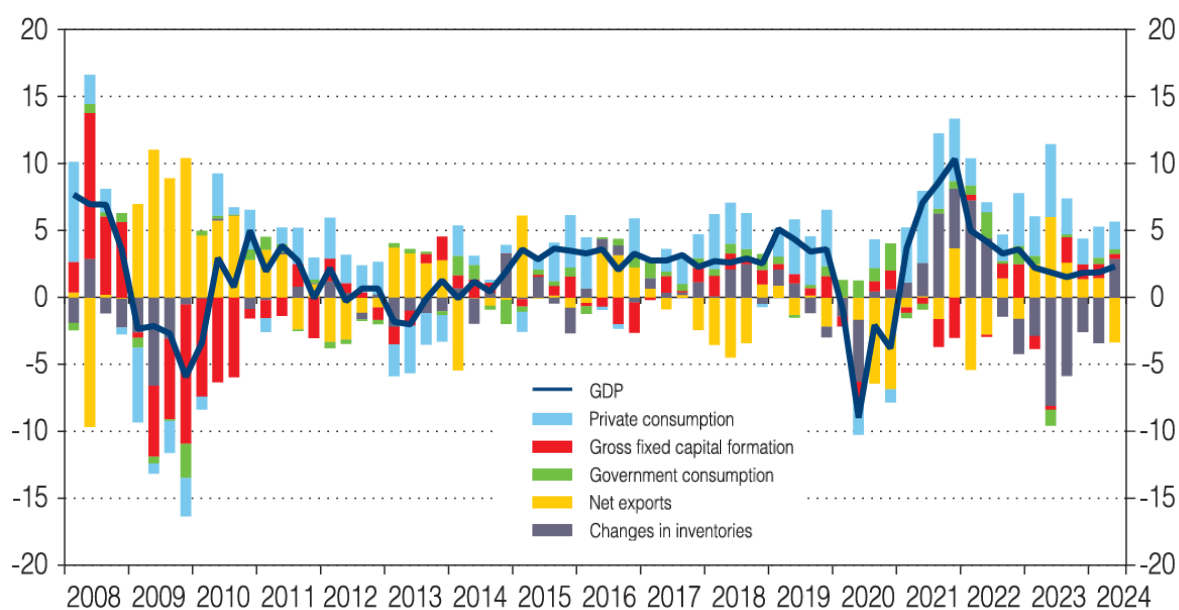


Fig. 4. Changes in Bulgaria's GDP in real terms

Source: (BNB, 2024)

The economic growth of our economy slowed from 3.9% in 2022 to 1.8% in 2023, mainly as a result of a decrease in inventories, exports and a decline in private investment in fixed capital. The restrictive monetary policy of the leading central banks also contributed to this negative trend, and the growing geopolitical tension in the world led to a contraction in the growth of international trade (from 5.3% in 2022 to 1% in 2023) and a decrease in the growth of the world economy from 3.4% in 2022 to 3.1% in 2023. (Ministry of Finance, 2024) However, we should note that in the last quarter of 2024 there are indications of an increase in GDP by 0.5% compared to the previous one and an increase in economic activity by 1.9% for the same period. (BNB, 2024)

Against the backdrop of the deteriorating international economic situation, the Bulgarian economy has been experiencing a sustained downward trend in the annual inflation rate, which has decreased from 14.3% in the first year of the war in Ukraine to 5% at the end of 2023 and to 1.5% in September 2024. This was facilitated by both the decline in international commodity prices and the significant decrease in food and non-alcoholic beverage prices, as well as those in the service sector. (Ministry of Finance, 2024) There has also been a sustained trend

towards increasing household consumption, which in 2023 recorded a growth of 5.4%, which is largely due to an increase in household disposable income by 5.1%, an increase in labor costs by 14.9%, including as a result of the increased minimum wage, as well as pension increases in this period. (Ministry of Finance, 2024)

Unfortunately, geopolitical instability has a negative impact on private investment in fixed assets, with the reported growth of 3.3% in the period under review being entirely due to the 56% increase in public capital expenditures, with a 4.9% decline in private investment activity in 2023, mainly as a result of a reported decline in production and exports. (Ministry of Finance, 2024) The observed trend is also confirmed by a composite business cycle indicator for economic activity, and the trend of relative stability is maintained in 2024. (BNB, 2024)

Reduced demand within the European Union and the ongoing war in Ukraine had a significant negative impact on industrial production in our country, especially in the sectors of production and distribution of electricity, heat and gas, which contracted by 28.2% in 2023, as well as on our manufacturing industry, whose growth decreased to 2.1% compared to 24% in 2022. (Ministry of Finance, 2024)

After overcoming the pandemic, the labor market in our country reported relatively high employment growth, but at the same time in 2023 unemployment recorded a minimal increase. However, in recent years, a persistent trend of increasing labor income has been reported, mainly through the mechanism for determining the minimum wage. At the same time, concerns are growing among employers that the growth of nominal labor income (22.6%) does not correspond to the growth of labor productivity (2.2%), which is an essential prerequisite for the deterioration of the cost competitiveness of enterprises. (Ministry of Finance, 2024)

Overall, the Bulgarian banking system maintained its stability and high liquidity of over 200%. At the same time, due to the reported high levels of inflation, especially in 2022, as well as the increased credit supply, the BNB took steps

to increase the minimum required reserves of banks to levels of 12%, and the countercyclical capital buffer was increased from 1.5% to 2%. In 2023, a decrease in the share of non-performing loans was also reported to levels of 3.6% or BGN 3.9 billion, against the background of an almost 65% annual increase in profits to historical levels of BGN 3.14 billion, mainly from interest income (50.2%) and fees and commissions (21.3%). (Ministry of Finance, 2024)

### **Chapter 3.**

## **CONSUMER DEMAND IN THE FASHION INDUSTRY IN THE 21ST CENTURY**

Fashion is one of the most dynamic industries in the world, with roots dating back to the dawn of human society. The roots of the modern meaning of the word "fashion" can be found in the French language, which is logical, since the transformation of clothing from a physical necessity into fashion began with French aristocrats. Today, the term has gone beyond the vision of "a widespread practice in terms of clothing or personal appearance associated with a particular place or time period" and has become a cultural phenomenon, driving a billion-dollar industry.

Fashion, especially high fashion, is closely related to the concept of luxury ("luxus"/"luxuria") in its part a demonstration of wealth aimed at satisfying desires that exceed real needs, and it is through it that a smooth transition of democratization of fashion from the wealthy aristocrats to the newly wealthy layers of society takes place. With the mass penetration of industrial clothing production and the entry into the so-called. period of "post-fashion", the imposition of fashion trends gradually begins to shift from the system of high fashion to subcultural styles and increased freedom of personal choice. The segmentation of fashion, refracted through Maslow's pyramid of needs, positions mass fashion production to cover basic needs, and the strengthening of the social element encourages individuals to turn to more elite fashion styles (designer clothes and high fashion) through which they satisfy their higher needs for belonging and respect.

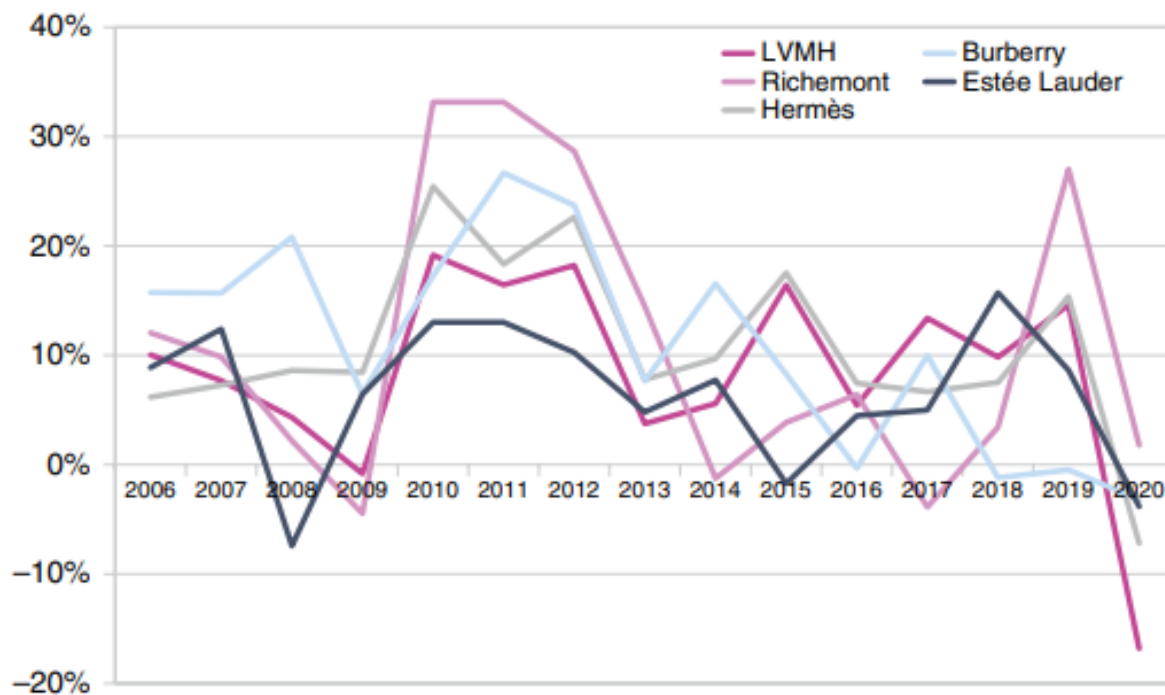


Fig. 5. Changes in realized profit of the main players in the luxury sector fashion industry, as a percentage of the previous year (2000-2020)

Source: (Som and Blanckaert, 2021)

Despite the specific pricing model of the luxury fashion industry and its target group of wealthy customers, the crises that occurred in the 21st century have also had a negative impact on this sector of the economy. Authors such as Sim and Blankert (2021) point out that during the Global Financial Crisis, the luxury industry lost about 10% of its share, the debt crisis of 2011 led to a 13% decline, and the COVID -19 pandemic led to a record 23% decline in revenues, which in European markets reached levels of -40%. The same study found that this decline was not the same in all segments of the luxury industry, with the most affected of them being luxury watches (a 20% decline), luxury tableware or “ Arts from the table “ (decline by 15%-20%), fashion clothing (decline by 10-20%), perfumery sector (decline by 7-15%).

Despite the reported decline, sales in the luxury sector in 2021 reached \$730 billion, with 36% of them due to the “Personal Luxury Goods” segment, which includes “Apparel and Accessories”, “Cosmetics and Fragrances” and “Watches and Jewelry”. In addition, the “Personal Luxury Goods” sector recorded an almost 23% increase in sales compared to the previous year, and the increase in the profit margin of “Apparel and Accessories” reached 36%, compared to an average of 16.4% for the sector. (Deloitte, 2023) The trend of improving the sector's performance continued, with Deloitte (2024) estimating realized sales at \$1.121 trillion in 2023, and the realized profit margin in the "Apparel and Accessories" segment maintaining its levels of 36%, with levels of 29.2% for "Personal Luxury Goods" and 14.7% for luxury goods in total.

As Deloitte points out in its 2023 and 2024 studies, the Fashion and Luxury Industry sector is seriously affected by global macroeconomic and geopolitical uncertainty, disruptions in supply chains as a result of the Covid-19 crisis and the war between Russia and Ukraine, rising energy prices, a surge in cotton prices, rising inflation in the world's leading economies, and the slowdown in China's economic growth. In addition, there are some changes in consumer behavior towards a decrease in luxury consumption, with the only exceptions being the Asian market and the Middle East. (Deloitte, 2023, KPMG, 2024a)

Of interest for the present analysis are also the changes in household preferences regarding the purchase of fashionable clothes and accessories, as a result of the negative impact of the crises of recent years. As indicated by KPMG (2024), household income levels remain relatively constant, but as a result of inflation their structure changes, with priority being given to those that are inherently necessary. As can be seen from Fig. 6, spending on clothing and fashion continues to trend downward.

It is interesting to note that overall the Bulgarian market shows a stable share of spending on clothing and footwear, which according to NSI data (2024 f) varies in the range of 3-3.6%. At the same time, measured in leva equivalent, household spending on clothing and footwear increases from 202 leva in 2019 on average per household member to 348 leva in 2023. (NSI, 2024 f).

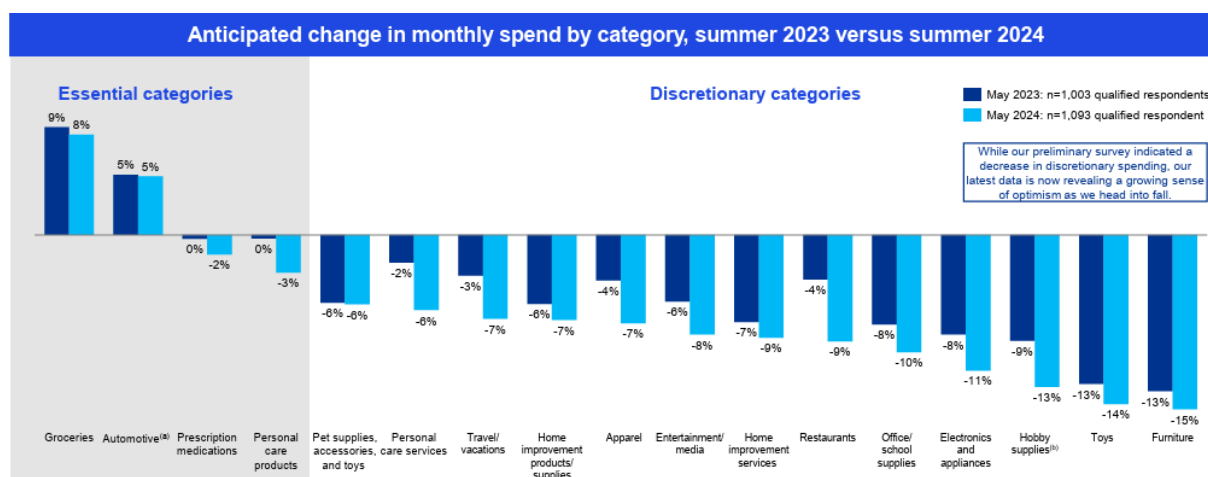


Fig. 6. Changes in monthly consumption (2023-2024)

Source: (KPMG, 2024)

At the same time, if we take a look at the expenditure structure of different households, then significantly larger differences are reported here. For example, in 2022, with an average of 3.4% of expenditure on clothing and footwear, the highest share is reported for households with children under 18 years of age (5.3% for households with 3 or more children, 5% for households with 2 children and 4.8% for households with 1 child), while a relatively low share is reported for pensioners (2.2%), single-member households (2.7%) and households without children (2.8%) (NSI, 2024 f). Measured in absolute value as total household expenditure, the expenditure on clothing and footwear in our country is again highest among households with children (2001 BGN for households with 3 or more children, 1597 BGN for households with 2 children and 1448 BGN for households with 1 child), while it is lowest among pensioners (274 BGN), single-member households (345 BGN) and households without children (525 BGN) (NSI, 2024a)

As part of an assessment of the impact of the 19th century crises on the fashion industry, and in Bulgaria in particular, a survey " **Fashion and luxury goods through the eyes of the Bulgarian consumer (2025)**" was conducted between February 1 and May 31, 2025. It covered predominantly the young Bulgarian generation up to 44 years of age, with a significant part of them having an income around and above the average for the country. 133 respondents participated in it, of whom 56% were men and 44% were women, who were distributed in terms of age as follows: 4% (18-24), 50% (25-34), 11% (35-44), 6% (45-54),

0% (55+). The survey is anonymous, and the questions in it are optional. The questionnaire contains 39 questions of predominantly qualitative nature of closed type, including dichotomous (1) and multivariate (20) questions, questions with more than one possible answer (17), and open-ended questions (1). As of May 31, 2025, 133 completed and valid questionnaires were received. The presented results and conclusions are valid only for the participating respondents.

The results of the survey show that external negative economic shocks such as the COVID- 19 crisis and the war in Ukraine do not have a significant impact on their financial and consumer behavior, and the majority of respondents indicate that their income has increased in the last year by up to 5% (22%) or in the range of 5%-10% (23%). The reported results are logical and correspond to the rate of income growth in the country, both in terms of minimum and average wages.

The individuals surveyed indicated that they mainly shop in the range of up to 100 euros, and in this regard, there are no significant differences in the spending structure of Bulgarian and European consumers, despite the differences in the average disposable income and standard of living in individual countries. They spend mainly on regular monthly expenses (78%) and the purchase of basic goods and services (61%), and their preferred categories of goods and services are related to restaurants and establishments (83%), travel (50%) and health and fitness (46%), and regarding the category of goods, their preferences are towards the mid-price segment of mass market goods (56%) and goods from the so-called "affordable luxury" (39%).

In terms of the frequency of clothing purchases, Bulgarian consumers shop several times a month (50%) or less often (50%), most often for functional replacement (73%), or due to the presence of mass sales and price promotions (50%) or special occasions (64%). They mainly shop for sports and everyday clothing and underwear, and when choosing them, the price (76%) and high quality (45%) of the purchased garment are of essential importance. In this regard, there is a difference between the Bulgarian consumer and those from the USA and Europe, which, in our opinion, is largely dictated by the relatively lower standard of living

in our country at relatively equal prices for the purchased clothing and fashion items.

A similar difference in behavior was also reported regarding purchases from a specific fashion brand, with the leading factors in our country being its price (74%), the brand's style (48%), and the associated shopping experience (22%). Again, the favorable price (71%) and high quality (50%) are the basis for the decision to repurchase from a given brand.

When it comes to the incentives that inspire customers to purchase a particular fashion item, Bulgarian consumers most often make their choice as a result of browsing the online catalogs and websites of their favorite retailers (49%) or their favorite brands (40%), although a significant portion of respondents indicated that their purchase was a result of visiting the physical stores of the retailers and viewing the goods and collections presented there (45%). In this regard, we note that unlike the European and American markets, in our country the role of influencers and family circle in choosing clothes and accessories for them is significantly more limited.

In terms of technological innovations, Bulgarian customers would be encouraged to shop by technologies for customized sizes and measures (68%) and the availability of personalized design options (28%). A significant part of them use personalized recommendation systems (56%) and systems based on artificial intelligence (57%), the latter being used mainly for searching for information about the product (61%) or its discovery by photo (60%). The respondents indicated that in their opinion, online platforms will occupy a dominant share in the future of trade (79%), with discounts, sales and outlets of fashion and luxury goods (38%) also having a significant impact.

The study found that a significant portion of respondents (86%) make over half of their purchases online, and the leading factor in choosing a favorite site or app is the availability of a full and transparent description of the products (66%) and the availability of free shipping (55%), as well as the availability of goods that cannot be purchased in any other way (54%). Various social media also play

a significant role in this process, among which Instagram (77%), Facebook (66%) and TikTok (48%) stand out.

When it comes to unwanted or unused clothing and fashion accessories, Bulgarian consumers prefer to give them away to friends and family, unlike Europeans who prefer to resell them and Americans who donate them to charity. At the same time, half of the respondents indicated that they had already sold (51%) or bought (44%) such goods on the secondary market, and almost one in ten of them is considering taking such a step in the future. Among the main reasons for buying second-hand clothing and accessories, they indicate their significantly lower price (44%) and the opportunity to acquire expensive branded products that they otherwise could not afford (5%).

## **CONCLUSION**

The conclusion of the dissertation summarizes the main findings and results of the theoretical studies and practical analyses. The main theoretical and empirical results of the dissertation research are presented in a synthesized aspect, from which it becomes clear that the set research goals and objectives have been achieved.

#### **I V. DIRECTIONS FOR FUTURE RESEARCH ON THE TOPIC OF THE DISSERTATION**

With the indicated main research directions, which are within the scope of the dissertation work, the issues related to the factors affecting consumer demand in the fashion industry are not exhausted. The topic continues to be relevant and the following directions for future research work on the issue can be indicated:

**First**, by broadening the scope of the survey, one can look for common similarities and key differences that underlie the decisions of consumers shopping for different categories of fashion goods. In this way, one can seek the opportunity to develop a model for predicting consumer demand in a specific segment of the fashion industry.

**Second**. Through in-depth research into the vectors of influence of social networks and their significance in the process of forming a consumer decision to purchase a fashion item, digital advertising campaigns can be optimized in order to increase their effectiveness.

## V. REFERENCE ON THE SCIENTIFIC AND SCIENTIFIC-APPLICABLE CONTRIBUTIONS IN THE DISSERTATION

**First.** Based on an in-depth overview and critical review of the scientific literature on the researched issues, a systematization and summary of the main scientific directions in the field of financial crisis research is made and the specific aspects of the key statements of the leading authors in the relevant scientific direction are highlighted.

**Second.** Based on the critical scientific analysis carried out, it is proven that the change in modern financial markets and the main participants in them, globalization and the introduction of financial innovations, drastically change the mechanisms for the emergence, spread and severity of financial crises, shifting their traditional emphasis from the banking sector to the so-called "shadow banking sector"

**Third.** Based on an analysis of publicly available data, it is proven that the Bulgarian economy is recovering relatively quickly from the effects of the Global Financial Crisis, but the pandemic and the war in Ukraine have had a negative impact on its development. A particularly important result of the analysis is related to the fact that despite negative influences on our economy, the banking sector in our country has maintained its stability and profitability, in parallel with the effective measures taken to reduce the share of bad loans.

**Fourth.** The dissertation proves that the fashion industry is not only and directly engaged in creating clothes for functional replacement, but by becoming a cultural phenomenon, it is the basis of a billion-dollar industry. Its segmentation, refracted through Maslow's pyramid, creates specific luxury segments aimed at more elite fashion styles (designer clothes and haute couture) through which individuals satisfy their higher needs for belonging and respect. In this aspect, the analysis carried out shows that although the global fashion industry as a whole is characterized by a specific pricing model that is highly resistant to temporary changes in the economic situation, global macroeconomic and geopolitical uncertainty, disruptions in supply chains as a result of the Covid-19 crisis and the war

between Russia and Ukraine, the increase in energy prices, the surge in cotton prices, the increase in inflation in the world's leading economies, as well as the slowdown in China's economic growth, have had a negative impact on the sector.

**Fifth.** The analysis carried out clearly proves that the crises of the last decade have led to changes in the preferences of Bulgarian households in terms of shopping for fashionable clothes and accessories, with priority being given to those that are inherently necessary, mainly as a result of the permanent increase in their prices. Although a stable share of expenses for clothing and footwear is found, the analysis carried out shows that significant differences are found in the structure of expenses of different households: the highest share of expenses is recorded in households with children under 18 years of age, while it is significantly lower in pensioners, single-member households and households without children. Another significant trend that stands out is the increased demand for men's and women's outerwear, men's jackets and women's dresses over the last decade.

**Sixth.** The survey conducted showed that the main expenses of Bulgarian consumers are mainly for regular monthly expenses (78%) and the purchase of basic goods and services (61%), and their preferred categories of goods and services are related to restaurants and establishments (83%), travel (50%) and health and fitness (46%), and regarding the category of goods, their preferences are towards the mid-price segment of mass market goods (56%) and goods from the so-called "affordable luxury" (39%), with in the predominant case their purchases being in the range of up to 100 euros.

**Seventh,** in terms of the frequency of clothing shopping, Bulgarian consumers shop several times a month (50%) or less often (50%), most often for functional replacement (73%), or due to the presence of mass sales and price promotions (50%) or special occasions (64%). They mainly shop for sports and everyday clothing and underwear, and when choosing them, the price (76%) and high quality (45%) of the purchased garment are of essential importance. In this regard, a difference is noted between the Bulgarian consumer and those from the USA and Europe, which, in our opinion, is largely dictated by the relatively lower

standard of living in our country at relatively equal prices for the purchased clothing and fashion items. A similar difference in behavior was also noted with regard to purchases from a specific fashion brand, with its price (74%), the style of the brand (48%), and the shopping experience associated with it (22%) leading in our country. Again, the favorable price (71%) and high quality (50%) are the basis for the decision to repurchase from a given brand.

**Eighth,** It is found that a significant part of Bulgarian consumers still prefer to visit physical stores for fashion clothes and accessories (45%), although the role of the online presence of retailers (49%) and fashion brands (40%) is increasing its share. This is evidenced by the significant share of individuals (86%) who make over half of their purchases online. In this process, the leading thing for them is the presence of a full and transparent description of the products (66%) and the presence of free shipping (55%), as well as the presence of goods that cannot be purchased in any other way (54%). Social media also has a significant influence in this process (Instagram (77%), Facebook (66%), TikTok (48%)), but unlike the European and American markets, in our country the role of influencers in choosing clothes and accessories for them is significantly more limited.

The results of the study show that, along with the significant role of technological innovations, in the form of technologies for customized sizes and measures (68%), personalized recommendation systems (56%) and systems based on artificial intelligence (57%), a significant factor in this process remains financial incentives in the form of discounts, sales and outlets of fashion and luxury goods (38%).

## **V I. REFERENCE TO THE DOCTORAL STUDENT'S PUBLICATIONS**

### **Articles:**

Mimanov, M. (202 5). *The emergence of first financial crises in Europe - a brief historical retrospective*. Sciences of Europe, No. 157/2025, Praha, Czech Republic, pp. 20 - 21, ISSN 3162-2364

Mimanov, M. (2025). *Modern financial crises - causes, consequences, conclusions*, Polish journal of science, No. 82 (2025), Vol. 1, Warsaw, pp. 3-5, ISSN 3353-2389

Mimanov, M. (202 5). *The emergence of first financial crises in Europe - a brief historical retrospective*. Norwegian Journal of development of the International Science, No. 149, Oslo, Norway, p. 1 8 - 20, ISSN 3453-9875

### **Reports:**

Mimanov, M. (2025). *Features of the modern fashion industry*. International scientific and practical conference «FUTURE OF SCIENCE: INNOVATIONS AND PERSPECTIVES» March 24-26, 2025, Stockholm, Sweden, p. 336-342, ISBN 978-91-87224-03-4

Mimanov, M. (2025). *Fashion in the contemporary world*. III International Scientific and Practical Conference «GLOBAL TRENDS IN SCIENCE AND EDUCATION» April 7-9, 2025, Kyiv, Ukraine, p. 816-821, ISBN 978-966-8219-82-5

## **V II. REPORT ON COMPLIANCE WITH NATIONAL REQUIREMENTS UNDER THE REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON THE DEVELOPMENT OF THE ACADEMIC STAFF IN THE REPUBLIC OF BULGARIA**

**National requirement in number of points: 30.00**

Number of studies published in non-refereed journals with scientific review, or published in edited collective volumes: **0 pcs.**

**Number of points for the author: 0 points**

Number of articles published in non-refereed journals with scientific review, or published in edited collective volumes: **3 pcs.**

**Number of points for the author: 30 points**

Number of reports published in non-refereed journals with scientific review, or published in edited collective volumes : **2 pcs.**

**Number of points for the author: 20**

**Total points: 50.00 > minimum required points 30.00**

## VI II. DECLARATION OF ORIGINALITY OF THE DISSERTATION

The dissertation, in a volume of 234 pages, is entitled: " **Impact of financial crises on consumer demand in the fashion industry**" and represents the author's own scientific production. It uses original ideas, texts and visualization through graphs, diagrams, tables and formulas, complying with all the requirements of the Copyright and Related Rights Act by duly citing and referring to another author's thought, as well as data, including:

1. The results achieved in the dissertation and the contributions made are original and have not been borrowed from research and publications in which the author has no participation.

2. The information presented by the author in the form of copies of documents and publications, personally compiled reports, etc. corresponds to the objective truth.

3. Scientific results that have been obtained, described and/or published by other authors are duly and in detail cited in the bibliography.

Date: 01.09.2025

PhD student:

/ Mustafa Mimanov /