

ЕКОНОМИКА

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МЕЂУНАРОДНИ ЧАСОПИС
ЗА ЕКОНОМСКУ ТЕОРИЈУ И ПРАКСУ И ДРУШТВЕНА ПИТАЊА



ЕКОНОМИКА

Часопис излази четири пута годишње

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1. Часопис “Економика” покренут је јула 1954. године и под називом “ Нишки привредни гласник” излазио је до јуна 1957. године, а као “Привредни гласник” до краја 1969. године. Назив “Наука и пракса” носио је закључно са бројем 1/1973. год. када добија назив “Економика” који и данас има.

2. Часопис су покренули Друштво економиста Ниша и Друштво инжењера и техничара Ниша (остало као издавач до краја 1964. године). Удружење књиговођа постаје издавач почев од броја 6-7/1958. године. Економски факултет у Нишу на основу своје одлуке броја 04-2021 од 26.12.1991. године постао је суиздавач “Економике”. Такође и Економски факултет у Приштини постао је суиздавач од 1992. године. Почев од 1992. године суиздавач “Економике” је и Друштво за маркетинг региона Ниш. Као суиздавач “Економике” фигурирали су у току 1990-1996. године и Фонд за научни рад општине Ниш, Завод за просторно и урбанистичко планирање Ниш и Корпорација Винер Брокер Ниш.

3. Републички секретариат за информације СР Србије својим Решењем бр. 651-126/73-02 од 27. новембра 1974. године усвојио је захтев “Економике” за упис у Регистар новина. Скупштина Друштва економиста Ниша на седници од 24. априла 1990. године статутарном одлуком потврдила је да “Економика” има статус правног лица. На седници Скупштине Друштва економиста Ниш од 11. новембра 1999. године донета је одлука да “Економика” отвори посебан жиро-рачун.

4. Према Мишљењу Републичког секретариата за културу СР Србије бр. 413-516/73-02 од 10. јула 1973. године и Министарства за науку и технологију Републике Србије бр. 541-03-363/94-02 од 30. јуна 1994. године “Економика” има статус научног и ранг националног часописа “Економика” је поћев од 1995. добила статус међународног економског часописа.

5. УРЕДНИЦИ: др Јован Петровић (1954-1958), Миодраг Филиповић (1958-1962), Благоје Матић (1962-1964), др Драгољуб Стојиљковић (1964-1967), др Миодраг Николић (1967-1973), др Драгољуб Симоновић (1973-1984), др Миодраг Јовановић (1984-3-4/1988) и др Драгољуб Симоновић (1990-до данас).

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“Економика” Друштво економиста

18000 Ниш, Максима Горког 5/36

Телефон Редакције: +381 (0)18 4245 763; 211 443

е-маил: zoki@medianis.net; ekonomika@sbb.rs WEB: <http://www.ekonomika.org.rs>

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1. The journal EKONOMIKA was initiated in July 1954. It was published as "Nis Economic Messenger" till June, 1957 and as "The Economic Messenger" till the end of 1969. The title "Science and Practice" it had till the issue 1/1973 when it changed its name into EKONOMIKA as it entitled today.

2. The Journal was initiated by the Society of Economists of Nis and the Society of Engineers and Technicians of Nis (the latter remained as the publisher till the end of 1964). The Society of Accountants became its publisher starting from the issue no. 6-7/1958. The Faculty of Economics, Nis, on the basis of its Resolution No. 04-2021 from December 26, 1991, became the co-publisher of EKONOMIKA. Likewise, the Faculty of Economics of Pristina became the co-publisher since in 1992. Starting from 1992, the co-publisher of EKONOMIKA has been the Society for Marketing of the Region of Nis. Other co-publishers of EKONOMIKA included, in the period 1990-1996, the Foundation for Scientific Work of the Municipality of Nis, the Institute for Spatial and Urban Planning of Nis and the Corporation Winner Broker, Nis.

3. The Republic Secretariat for Information of the Socialist Republic of Serbia, by its Resolution No. 651-126/73-02 from November, 27, 1974, approved of EKONOMIKA's requirement to be introduced into the Press Register. The Assembly of the Society of Economists of Nis, at its session on April 24, 1990, by its statutory resolution, confirmed the legal status of EKONOMIKA. At the session of the Assembly of the Society of Economists, Nis, on November 11, 1999, the resolution was adopted the EKONOMIKA was to open its own bank account.

4. According to the Opinion of the Republic Secretariat for Culture of the Socialist Republic of Serbia No. 413-516/73-02 from July 10, 1973 and the Ministry for Science and Technology of the Republic of Serbia No. 541-03-363/94-02 from June 30, 1994, EKONOMIKA has the status of a scientific and national journal. Starting from 1995, EKONOMIKA has been having the status of international economic journal.

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Address:

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2. Журнал основали Общество экономистов Ниша и Общество инженеров и техников Ниша (оставались издателями до конца 1964 года). Объединение бухгалтеров становится издателем начиная с № 6 - 7 / 1958 года. Экономический факультет в Нише на основании своего Решения № 04 - 2021 от 26.12.1991 года стал соиздателем „Экономики”. Также и Экономический факультет в Приштине стал соиздателем с 1992 года. Начиная с 1992 года соиздателем „Экономики” становится Общество маркетинга региона г. Ниша. Как соиздатели „Экономики” в течении 1990 - 1996 года фигурировали Фонд по научным работам, опщины Ниш, Институт урбанистического планирования Ниша и Корпорация Winner Broker Ниш.

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Адрес:
„Экономика” Друштво економиста
18000 Ниш, Максима Горког 5/36

Телефон редакции +381 (0)18 4245 763; 211 443
e-mail: zoki@medianis.net; ekonomika@sbb.rs WEB: <http://www.ekonomika.org.rs>

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A. Aryamov¹
Russian Academy of Justice, Moscow, Russia

V. Grachova

I. Chuchaev

V. Malikov

Moscow State Law University, Moscow, Russia

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DIGITAL ASSET AS AN OBJECT LEGAL REGULATION²

Abstract

In this article, the authors based on the study of the gap in the law in terms of determining the legal nature of information resources using the method of consolidation of knowledge of Economics and law (various branches of law, such as financial, tax, civil, international public... law) developed proposals for the optimization of domestic legislation, enshrining the universal economic concept of "asset"; also gave a detailed description of this concept and revealed its content.

Key words: Property, Assets, Cryptocurrency, Information resources, Blockchain, Property rights, Non-property rights, Accounting, Financial law, Civil law.

Jel Classification: 030

ДИГИТАЛНА ИМОВИНА КАО ПРЕДМЕТ ПРАВНЕ РЕГУЛАЦИЈЕ³

Апстракт

У овом чланку аутори су на основу проучавања празније, у правној теорији, у смислу утврђивања правне природе информационих ресурса, користећи методу консолидовања знања економике и јуриспруденције (различитих гране права, као што су: финансијско, пореско, грађанско, међународно-јавно... право) развили предлоге за оптимизацију домаћег законодавства, уградивши универзални економски термин „имовина (рус. актив)“; а такође су дали детаљан-аналитички концепт овог појма и протумачили су његов садржај.

Кључне речи: Имовина, приватна својина, активи, криптовалута, извори информација, блокланац, имовинска права, невластичка права, рачуноводствени рачун, финансијско право, грађанско право.

¹ aaryamov65@yandex.ru

² “The reported study was funded by RFBR according to the research project № 18-29-16158”. „Исследование выполнено при финансовой поддержке РФФИ в рамках научного проекта № 18-29-16158“.

³ «Истраживање је извршено уз финансијску подршку РФФИ у оквиру научног пројекта № 18-29-16158».

A significant problem in ensuring digital security at present is legal uncertainty regarding the regulatory definition of the concept and disclosure of the content of such an objective phenomenon as “the digital form of existence of information, the exchange and operation of it”. Both in Russia and in the rest of the world, the so-called “Information law” is in the “embryonic” state. Lawyers are still in the process of understanding such phenomena as “virtual space”, “blockchain”, as well as the possibilities and limits of legal regulation of operating with digital information... Undoubtedly, the coming legal reform will also affect the fundamental aspects of Civil law, Financial, Administrative and Criminal law. But all this in the future.

From the point of view of intersectoral “division of labor”, Criminal law (as a protective branch of law) performs an interim role in relation to social phenomena regulated by the provisions of the so-called branches “positive” rights. The thesis that Criminal law protects against socially dangerous encroachments those relations that are regulated within the framework of other (regulatory) branches of law; and it protects in the form and to the extent in which this relation has received legal regulation - is basic. But this is the ideal design of the regulatory framework and its Public law provision. Realities are often more difficult.

The process of legal regulation of a certain complex of relations may not be completed yet. But in the criminal segments of society, vectors of socially dangerous attacks on these relations are already being formed. Public branches of law (and above all Criminal law) should design a mechanism for countering such attacks, not waiting for the moment when the process of normative regulation of social relations ends in the spheres of “positive branches of law”.

It is this state of affairs that is now observed in the field of legal regulation of relations in the exchange and operation of digital information. Representatives of regulatory branches of law have not even decided on the legal nature of such phenomena as “digital information”, “blockchain”, etc. However, for more than two decades, the system has progressed, undoubtedly characterized by the social danger of acts in the field of computer information. Criminal law cannot ignore this problem. But designing a mechanism for protecting relations in the field of digital information presupposes the definition of the object of such protection (it is also an object of socially dangerous encroachment). The blanket correspondence tool of the provisions of protective and regulatory branches of law is useless in this case.

Criminal law must cope with this task; and do it as correctly and universally as possible. So that categories, concepts and institutions formulated by criminologists would correspond to the future provisions of the regulatory branches of law, regardless of the direction in which such legal reform will proceed. The most effective in this situation is the reception of maximum regulatory abstraction.

key problem at present is the determination of the legal nature of the volume of digital information, which is the subject of regulation of the formed “Information law”; it is also the subject (and maybe an instrument or means) of socially dangerous assaults already committed. Whether his Civil law and “Informational law” will define it from the standpoint of the real right, or as a non-property right, or otherwise we cannot foresee at the moment. By virtue of what it seems appropriate to operate on the concept actively used by Financial, Tax law, Accounting and Applied economics - assets. Whichever direction the reform of Civil law and “Information law” would acquire, the proposed concept would correspond to any of them.

In the first approximation, the concept of “asset” is widespread and claims the status of the commonly used. However, due to the specificity and complexity of its content, it needs to be defined and the study of its characteristics. Generally recognized is a concept that does not need interpretation and is understood by all in a uniform way. But even in economic dictionaries and textbooks on economics and accounting there is no uniformity in this matter; moreover, the differences in definitions are very significant; and sometimes the definitions proposed by economists, from the point of view of lawyers, are illogical.

According to a number of didactic and doctrinal sources, the economic theory by the term “assets” means (from the Latin *activus - effective*) collection of assets and funds belonging to an enterprise, entity, company (buildings, structures, machinery and equipment, inventories, bank deposits, securities, patents, copyrights in which owners’ funds are invested, property that has a monetary value). Assets are usually divided into tangible (tangible) and intangible (intangible), the latter include intellectual product, patents, debentures of other enterprises, special rights to use resources.⁴

With the concept of an asset, another concept corresponds - the asset of a balance is part of the company’s balance sheet, reflecting in monetary terms the tangible and intangible values belonging to the enterprise, their composition and location; excess of income over expenditure in the balance sheet.⁵

The above definition of an asset creates more problems than it solves (in the opinion of the authors of this study, it is extremely unfortunate); its disadvantages are:

- a) the owners of the assets are far from being an exhaustive list of legal entities (many legal entities, as well as individuals, including IPBYL, are ignored);
- b) in this definition, money and property are considered as equal-order phenomena, whereas by virtue of Article 128 of the Civil Code of the Russian Federation - money is one of the types of property;
- c) in the main text of the first sentence, only tangible phenomena are mentioned as assets - property and cash, and frankly intangible ones - copyright and patents - are given in brackets as an example;
- d) and in the second sentence of the definition it is unambiguously indicated that the assets may be intangible;
- e) the concept is defined in the plural - “assets”, for disclosing the content of which a list of very diverse phenomena is proposed, which is subject to broad interpretation, thus the question: What is an asset and what is not? - remained unanswered.

However, the undoubted merit of the definition under consideration is to indicate such characteristics of assets as: a) they have a monetary value; b) they can be both tangible and intangible.

In the economic doctrine, the following definition of an asset is also very popular - these are property rights, as well as economic resources owned by individuals or legal entities in the form of fixed assets, including directly in the form of money, and making a profit.⁶

⁴ Райзберг Б.А., Лозовский Л.Ш., Стародубцева Е.Б.: Современный экономический словарь. 3-е издание переработанное и дополненное. ИНФА-М, М. 2000.с.17.

⁵ См. там же.

⁶ http://economic-definition.com/Accounting_and_Taxes/Aktiv_Assets_eto.html

This definition is also not without flaws:

- a) It speaks only of fixed assets, but does not mention negotiable assets, which are also undoubtedly assets;
- b) the asset may not be profitable, moreover, it may actually bring losses, the ratio of the owner of the asset to the profit from its turnover is probabilistic;
- c) property rights and economic resources are defined as independent phenomena, while property rights are a type of economic resources (as well as non-property rights, which are not mentioned at all in the definition under consideration).

Eclectic masterpiece, in our opinion, is the next definition. Assets are tangible or intangible resources, such as cash and non-cash money in various currencies, securities, buildings, objects of labor, vehicles, as well as rights to works of art and literature, inventions, business reputation, trademarks, owned by a natural or legal person in various forms of ownership and capable of generating profit and increasing income in the near future or after some time.⁷ The level of obvious alogisms of this definition exceeds the limit, which is why a given definition does not need a separate analysis.

In a number of textbooks, the following definition is used: Assets are monetary elements of all elements of economic wealth, acquired as a result of an accomplished fact of economic activity, owned by a subject that can be used in economic activity as a source of profit.⁸ An example is when one vague concept - assets - is defined through another, equally vague - wealth.

Thus, given examples, in our opinion, are quite enough to generate the following conclusion: the lack of uniformity among representatives of economic doctrine in the understanding of the term “asset”, despite its wide popularity in didactic and theoretical literature, it cannot be perceived as a carrier of the commonly used meaning; and, therefore, needs to be defined, preferably in the normative.

Regulatory legal regulation of turnover (as well as accounting and control over it) of assets is also difficult to recognize as optimal. The legislator often uses the term “asset” / “assets” in the design of legal norms; at the same time, in different cases it gives it a different meaning (which is clear from the context of regulatory legal acts). The text of legal norms, which contain the term “asset”, often suffers from illogicality, indicating that the legislator understands very roughly the content of the concept he uses. At the same time, even attempts to construct a definition of this concept have not been undertaken at the present time.

Thus, Article 5 of the Federal Law of the Russian Federation “On Accounting” No. 402-ФЗ dated December 6, 2011 claims that the accounting subjects of an economic entity are:

- 1) the facts of economic life;
- 2) assets;
- 3) liabilities;
- 4) sources of financing its activities;
- 5) income;
- 6) expenses;
- 7) other objects if this is established by federal standards.

⁷ http://economic-definition.com/Accounting_and_Taxes/Aktiv_Assets_eto.html#h3-0

⁸ <https://vse-dengy.ru/pro-investitsii/aktivyi-i-passivyi-chto-eto-legko-i-prosto.html>

The content of this norm is very problematic. As one-order phenomena are listed: a) and the assets and facts of economic life, although the former are the result of the latter; b) both assets and revenues, while the latter are the result of the turnover of the former; c) both assets and liabilities, while the latter are a variety of the first.

The legislator used the term assets, although throughout this law does not disclose its content. Even in Article 3 of the considered regulatory legal act “Basic concepts used in this Federal Law” - the definition of this concept is absent.

The concept of “asset” is very popular in tax legislation. Art. 11 of the Tax Code of the Russian Federation “Institutions, concepts and terms used in this Code” also does not contain the definition of the term asset. Although in the text of the law the term asset is used by the legislator 77 times (Art. 25.2 - 3 times, Art. 25.13 - 6 times, Art. 25.14). And nowhere is the universal definition of this term. Part 6, Article 105.5 of the Tax Code of the RF establishes the following provision: “At the same time, for the purposes of this chapter, assets are assets (property, including cash, property rights, including intellectual rights) that a person owns, uses or disposes of for income. With regard to the above definition, it seems necessary to note the following: Part 6, Article 105.5 of the Tax Code of the RF establishes the following provision: “At the same time, for the purposes of this chapter, assets are assets (property, including cash, property rights, including intellectual rights) that a person owns, uses or disposes of for income. With regard to the above definition, it seems necessary to note the following:

- a) such a definition of assets for both formal and substantive grounds is relatively acceptable only for Chapter 14.2 of the RF Tax Code “General Provisions on Prices and Taxation”;
- b) in it they got positions that essentially contradicted the fundamentals of Civil law (which is worth attributing intellectual rights without any reservations to the number of property rights);
- c) determining the purpose of using or disposing of assets (in this case, such an action as an acquisition avoided the attention of the legislator) is far from perfect - what if the entity invests in some assets not for profit, but for the purpose of saving - preservation of property status or minimizing possible losses?
- d) in specific cases, Civil law operates as a tool of legal regulation with such a fiction as identification / equating property and property law (which does not comply with the basic provisions of the theory of legal relations and the mechanism of legal regulation), but in the context under consideration the use of this fiction in the construction of a legal norm seems to be unreasonable.

Part 8 Art. 142.1 of the Tax Code of the Russian Federation contains a definition of a financial asset, which in itself is nonsense - any asset is financially immanent, since its sign is monetary valuation. “Financial assets - cash, as well as securities, derivative financial instruments, equity interest in the authorized (share) capital of a legal entity or equity interest in a foreign structure without forming a legal entity, right of claim from an insurance contract, as well as any other financial instrument, associated with these types of financial assets. For the purposes of this chapter, real estate, as well as precious metals (other than impersonal metal accounts) are not recognized as financial assets.” And this definition contains a number of problems, including systemic ones:

- a) from the point of view of the dialectic of the ratio of the general, special and private, this definition should at least somehow correspond with the previously considered definition of an asset, fixed in Part 6 of Article 105 of the Tax Code of the Russian Federation;
- b) on the basis of this definition, real estate pledged as collateral for a bank loan even at the time of recovery is not a financial asset (although there is a transformation in “cash money”);
- c) the lack of exemption for movable property also looks illogical (for a sea vessel - real estate object exemption applies, and the train does not apply); d) the text of the definition contains a reservation - “for the purposes of this chapter” - that prevents the perception of this definition in the status of universal.

It should also be noted that the term “financial asset” is used by the legislator in Article 23.1 of the Budget Code of the Russian Federation without fixing its definition.

A similar state of affairs can be observed in the texts of other regulatory legal acts. Federal Law No. 140-FZ of June 8, 2015 “On the Voluntary Declaration by Individuals of Assets and Accounts (Deposits) in Banks and on Amendments to Certain Legislative Acts of the Russian Federation” and Federal Law of December 10, 2003 No. 173-FZ “On currency regulation and currency control” also contain a number of rules that enshrined the term asset, but its definition is not given anywhere.

A similar situation is observed at the level of subordinate regulatory legal acts, for example, Order of the Ministry of Finance of Russia No. 10n, FCCB of the Russian Federation No. 03-6 / pz dated January 29, 2003 “On approval of the procedure for assessing the net asset value of joint stock companies” also does not contain a definition of this concept.

May 22, 2018 The State Duma of the Russian Federation in the 1st reading adopted a draft law submitted by the Ministry of Finance of the Russian Federation, No. 419059-7 “On digital financial assets”, around which a broad discussion was launched. Negative conclusions were received for it:

- Committee of the State Duma of the Russian Federation on Information Policy, Information Technologies and Communications;
- Legal Department of the Staff of the State Duma of the Federal Assembly of the Russian Federation;
- Committee of the State Duma of the Russian Federation on the financial market;
- Council under the President of the Russian Federation on the codification and improvement of civil legislation;
- Committee of the State Duma of the Russian Federation on economic policy, industry, innovative development and entrepreneurship.

Many of them rightly noted that the proposed definition of a “digital financial asset” does not correspond to the notion of a “financial asset” used in Tax and Budgetary law; also that the assignment of digital assets to the category of property / real rights does not correspond to the basic concepts of Civil law.

In accordance with Article 2 of the draft Law “On digital financial assets” gives the definition of the concept of “digital financial asset” in which the following features of this economic and legal phenomenon are consolidated:

1. property, which is accordingly subject to the right of ownership. However, in Civil law, property is an academic example of the subject of real relations as an element of the material world. In accordance with the laws of dialectics, space and time are forms of the existence of matter. It is axiomatic that the same material object at the same time cannot be in different places. The sphere of being digital financial assets - the virtual space (abstract category) - they are simultaneously located in every part of our planet and even beyond its borders. How is it possible to move such a thing in space? The question is not rhetorical. Depending on the answer to it, the problem of the jurisdiction of a state in respect of disputes and delicts arising in connection with (or in connection with) the turnover of digital financial assets is solved. The classic rule is the following: a lawsuit (application) is filed with the court (or law enforcement agency) at the location of the property (or the place of the offense - the place of damage to the property). If the subject of the dispute (tort) is a digital financial asset, then where to file a claim (application) geographically. In Article 3 (regulating the release of tokens) of the draft regulatory legal act in question contains a blanket reference to the Federal Law of April 22, 1996. №39-ФЗ “On the securities market”; the question naturally arises: should digital financial assets be considered as a type of securities? But neither in terms of emission specifics, nor in terms of subject composition, nor in accordance with the patterns of turnover, can they in principle be such.
2. The digital financial asset is in electronic form. What shape does this form have? In this case, opponents traditionally give non-cash money as an objection. But such an example is incorrect. Non-cash funds are a certain legal fiction, when the classical right of claim is conditionally perceived as an independent subject of property right; it is recognized as admissible due to the fact that non-cash money may well become cash (material and tangible) without changing its essence. A similar situation is observed with reference to non-documentary securities. A digital financial asset in its cash (material) form cannot be converted. Consequently, from the point of view of the legislator, he is in an amorphous “formless” form.
3. Digital financial assets are created using encryption (cryptographic) means. It should be noted that encryption (cryptography) is rather a method, not a means. In addition, a large number of digital resources in the virtual world participating in the information and economic circulation are created in addition to using the encryption method (for example, various open databases); moreover, at one moment they may be open, and at the next - encrypted (and vice versa) - what is the chance of classifying them as digital financial assets?
4. Ownership (about the problematic perception of digital financial assets as a property subject of ownership, we spoke earlier) arises from the moment a corresponding entry is made in the register of digital transactions. A fair question arises: in the case of cryptocurrency mining, who should keep a register of digital financial asset transactions (who is the registrar, its location, what is its status, responsibility ...)?
5. Digital financial assets can have only two types: a) cryptocurrency, b) token.

Moreover, in the same article, the definition of a token is a type of digital financial assets that is issued by a legal entity or an individual entrepreneur (and if an individual issued it, then it ceased to be a token, and what then is it?) In order to raise financing others, or there is no cash flow at all?) and is taken into account in the registry of digital records (and if its issue or movement somehow was not reflected in the registry, for example, in the case of computer fraud, then it ceased to be a token?). There is a vicious circle in defining the concept: a digital financial asset is defined as something that has the form of a token, and a token is defined as a type of digital financial asset. It seems necessary to note that in the considered definition of a token, there are no signs that would allow to distinguish it from another type of digital financial assets - cryptocurrency, which is a defect of definition. Article 3 “Features of the release of tokens” contains the provision that the emission of tokens is its alienation by the issuer to the acquirer. But the main question is: where do the tokens from the issuer come from (to what extent, when, under what security, on what basis ... are they issued)? - remains unanswered. The regulatory consolidation of an exhaustive list consisting of two types of digital financial assets generates the phenomenon of legal uncertainty regarding the definition of the legal nature of many types of information resources that are neither cryptocurrency nor token: digital customer databases, various digital information resources, online magazines with subscription fee, YouTube channels with a large number of subscribers, etc.

6. A digital financial asset cannot be a means of payment in the territory of the Russian Federation. Such a prohibition seems more than doubtful, since, for example, the essence of cryptocurrency (that is, the purpose for which it was created at all) is a means of payment. If this property is eliminated, then its every turn will be deprived of meaning. Due to the fact that the cryptocurrency exists in the “extraterritorial” virtual space, it is also meaningless to limit its turnover to the borders of the Russian Federation; even on the territory of the Russian Federation, payments by cryptocurrency are possible through the registration of a cession with residents of other states, etc. Moreover, Article 2 of the draft regulatory legal act contains an imperative ban on the operation of digital financial assets as a means of payment, and Article 4 states that they can be exchanged, including rubles and foreign currency. But what is such an exchange, how not to pay?
7. This is a financial asset. We have previously noted the problematic nature of the phrase “financial asset”. In addition, the concept under consideration does not correspond to the above definition of a “financial asset”, enshrined in Tax legislation.

The foregoing leads to the conclusion that the widely discussed draft law “On digital financial assets” is an example of a not very successful attempt to solve a very topical problem. First of all, the problem lies in the initially incorrect formulation of the problem: the pre-legislator attempted to identify digital assets solely in the light of understanding them as a financial phenomenon, which led to the emergence of systemic contradictions in the entire process of constructing legal norms.

It seems appropriate to pay attention to international experience in optimizing and unifying the legal regulation of the turnover of various resources. In 1998 Russia joined the accounting reform program in accordance with IFRS (International Financial Reporting Standards). In 2011, in the development of this political decision, the Government of the Russian Federation adopted the “Provision on the recognition of IFRS and their explanations for use in the territory of the Russian Federation (Decree of the Government of the Russian Federation of February 25, 2011 No. 107)”. By virtue of IFRS-1. A unified definition of the general concept of assets is fixed - as resources controlled by a company as a result of past events from which the company expects economic benefits in the future⁹.

It is quite appropriate to take this definition as a doctrinal and applied basis for constructing a legal notion of an “asset” that corresponds to our goal. In the context of this definition (and this opinion is shared by most modern economists and accountants) assets have three main characteristics:

1. Owning an asset is aimed at obtaining probable future economic benefits on its own or in combination with other assets, which contributes, directly or indirectly, to an increase in profits or saving / preserving the economic condition of the owner (the use of the term “benefit” makes it possible to cover its content with both profit / income, no loss, saving, and even minimization of harm);
2. The asset owner can receive and control the benefits of the asset turnover (the asset turnover takes place even in the case of investing funds with the aim of saving them without the intention of alienating them);
3. A transaction or event (fact of economic activity) that served as the basis for acquiring an asset or establishing control over it or income from its turnover has already occurred (are in the past);
4. The ratio of the owner of the asset to the economic benefit from its turnover is probabilistic in nature;
5. They are subject to monetary value (this feature is absent in the definition itself, but is revealed when analyzing the context of a regulatory legal act);
6. The use of the commonly used term “resource” in the construction of a legal norm (from the French Ressource is a fundamental concept of economic theory, meaning accumulated sources and means of production)¹⁰ is optimal. A sign of a resource is its ability to quantitative changes (which, by virtue of the dialectic of the transition of quantity into quality, are capable of generating a qualitatively new economic phenomenon): concentrated / accumulation, decrease / waste, accrual / increase.

The listed signs of assets, enshrined in international legal acts of a recommendatory nature, can be taken as the basis for constructing a definition.

The asset grading, which is reflected in the national and international theory and practice of accounting and tax reporting, depending on the criterion of delineation is quite simple. Types of assets:

⁹ <https://www.ifrs.org>.

¹⁰ Райсберг Б.А., Лозовский Л.Ш., Стародубцева Е.Б.: Современный экономический словарь. 3е издание, переработанное и дополненное. М. Инфа-Норм) 2000. С.341.

1. According to the criterion of attitude to capital turnover: - non-current (for example, intangible assets, fixed assets, construction in progress, profitable investments in tangible assets, long-term financial investments); - current assets (for example, accounts receivable, short-term financial investments, cash, other current assets).
2. By the criterion of materiality: - material (for example, movable or immovable property); - intangible (eg, copyright, patent, business reputation).
3. According to the criterion of their reality: - Real / unimaginative - are present in the real material world and are its reflection; - Virtual / real - are present in the virtual space (for example, cryptocurrency, digital information); - Fictitious - are reflected in the accounting and reporting documents, but in fact do not exist (for example, annotations as a result of fraud); - Hidden assets / real - actually exist, but are not reflected in the accounting and reporting documents (they are often used as a tool for tax evasion); - Imaginary assets / real - real assets, whose evaluation in the accounting and reporting documents is distorted (overestimated or underestimated - may also be a tool when committing economic crimes).

It is necessary to emphasize that the main characteristic of an asset is its ability to entail the extraction of any economic benefit, directly or indirectly. In this case, the economic benefit in any case should not be equated with profit or income; saving, minimizing possible harm, risk management, competitive advantage (for example, acquiring a controlling stake in a competitor to initiate a procedure for its liquidation ...). As assets in accounting, we understand any phenomenon (resource) involved in the economic turnover that can:

a) generate income;

b) accumulate financial and other benefits;

c) convert at least one of the currencies; the main property of an asset is its liquidity, i.e. the ability to turn into money (cash, non-cash, virtual), although money is also an asset. Assets can be tangible and intangible, proprietary and non-proprietary, negotiable and non-negotiable, but their integral feature is their valuation in monetary terms. The economic benefit from the turnover of assets can be both direct and indirect (for example, the cost of improving business reputation in charitable activities - business reputation is also subject to evaluation as an intangible asset in the Goodwill system).

Based on the listed properties of the asset, as well as its features, enshrined in the above-mentioned acts of international law, we believe it is possible to construct the following definition. An asset is a company involved in business turnover, having an origin from a fait accompli of business activity, having a cash value estimate of a liquid resource implying the ability of an owner to control his turnover, with the goal of direct or indirect economic benefit. This definition is advisable to fix in Article 3 of the Federal Law of the Russian Federation “On Accounting” No. 402-ФЗ dated December 6, 2011. “The basic concepts used in this Federal Law.” All other regulatory legal acts must operate on this concept in the mode of blanket. Attempts to define this concept in tax, budgetary information and other law (examples of which have been given earlier) seem redundant. A detailed interpretation of the signs of this concept is appropriate in subordinate regulatory legal acts, for example, In the order of the Ministry of Finance of Russia No. 10n, FCCB of the Russian Federation No. 03-6 / pz dated January 29,

2003 “On approval of the procedure for assessing the value of net assets of joint-stock companies”.

In criminology, the notion of “derivative” of an asset from a crime has gained popularity: at the beginning of the causal chain of economic turnover there is a criminal asset; as a result, all the assets caused by this causal connection appear to be criminal (so, if a criminal asset is invested in a legal business, then the whole business is “infected” with criminality and criminal, the same happens when investing legal assets in the circulation of criminal funds; in this case, the fault of those who have not committed a crime is determined by the lack of due diligence and scrupulousness when choosing counterparties in business; in determining such culpability, the value of the discretion of the law enforcer is great).¹¹

Using the concept of an asset to the prism of its definition formulated above, it is possible to give a definition of its varieties - a digital asset is an asset that exists on a digital medium (digitally processed and containing digitized information). It is advisable to fix this definition in the title and Article 2 of the draft Law “On digital financial assets” under discussion, and to make the appropriate changes in the entire text of this draft regulatory legal act. And in this form, a branch of the law of criminological orientation can take it into its scientific turn and realize the task of designing the digital security mechanism of our society. Since the subject of criminal law protection is defined - a digital asset, it seems necessary to note that it can be not only a subject of encroachment, but also an instrument or means of committing a crime).

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Vesna Janjić¹
Jasmina Bogičević²
Bojan Krstić³
University of Nis, Faculty of Economics

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KAIZEN AS A GLOBAL BUSINESS PHILOSOPHY FOR CONTINUOUS IMPROVEMENT OF BUSINESS PERFORMANCE

Abstract

Today, numerous tools can be used in the production and other phase of the value chain with the aim of increasing operational efficiency and quality of products. However, the Kaizen can be understood as one of the basic lean techniques. Continuous improvement applied through Kaizen is a key element of Japanese management and the source of competitiveness. The benefits of an effective program of continuous improvement are reflected in cost efficiency, waste reduction and product quality improvement. Taught by Japanese success, many companies have adopted Kaizen as a technique for improving production efficiency and achieving business excellence. Despite the Kaizen implementation has led to improved performance in many companies and its application is widespread around the world, many problems and difficulties in its implementation are observed outside Japan. The process of transferability of Kaizen is influenced by many factors whose significance and intensity vary depending on the country in which it is applied. Hence, although Kaizen is very simple at first glance, it is a complex process that needs to be adapted to the specificities of the environment, taking into account numerous influential factors.

Key words: continuous improvement, Kaizen, lean, technique

JEL classification: M21, M41

КАИЗЕН КАО ГЛОБАЛНА ПОСЛОВНА ФИЛОЗОФИЈА ЗА КОНТИНУИРАНО УНАПРЕЂЕЊЕ ПОСЛОВНИХ ПЕРФОРМАНСИ

Апстракт

Данас се у оквиру производне фазе ланца вредности могу применити бројни алати за повећање оперативне ефикасности и квалитета производа. Међутим, Каизен се може схватити као једна од основних леан техника. Континуирано побољшање омогућено захваљујући Каизен концепту представља

¹ vesnajanjic64@gmail.com

² jasminabogic@ptt.rs

³ bojan.krstic@eknfak.ni.ac.rs

кључни елемент јапанског менаџмента и извор конкурентности. Предности једног ефективног програма континуираног побољшања огледају се у трошковној ефикасности, смањењу отпада и побољшању квалитета производа. Поучене јапанским успехом, многе компаније усвојиле су Каузен као технику побољшања производне ефикасности и остварења пословне изврности. И поред тога што је имплементација Каузена довела до побољшања перформанси у многим компанијама и што његова примена има светске разmere, уочени су бројни проблеми и потешкоће у спровођењу ван Јапана. На процес трансфера примене технике Каузена утичу бројни фактори чији се значај и интензитет разликује у зависности од земље у којој се ова техника примењује. Иако се на први поглед Каузен чини једноставан, ради се о комплексном процесу његове примене, који треба прилагођавати специфичностима окружења у коме се примењује уз уважавање бројних утицајних фактора.

Кључне речи: континуирно побољшање, Каузен, леан, техника

Introduction

A new turbulent business environment has created a new scenario for the competitive development of companies in the 21st century. In order to survive and successfully compete in a market where consumers focus on high product quality, low price, availability, companies have to use the best management practices, strategies and tools. The results of the long-standing research of economic theory and management practice show that continuous improvement has great benefit in the purpose of reaching competitive advantages. Namely, the continuous improvement is considered as a key for achieving excellence in production and other business processes. In continuous improvement many companies found a way to effectively and efficiently manage various and complex business processes, such as procurement, delivery, new product development and others. There is no doubt that the continuous improvement has become a very relevant factor of sustainable business success. Numerous theoretical considerations in the contemporary literature and practical experience provide many evidences of better company performance based on successful implementation of the continuous improvement as a management tool and philosophy (Quesada-Pineda, Madriga, 2013, 1). Latterly, in the new literature and best business practice, there are the most commonly discussions about the following concepts: lean production, six sigma, boundary theory, quality control, Kaizen etc.

Kaizen is a Japanese management technique that is focused on improvements through various small movements, steps and ideas to increase labour productivity, business efficiency, product and service quality and other operational and financial performance. After useful implementation in a numerous Japanese companies, this technique has sparked great interest among academic researchers and practitioners in the sense of achieving high-quality outputs with minimal efforts. Kaizen became a popular and applicable management tool in other countries around the world. Doubtless, it has gained the status of a global process. However, despite its popularity, the implementation of Kaizen in many companies worldwide, has not led to the expected results and faces many operational challenges.

The subject of theoretical research in this paper is to point out the significance of Kaizen in the process of continuous performance improvements in business organization. The aim of this paper is to examine the possibilities of Kaizen implementation at the international level and to highlight the factors that influence the success of this transfer process. The paper consists of four parts. The first part deals with the role of Kaizen in the process of continuous improvement and the effects of its application. The second part analyzes the process of transferring Kaizen outside the Japan. The third part is devoted to factors that influence the transferability of Kaizen. The experiences of countries regarding the use of Kaizen and the factors that influence its success are given in the fourth part of the paper.

The continuous improvement by using the Kaizen

Investigating the problems of continuous improvement, many authors have written about the occurrence of Kaizen, as a key element of management in Japanese companies. They have presented Kaizen as one of the basic elements of the concept of lean production and total quality management. Kaizen has Japanese origin and means the process of continuous and incremental improvement of overall activities in the production, although it does not exclude the possibility of its application in other areas. It represents one of the sources of competitiveness of Japanese companies. They rely on modern technology for achieving high product quality and productivity with the aim of Kaizen as business philosophy and management technique. Due to the pronounced competition, Kaizen received an international recognition. Kaizen was implemented in companies worldwide to help them to improve their performance, based on continual improvement of all aspects of the operation. Inspired by Japanese success, many companies in developed, developing and underdeveloped countries adopt the business Kaizen philosophy to improve production values (Bwemelo, 2014, 79-91).

In its original term, Kaizen is a combination of two Japanese words (“kai” and “zen”) and means improvement or change for the better and focuses on continuous improvement throughout the company (Dhongade et al., 2013, 57). Kaizen achieves improvement through small steps and continuously, unlike the innovations that are dramatic and impressive, and require investment in new technology and equipment. It implies less radical changes which are the result of innovative ideas that take place over time without the investment of huge capital (Kumar et al., 2017, 147). So, Kaizen and innovations are used to achieve improved operating procedures and performance. The key to continuous improvement in the Kaizen is in the small innovations and creative ideas of employees whose results are often subtle and barely visible in the short term. In other words, the Kaizen refers to small changes. Innovations relate to comprehensive modifications caused by large investments. Kaizen relates to continuous accumulation and aggregation of improvement activities (gradual approach). Kaizen is not related to rapid and large changes inherent in innovative technology breakthroughs (great leap-forward approach) (Ramezani, Razmeh, 2014, 45). Actually, it emphasizes a series of continuous improvements and small incremental steps that can be used at all levels in the organization. Its application requires simple techniques and conventional methods, and does not require sophisticated technology or the latest technological achievements.

Kaizen emphasizes a continuous search for new possibilities for achieving goals in the easiest way and at the lowest cost (Titu, 2010). The most important assumption of successful implementation of Kaizen is the reliance on common sense and the active involvement of all employees in the company (managers, experts, controllers and direct executors) in order to strengthen morale through teamwork, and more productive and more economical use of resources in a company. Basically, Kaizen is a very simple idea that emphasizes the importance of employees and their ability to carry out the process of continuous improvement. The main thing that companies need to know about implementing a continuous improvement program is how the smallest idea can lead to the greatest results (Jarial, 2012, 227). As executors are directly referred and connected to activities that are carried out in the production process, the greatest number of ideas for improvements come from the executors. Hence, the efficient implementation of Kaizen emphasizes the importance of adequate training of employees. The Kaizen becomes attractive because it enables companies to maximize their human or work productivity potential and enjoy numerous benefits (Vent et al., 2016, 695).

The effects of its application result in improving productivity level, quality and efficiency, lower costs, eliminating of losses, enhance job security, quick delivery of products and greater customer satisfaction. In short, Kaizen is an inexhaustible source for achieving business excellence (Titu, 2010). Since the benefits of implementation come gradually and the effects are usually felt over a longer time, the top management are responsible for the successful implementation. Therefore, improvement is considered as one of the most important managerial activities (Suárez-Barraza, Miguel-Dávila, 2008, 293). There is almost a unique attitude that Kaizen is an uninterrupted process in its nature, in the sense of possibilities to be a more efficient (Jignesh et al., 2014, 812).

Kaizen, understood as a new business philosophy, was introduced and accepted in Japan after the Second World War as a part of the business culture. It spread rapidly among the Japanese companies, and became known as the Japanese model of managing the business organization. Its development line (from 1950 to the present) has continued, in particular, by expansion in Japan first and later in other parts of the world (in developed, developing and underdeveloped countries). Thus, it has received the epithet of an international process with all the accompanying problems.

The process of Kaizen transferring - the essence, problems and phases

The international process of Kaizen transfer has become inevitable for several reasons, especially due to the expansion of Japanese business activities through the great number of multinational companies, as well as the requirement for better quality and cheaper products. The answer to the question about the experiences with the use of Kaizen outside Japan and the success of the company's achievements requires a deeper analysis. Namely, its implementation depends on the country in which the Kaizen was transferred, as well as a number of factors. On the basis of theoretical and practical research of numerous authors, there were various conclusions. Some consider that portability of Kaizen outside of Japan is possible, but in order to increase the chances of success of transfers, the following conditions need to be met:

- a) Clear orientation of employees for unconditional acceptance of Kaizen;
- b) Commitment of employees to the long-term sustainability of the company;
- c) Free flow of information both vertically and horizontally;
- d) Authorization of employees and the skills necessary for decision making;
- e) Pragmatic orientation;
- f) Employees should be oriented to the process and results (Desta, 2012).

According to Aoki, the basic prerequisite for spreading Kaizen beyond of Japan is the implementation of the basic principles of the Kaizen business philosophy, above all: consumer focus, continuous improvement, accepting the existence of a problem, team building, self-discipline development, constant information feedback to employees and the promotion of employees' development and training (Aoki, 2008, 520-523). On the other hand, some researchers argue that practical application is a part of the Japanese culture and it is difficult to transfer to abroad. The failure to implement Kaizen in many foreign companies is attributed to the fact that they did not accept the Japanese way of corporate governance based on the assumption that what is done in Japan must be uniformly applied to other countries (Shaari, 2010, 405).

Regardless of all the difficulties and problems with the application of Kaizen outside Japan, the international transfer of Kaizen is not a one-off act, but a process that takes place through several phases. There are several models that include the transfer of Kaizen in the literature on the international transfer of the Japanese management system, technology and know-how. These are the phase model and the process model.

The phase model for the transboundary transfer of the Japanese industrial management system includes four phases. The first phase involves the establishment of a local branch and involves familiarizing employees with operational management techniques. The application of production techniques, management techniques and knowledge management is the second phase. Japanese experts train managers and engineers. The third phase relates to adapting the implemented system of management and knowledge to the local environment. The fourth phase refers to the integration of control systems. Local managers and engineers improve production and management techniques to respond to the needs of the local environment (Yokozawa et al., 2011, 40). Gilbert and Cordey-Hayes (1996) developed the *process model of knowledge transfer* in order to understand the ability of companies to innovate and successfully implement organizational changes. This model includes the following five phases: a) acquiring knowledge; b) communication and transfer of acquired knowledge; c) application of acquired knowledge; d) acceptance of knowledge by individuals in an organization; and e) knowledge becomes crucial.

Szulanski (2000) represents a knowledge transfer model in four phases: 1) the initial phase; 2) implementation, 3) improvement and 4) integration. Miles (1995) identifies five phases: 1) choice of technologies, 2) technology transfer channels, 3) technology adaptation, 4) technology integration and 5) implementation. The presented models suggest that there are several stages in the international transfer of the Japanese management system, including the Kaizen.

Number of stages could be reduced by the comparative analysis to the following: preliminary, communication, application and integration. The preliminary phase begins when the need for transfer of Kaizen practice is identified and includes a feasibility study

and needs assessment. In other words, this phase includes preparatory activities in the decision-making process whether or not a Kaizen transfer should be carried out (Szulanski, 2000, 12). The main initiator for the implementation of this phase is the parent company in Japan. The communication phase begins when the decision to transfer Kaizen is made. The role of Japanese trainers as the main actors at this stage is to train local engineers, executives and employees. On the other hand, employees from the branch are sent to the parent company for training. In case of Kaizen transfer, this phase ends when local operators improve the Japanese production processes and techniques. Operators think of improvement only when they master the standard operating procedure. The application, as a third phase, begins when management accepts the use of Kaizen and consists of three mutually dependent cycles. The first cycle involves actions that relate to the decision to adopt a lean paradigm (e.g. to build a vision, encourage learning process, etc.). The second cycle is long-term and both the environment and necessary conditions for successful transformation are formed (e.g. to create an implementation team, develop a strategy, and set operational goals). The short-term cycle is the third one and it implies detailed implementation through planning, execution and monitoring. Japanese coaches and employees of the Kaizen transferring company are the main players in implementing this phase (Yokozawa, 2011, 41). Integration, as the last phase of the Kaizen transfer process, begins when local managers take the initiative of Japanese leaders and when employees begin to realize the process of continuous improvement (Szulanski, 2000, 12).

On the basis of the previous one, it is noted that the transfer of Kaizen is a process that takes place in several not easy to implement phases, because the Kaizen international transfer is influenced by numerous factors, and the literature in this field points to the key success factors in the implementation of continuous improvement.

The influence of critical factors on Kaizen implementation transfer

Many companies, taught by Japanese success, have adopted Kaizen as the most effective tool for improving productivity and product quality by better internal organizational (work and managerial) processes. The application of Kaizen has become more and more popular (Shahab et al., 2007) around the world, and it gets an epithet of the global process. However, despite its popularity and organizational potential, there are many factors that influence the effectiveness of the Kaizen program in developed and developing countries, as well as underdeveloped countries.

Studying the problem of global Kaizen implementation, the researchers came to the conclusion that the percentage of Kaizen implementation in many companies is high, but the results of its implementation are unsatisfactory. Of the 3000 surveyed industrial companies, 90% implemented Kaizen, but only 10% of them achieved satisfactory success (Rink, 2005). The results of the survey conducted in 2010 on a sample of 360 companies in Spain and Mexico indicate that 33% of companies accepted the Kaizen program, but the success is expressed in small traces of continuous improvement due to, first of all, poor coordination between direct executives and management and employee resistance changes (Hailu et al., 2017, 589) The recent research has confirmed and found that there is a problem with the international transfer of Kaizen in 80% of Japanese companies. It leads to conclusion that there are problems in the Kaizen transfer outside Japan despite

simple business philosophy and the application of common sense (Yokozawa et al., 2010, 8). On the basis of this, it also can be concluded that the international transfer of Kaizen is not easy to achieve. Unlike the domestic implementation of Kaizen, the transfer of Kaizen to other countries includes issues relating to the diversity of national economies and national and business cultures. The authors believe that Kaizen, as a business philosophy applied in Japan, cannot be automatically applied, and transferred without adaptation to other countries and cultures (Shaari, 2010, 405).

It has been discovered that companies in many countries have faced the problems of gaining the advantages (Suares-Barraza et al., 2011, 63) and the problems of applying and maintaining improvements in their business, but little is known about the reasons. So, the question arises what are the main critical success factors of Kaizen? The main objective of studying these factors is how well-known and high-quality techniques, such as Kaizen, are implemented in companies in order to make the positive outcome. The other reason is to prevent executives from rejecting the application of Kaizen program in its initial or any later phases.

Based on relevant literature and conducted research on companies that have applied Kaizen, common factors have been identified for most countries. They can be systematized as follows (Anh et al, 2015, 66; Garcia et al., 2013, 539):

- Supreme dedication of leaders,
- Organizational culture,
- Employee initiative,
- Employee awards and recognitions,
- Training and introduction of employees with Kaizen tools and techniques and
- Kaizen event and team design.

The management commitment to the Kaizen implementation is considered to be the main factor of success. In fact, managers can be apathetic, managers who are watching and managers who support the improvement process. The most desirable role for managers to implement Kaizen is their support and commitment. The top management is personally interested in the continuous improvement program success and plays a central role in Kaizen implementation. Therefore, strong management support for redefining responsibilities is the key factor for the Kaizen implementation.

The success in the Kaizen implementation depends in large part on organizational culture, and companies must first of all make radical changes towards the creation of a special value system, in which every kind of loss and inefficiency is eliminated. All Kaizen programs implemented in Japan had one of the key common prerequisites, i.e. to attract workers to accept innovations and master their resistance to change (Masaaki, 1986). The attracting of all employees to participate in the process of continuous improvement requires a good organizational culture, which includes a set of values and behaviours in the company.

Employee Initiative implies a form of individual behaviour performing activities outside contracted works. Generally speaking, an action taken by an individual as a personal initiative provides an opportunity for improvement, termination of the status quo and creating an atmosphere for finding a problem. The lack of employee dedication in the implementation of Kaizen is one of the main reasons why many programs of improvement, even those who are initially successful, fail at the end (Keating et al., 1999, 129; Chhikara, Gahlyan, 2017, 10)

Employee rewards can influence the activities of Kaizen. However, researchers felt that a merit-based award was not good for improving product quality. The ability of employees to find a solution to the problem of product quality is failing in companies with remarkable awards and recognitions. Getting to know the public with the improvements achieved is more valuable than the economic incentives of employees. Congratulations to employees when they deserve are also part of the award and recognition. Japanese companies set the acknowledgments of team members and workers on the wall in their workplaces and are symbolic in nature (Garcia et al., 2013, 541).

For the effective participation of employees in Kaizen activities, their training and getting acquainted with tools and techniques for continuous improvement are necessary. Staff training must be practical in nature and tailored to the work they do. Kaizen activities are supported by numerous tools and techniques, such as problem-solving techniques, quality control techniques, and others whose use involves employee training and education. Otherwise, insufficient training, lack of skills for solving problem are the main factors of unsustainability of the continuous improvement process.

The Kaizen team plays a key role in the continuous improvement of the company (Sundar et al., 2014, 1881). The greater the competence of the Kaizen team, the greater the chances of success of the continuous improvement of the larger. The Kaizen team should be homogeneous, composed of workers from all departments, with the largest number being from the production, maintenance and quality sectors. By forming a cross-functional multifunctional team, the implementation process becomes much more reliable (Chhikara, Gahlyan, 2017, 8).

Studying the international transfer of Kaizen, Yokozawa, Steenhuis and de Bruijn (2011) concluded that there were many factors that influence every phase of the Kaizen transfer process that could be underlined under the aforementioned, but there are additional ones such as: the willingness of young operators to accept innovations, to hire young people immediately after schooling, to train workers in Japanese companies, the problem of hiring appropriate workers in certain industrial branches and location of activities, the problem of employees who do not fit into Kaizen culture.

Based on a brief insight into the critical success factors of the Kaizen, it can be concluded that there are several critical factors, which are not universal and differ in importance, so it is necessary to take into account the specifics of the business of the country in which the Kaizen is transferred in their identification. The fact is that the success of Kaizen transferring abroad depends on the degree of compatibility between the culture of Japanese companies and the national culture of the host country. In order to achieve the greatest success in the implementation of Kaizen it is necessary to adapt its practical application to the culture of the host country, and it can be concluded that it has not been and there will not be in the future a single model that will be uniformly applied everywhere (Anh et al., 2011).

The experience in international Kaizen implementation transfer

Through its multinational companies and international cooperation Japan has tried to transfer the Kaizen business philosophy in order to improve quality and productivity in other countries with different cultures and business environments. Over time, the

Kaizen has become internationalized and institutionalized in many countries on almost all continents, and has become a life philosophy and internationally recognized as a solid strategic instrument for adapting to global competition by improving productivity and quality (Bwemelo, 2014, 79). Despite the international diffusion of the Kaizen concept, many researchers have pointed to difficulties in its implementation in companies outside of Japan.

A survey conducted in companies in Ciudad Juarez, Mexico, aimed to examine what are the main critical factors for the success of Kaizen (Garcia et al., 2013, 539). Since the literature found a number of factors, even nineteen, the authors intended to identify factors that are specific to Mexican companies. The results showed seven major critical success factors for Kaizen, which have been identified in other countries, but of varying importance and significance. Training and education of employees are the first, followed by communication between teams and managers, documentation and evaluation of projects, integration and rewards of workers, acceptance of changes and improvements, management commitment and customer focus. The research was carried out in Mexican companies of the Toluca-Lerma industrial cluster with similar results (Suarez-Barraza et al., 2011). Based on the analysis of the surveyed companies, the first impression is that there is a small percentage of the use of Kaizen in Mexico, and the second is that improvements have been made only in the traces affected by the mentioned factors.

Yokozawa and Steenhuis (2013) have focused their research on transfer Kaizen between the two regions, i.e. on transfer Kaizen from Japanese companies to Europe. The study focuses on the use of Kaizen in the Netherlands, because in the period between 2003 and 2009, Japan invested most in this country. This study includes 15 Japanese companies' affiliates with the aim to examine specific factors and their impact on the Kaizen transfer process in the Netherlands. The results of the research indicate that there are two factors at the national level that affect the transfer of Kaizen, which are the degree of discipline and the commitment of employees. These factors are considered to be limiting the transfer of Kaizen into this country.

Bearing in mind that Vietnamese culture considerably differs from Japanese one, the study was conducted in 124 Vietnamese production companies during 2011-2012 with the aim of examining whether national and organizational culture influences the use of Kaizen and, therefore, performance (Anh et al., 2015, 66). Findings show that there is a positive correlation between the application of Kaizen and culture in relation to the performance of companies in Vietnam, and it is proposed to adapt effectively and flexibly the Kaizen practice to local culture in order to improve performance and achieve a competitive advantage. At the same time, other surveys (Yokozawa, Steenhuis, 2013) confirmed that it is easier to transfer Kaizen to Southeast Asian countries, like Vietnam, than to European countries because the employees are more obedient and disciplined.

Economic growth, expressed as a gross domestic product, an average of 11% a year has been recorded in Ethiopia in the last few years. The industrial sector has also grown in the last four years from 10.30% to 14.3%. What is alarming about Ethiopia's economy is that the manufacturing sector is participating in the gross domestic product from 4.4% to 4.6%, which is less than other countries with similar income levels. The slow development of the private sector, poor quality control and low productivity are the main obstacles to promote exports and attract domestic and foreign investment.

The Peacock Shoe Manufacturing Company has implemented Kaizen philosophy to improve its competitiveness and exports, realized significant improvements, but at the same time faced challenges in its application. The research carried out in this company was focused on identifying critical success factors in the Kaizen implementation and maintenance. The results of the survey show that there are eight key factors for Peacock Kaizen success, sorted by importance: preparation (education and training - 16.056%), control of process (10.286%), planning (9.996%), implementation (problem solving - 9.157%), effective leadership (8,525%), continuous evaluation (8,253), awards and awards (7,369%) and employee attitudes (7,298%). Without entering into a deeper analysis of each individual factor, we cannot conclude that the management of this company should focus primarily on employee training and education, which indicates their significant and important role in implementing the continuous improvement process (Hailua et al., 2017, 585-600).

There is no similar research in the Republic of Serbia. This does not mean that the implementation of Kaizen in Serbian companies does not exist. The reasons is the economic environment in the Republic of Serbia, characterized by a transition, unfinished ownership, organizational and managerial transformation, the tendency to engage in European and global economic flows. This moments are the basis for adopting the market criteria for the application of new business philosophies, tools and techniques that are needed for the continuous improvement.

Conclusion

The results of numerous studies have found that Kaizen is rated as an effective strategy for improving performance and mechanisms for improving the organization and working environment. It has proven to be an effective tool for changing the work culture, working methods and work experience. From the innovation perspective, the Kaizen is conceived as the accumulation of small, mutually independent incremental process innovation accepted by workers, work teams and their leaders. The expected effects and ease of use of Kaizen influenced the willingness of companies to accept and use it in their operation. Kaizen has become almost a global activity distributed to many countries by the multinational companies and their employees. It has become popular not only in the manufacturing sector, but also in the service one. For business practice, which offers companies great opportunities for continual improvement and numerous benefits from the implementation of Kaizen, it is surprising that, in addition to the high percentage of the application of this simple method and technique and its prevalence of almost all continents, the results are not satisfactory or even equally important.

Research has revealed a number of challenges that companies face in the Kaizen feasibility in practice. The results of the survey, conducted in a large number of enterprises more or less on all continents, indicate a number factors that positively or negatively affect every phase of the Kaizen transfer beyond the Japan. The most common are the factors related to managerial commitment, organizational culture, employee initiatives, team management experience, awards and recognitions, employee training, as well as some specific ones. All of these factors indicate difficulties in this kind of effort implementation and maintenance over time in the cultural work environment of other

countries. The intensity and importance of these factors are different. Therefore, transfer of Kaizen is very problematic beyond the boundaries of Japan.

Regardless of the number and specificity of the factors affecting the success of Kaizen's transferability, it has been adopted a unified attitude that managerial commitment is the key to successful implementation of Kaizen. This factor has a direct and positive impact on the professional development of employees, benefits and profit for the company (Vento et al. 2016, 707). Therefore, it can be said that managers play a key role in the effective Kaizen implementation, especially in the planning phase. In order to achieve the results offered by Kaizen, training of employees must be adequately planned. The lack of appropriate training and professional development of employees negatively affects the continuous improvement in production processes. In addition, the importance of organizational culture and financial satisfaction, as well as an adequate reward system, should be added as no less important factors.

All around the world companies can apply the Kaizen methodology and achieve an outstanding competitive advantage and a high level of operational excellence. The basic prerequisite for Kaizen proper application is its reinterpretation, which means the adaptation to the local culture of the country to which it is transferred because of the incompatibility between the Japanese culture and the national culture of the host country. It can be concluded from this that there is no universal model for the Kaizen transfer.

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Vukašin Šušić¹
Dejan Ž. Đorđević²
University of Niš
Faculty of Economics

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MODERN TENDENCIES OF INTERNATIONAL TOURISM DEVELOPMENT

Abstract

Tourism is one of the most complex, most dynamic economic and socio spatial phenomena of the modern world, which has become a global phenomenon in a relatively short period of time (from the 1950s). This is best reflected in significant quantitative, qualitative, structural, spatial and other transformations both in the sphere of demand and in the sphere of supply. In the observed period, the volume of demand was constantly increasing, accompanied by the expansion of diverse motives and the needs of tourists for traveling, which led to the increasing heterogeneity and complexity of the emitting markets. At the same time, the supply market has been expanded so that almost every space on the earth has become available to modern tourists, even Antarctic.

Key words: international tourism, regional structure, turnover, revenues

JEL classification: F63, R11, Z32

САВРЕМЕНЕ ТЕНДЕНЦИЈЕ РАЗВОЈА МЕЂУНАРОДНОГ ТУРИЗМА

Апстракт

Туризам је једна од најсложенијих, најкомплекснијих, најдинамичнијих економских и социјалних појава савременог света који је у релативно кратком временском периоду (од 50-их година 20. века) постао глобални феномен. То се најбоље огледа у значајним квантитативним, квалитативним, структурним, просторним и другим трансформацијама, како у сфери тражње, тако и у сфери понуде. У посматраном периоду перманентно се увећавао обим тражње праћен ширењем спектра мотива и потреба туриста за путовањем, што је водило све већој хетерогености и сложености емитивних тржишта. Истовремено проширено је и тржиште понуде тако да је савременом туристи постао доступан готово сваки простор на земљи, па чак и Антарктик.

Кључне речи: међународни туризам, регионална структура, промет, приходи

¹ vukasingeo@gmail.com

² ekngео@gmail.com

Introduction

The role of tourism in the global economy is enormous, which can best be seen through tourism traffic and revenues generated from international tourism. According to the data for 2017, the number of foreign arrivals was 1.326 million, and the realized revenues amounted to 1.340 million US \$. The main characteristic of modern tourism trends is mass. According to the World Tourism Organization, half (53%) of all international arrivals are motivated by tourist reasons (vacation, recreation and other forms of leisure), business trips account for 14%, while all other trips account for 27% (visit to relatives and friends, religious reasons and pilgrimages, medical treatments, etc.). The reason for traveling for about 6% of international travelers is unknown (UNWTO Tourism Highlights, 2015 Edition.).

However, international tourism trends represent a smaller part of an overall tourism trend in the world. Namely, according to estimates of the World Tourism Organization, the turnover of domestic tourists (tourist movements within the national territory) ranges from 5-6 billion a year. Tourism is a very important economic activity by turnover and income. Under modern conditions, direct revenues from travel and tourism reach 3-1% of the world's GDP, and together with indirect and induced revenues they account for almost 10% of the world's GDP. Tourism revenues account for around 7% of the world's total exports and around 30% of world trade in services. Concerning export, tourism is placed behind the export of energy products and chemical products, and in front of food and car exports. In many developing countries, tourism is the leading export sector. About 280 million or 9.4% of the total number of employees in the world are employed in tourism (World Travel & Tourism Council, UNWTO org.).

Factors of international tourism development

The accelerated development of tourism since the 1950s has been influenced by numerous factors, among which are particularly emphasized: increasing living standards and free money, increasing leisure time and the number of travel motives, the process of urbanization that has increased the desire for a break, recovery, recreation, traffic development, especially automobile that contributed to the massiveness and mobility of tourists and air traffic, which enabled faster travel to the most distant destinations, the appearance of tour operators and organized trips enabled the most of the population to engage in tourist trips, relatively stable political situation in the world, the process of globalization, which increased the mobility of people, goods, services, investments, ideas and expanded the world tourism market, information and communication technologies that enhanced tourism business and interconnected societies, countries, institutions and individuals in new ways and suppressed the limiting effects of time and space (Marić, 1999; Wiliams 2008; Šušić, 2017).

In addition to the previously mentioned positive factors, there were also limiting factors that influenced the development of international tourism at the global, and more often at the regional level. The closure of Eastern European countries (former socialist countries), China and some other countries has negatively reflected on the growth rate and the direction of tourism trends in international tourism. The development of

international tourism, especially in regional contexts, was influenced by political factors and wars of a local character (e.g. the Middle East region). The global economic crisis, such as the oil crisis in the mid-70s and the beginning of the 1980s, when many countries hit the economic recession, as well as the economic crisis in 2008 and the terrorist attack in 2001, did not slow down the growth of the international tourist traffic.

At the end of the 20th and the beginning of the 21st century, in the sublevel post Fordism, there are significant changes that are visible in the economy, politics, information technology, etc. The tendency of changing the industrial concept of tourism development is becoming more and more present, because the industrial way of life and work is transformed, according to which the development has been shaped. The level of education of tourists is increasing, and accordingly, there is a need for a different tourist product which implies the existence of numerous contents that include outdoor activities and awareness of environmental problems. Tourists become more demanding, more choosy and look for new forms of supply and new destinations to meet their new needs. This situation requires organizers of the trip to form new and more diverse travel programs and to develop a complex tourism product through the synchronized activity of the participants according to the tourist policy and the population. This “new” tourism is characterized by flexibility, segmentation and authentic tourist experience (Pasinović, 2006, p. 9). The development of qualitatively new tourism enables us to satisfy, above all, the requirements of modern demand for authenticity, experience in the local environment, as well as the demand of tourists for respecting the host (Todorović, Štetić, 2009).

So, at the end of the 20th and the beginning of the 21st century, tourists leave stable tourism movements and try to solve their needs in a different way. The basic characteristics of this new tourism are: reduction of mass tourism trends, search for new tourist products, more divers and active vacations, active involvement in the creation of a tourist product, segmentation of demand for specific products, breaks for complete relaxation of the spirit and the body, direct communication with the potential consumer, greater ecological awareness of tourists etc. (Todorović, Štetić, 2009; Šušić, 2017)

Changes are reflected in restructuring and moving towards new destinations. The participation of Asia and the Pacific, as well as the countries of Eastern Europe is increasing more in the tourism industry. Changes occurred in the time duration of the trip. There are more frequent journeys replacing long journeys. In addition, there are more and more new products in the offer of tour operators and other tourism companies which are adapted to the more complex demands of consumers. Tour operators of developed countries of the world are becoming complex systems, made of tour operators specializing in meeting the needs of a particular group of consumers. In this way, the diversity and quality of services has increased, and a more humane dimension is provided as well as the closer communication facilities between the participants in the tourist demand and supply. In the tourist offer, the development of tourism should be directed so that differences in the cultural level of the domicile population and tourists are complemented, and in the service itself to permeate the authenticity with the richness of modern production. In other words, the authenticity of the environment with the professionalism of services should be combined (Dulčić, Petrić, 2001).

New tourists are more experienced, more flexible, independent, and more aware of the quality of the tourist product and are more likely to meet the complete tourist needs.

Quality and value for money are the main determinants of the tourism market. Modern tourists want to be different from the crowd (mass tourists) and look for an individualized tourist product. Individualization means optimizing the possibility of choosing the best solutions to meet your tourist needs. On the other hand, this implies that service providers in tourism (tourist agencies, hotels, etc.) must guarantee better quality, greater flexibility in attracting tourists and pay more attention to the psychophysical needs of a modern tourist (Weiermair, Steinhäuser, 2003).

In addition, the development of environmental awareness of the threat of the natural environment leads to a new nature of tourism and essential changes in relation to the environment. For this new tourism, which is significantly different from the so-called “Mass tourism”, there are other terms that are used such as “Soft tourism, Ecotourism, Sustainable Tourism, New Tourism, Responsible Tourism” and so on. (UNWTO, 2017)

Regardless of the previously mentioned factors, some of which are stimulating and the other restricting in the relation to the development of international tourism, it has been almost always an upward trend in the middle of the twentieth century. The exception is the aforementioned oil crisis, the economic crisis of 1997/98 in Southeast Asia and economic recession in 2008. The permanent growth of tourism is reflected in a growing number of countries that choose to do basic and additional business in tourism, to build the necessary infra and supra structures and to introduce various stimulating measures in tourism (Šušić, 2017).

The development of tourism, in addition to state economic policy and investments in tourism, has been influenced by multinational companies in the field of tourist mediation (tour operators, travel agencies) by hotel industry, and also by traffic (aircraft and cruise companies), which, thanks to the process of globalization, significantly penetrate and expand their business activity on once inaccessible national tourist markets (e.g. the market of China, Russia, etc.). The emergence of powerful companies in tourism has influenced not only qualitative-quantitative, but also spatial-geographical changes in tourism and tourism trends. (Čerović, 2002). This will affect the emergence of new, until then unknown, remote tourist destinations.

Trends in traffic and revenues in international tourism

The best indicators of the impressive development of international tourism are the increase in the number of tourists and tourism revenues in the period from 1950 to 2017. From 1950 to 2017, the number of arrivals in international tourism increased from 25.3 million to 1.340 million, i.e. over 50 times. Even more impressive is the increase in international tourism revenues, which increased 600 times, from 2.1 billion to 1.340 million US dollars (Table 1). Thus, with the exception of 1982, when the tourism turnover was down by 0.36%, and tourism revenues by 6.1%, as well as in 2009, when the number of tourists decreased by 3.8% and revenues by 9.45 % compared to the previous year, in the period from 1950 to 2017, there was a constant annual growth of international tourism.

It should be emphasized that tourism, in comparison with other segments of social and economic development, significantly overtook the effects of economic recession (Unković, Zečević, 2007). This statement is best confirmed by the oil crisis in the mid-1970s and the economic crisis in Southeast Asia in 1997/98, although slight growth of tourist traffic was

recorded. However, factors that are outside the field of economics can also negatively affect tourism traffic. Judging by the annual rate of growth in the number of tourists and income, international tourism was developing rapidly in the period from 1950 to 1970. In this period, tourism has a massive character, which is reflected in the high average annual growth rate (growth rate of 10% of tourists and tourist income of 11.3%). In this period, some countries, and especially the countries of Europe, have rapidly built the necessary tourist facilities and transport infrastructure, and with the appearance of tour operators and tourist arrangements, as well as appropriate propaganda contributed to the increase in the number of tourists (e.g. Spain, Italy, Greece, etc.) (Stankovic, 2000).

Table 1. Trends in tourist turnover and revenues in the World (1950-2017.)

Year	Number of arrivals in M.	Revenues in M. US \$
1950	25.3	2.1
1960	69.3	6.9
1970	159.7	17.4
1980	284.4	102.4
1990	434	255
2000	677	476
2010	948	931
2017	1326	1340

Source: UNWTO Tourism Highlights, 2000- 2018 Edition, Čerović, 2002

In the period 1970-1990, the tendency of the growth of international tourist traffic continued. However, the annual growth rate was lower than in the previous twenty-year period (1950-1970). This period was characterized by considerably faster increase of tourist consumption in relation to traffic of tourists. The higher growth rate of tourism revenues than the turnover of tourists was conditioned by the increase in the living standards of the population, especially in the underdeveloped countries of the world, as well as by the significant increase in the quality of catering services (Unković, Zečević, 2007). In this period, in addition to the new tourist destinations in the Mediterranean, in comparison with the most important emitting areas (Europe, North America, etc.), new distant destinations appear (countries of East and Southeast Asia, Mexico, island destinations in the Pacific, Indian and Atlantic oceans, etc.).

Table 2. Growth rates in international tourism (1950-2017)

Period	Annual growth rate in %	
	arrivals	revenues
1950-1960.	10.6	12.6
1960-1970.	9.1	10.1
1970-1980.	5.7	19.4
1980-1990.	4.8	9.7
1990-2000.	4.3	7.7
2000-2010.	3.4	5.5
2010-2017.	5.1	5.4

Source: UNWTO Tourism Highlights, 2000- 2018 Edition, Čerović, 2002.

Since 1990, further, but still slower growth in tourism arrivals and revenue in international tourism has continued. The processes of globalization, China's rapid economic

opening, political and economic changes in former socialist countries have affected the spatial redistribution of tourism and international tourism revenues (e.g. Poland, the Czech Republic, Hungary, etc.). Turkey had a significant impact on the development of tourism in the Eastern Mediterranean. In addition, there are changes in the time duration of the trip, and long tourist travels are replaced by shorter and more frequent trips. Due to the development of informational telecommunication technologies, in the offer of tour operators and other tourism companies, new products appear to satisfy the more complex requirements of consumers. In this period, the development of international tourism, besides economic factors, was influenced by non-economic factors. Drastic cases, which led to a decline in the annual growth rates of international tourism in some years, are related to the aforementioned terrorist attack on September 11, 2001, and the economic recession of 2008. However, in the period from 2000-2010, the annual growth rate of tourists' turnover was 3.4%, and revenues 5.5%. War clashes, the unstable political situation in some countries and terrorist attacks have a significant impact on tourism in some parts of the world. The Arab Spring in 2011 influenced the decline in tourism in North Africa by 9.1% (e.g. Tunisia), and in the Middle East (e.g. Egypt, Jordan, etc.) by 8%. In the period 2010-2017, the growth rate of tourists was 5.1 % and revenues in international tourism 5.4%.

Regional structure of international tourism

Based on the data given in Table 3, it can be concluded that the increase in the number of international travelers is evident in all regions of the world. Europe is still the dominant tourist region in the world, although its participation in the total number of foreign arrivals in the world is steadily decreasing.

In the international tourist traffic in 1970, Europe absorbed $\frac{3}{4}$ of all world movements of foreign tourists. From that period, its share in the total global turnover of foreign tourists has been steadily decreasing (from 60% in 1990 to 50% in 2017). At the same time, there was a spatial redistribution of international tourism trends in Europe in order to reduce participation in Western Europe's international tourist traffic from 24.9% in 1990 to 14.4% in 2017 and to increase the participation of Central and Eastern Europe with 7.8% to 10.0%. The participation of South Europe / the Mediterranean in the total international tourism turnover did not change significantly.

The most dynamic growth in international tourism since the 1970s has been in Asia and Australia. In the period 1970-1990, the share of this region in total international tourism increased from 3% in 1970 to 12.8% in 1990. The accelerated economic development of East Asian countries, especially China, led to a further increase in foreign arrivals and a percentage share in world tourist traffic of 24.5% in 2017. The number of tourists in Northeast and Southeast Asia during the period 1990 - 2017 increased by more than five times (the average for the world is about 3 times). At the same time, the share of America in the total international tourism turnover is steadily decreasing, in 1990 it was 21.3% and in 2017 it was 16.2%. The largest decline in participation in international tourism in the observed period was recorded by North America (USA, Canada and Mexico) from 16.4% to 10.3%. In the same period, the participation of South America, Central America and Caribbean in international tourist traffic did not change significantly.

Table 3. Traffic of tourists by tourist regions

Region	1990		2000		2010		2017	
	M.	%	M.	%	M.	%	M.	%
Europe	261.5	60.1	385.6	57.1	489.4	51.5	671.7	50.1
N Europe	28.6	6.6	43.7	6.5	62.8	6.6	77.8	5.6
W Europe	108.6	24.9	139.7	20.7	154.4	16.3	192.7	14.4
C and E Europe	33.9	7.8	69.3	10.2	98.9	10.4	133.7	10.0
S Europe / Mediterranean	90.3	20.7	133.0	19.7	173.3	18.2	267.4	20.1
Asia and the Pacific	55.8	12.8	110.1	16.3	205.5	21.6	279.2	24.3
SI Asia	26.4	6.1	58.3	8.6	111.5	11.9	142.1	12.0
SE Asia	21.2	4.9	36.1	5.3	70.5	7.4	104.6	7.7
Oceania	5.2	1.2	9.6	1.4	11.4	1.2	14.2	1.2
S Asia	3.1	0.7	6.1	0.9	12.1	1.3	18.3	2.0
America	92.8	21.3	128.2	19.0	150.2	15.8	192.6	16.2
N America	71.7	16.4	91.5	13.6	99.5	10.5	127.6	10.3
Caribbean	11.4	2.6	17.1	2.5	19.5	2.0	23.9	2.0
C America	1.9	0.4	4.3	0.6	7.9	0.7	10.3	1.0
S America	7.7	1.8	15.3	2.3	23.2	2.4	30.8	2.9
Africa	14.8	3.4	26.2	3.8	50.4	5.3	53.5	5.1
S. Africa	8.4	1.9	10.2	1.5	19.7	2.1	18.0	1.8
Subsahar. Africa	6.4	1.5	16.0	2.3	30.7	3.2	35.4	3.3
Near East	9.6	2.2	24.1	3.4	54.7	5.7	53.3	4.3
THE WORLD	435	100	674	100	950	100	1326	100

Source: UNWTO Tourism Highlights, 2000- 2018 Edition

The African continent participated in international tourist traffic in 2017 with 5.1%, which is less than in 2010, when the share was 5.3%. The decline in tourism, especially in North Africa, is a result of reduced security of tourists due to threats from terrorist attacks. (e.g. terrorist attack on hotels in Tunisia in June 2015). By the year 2010, the region of the Middle East had had a permanent increase in participation in international tourism (from 2.2% in 1990 to 5.7% in 2010). Due to the aforementioned “Arab spring”, terrorist attacks in 2015, as well as the war in Syria, participation in international tourism has been reduced to 4.3%.

The emitting and receptive countries of the World

The division of countries into emitting and receptive regions of the world is conditional, although the countries of the first category are highly developed and the main generators of demand and the middle-developed and undeveloped countries are the main generators of the offer (Čomić, Singer, 1997). But this is not always the case, because some emitting countries are at the same time regions with significant tourist offer (France, Great Britain, Germany, USA, Switzerland, etc.). Many undeveloped

countries that have favorable conditions for the development of international tourism are geographically very distant from the most important emitting areas and directions. This distance has a relatively large impact on the development of tourism, which is primarily intended for clients with higher payment possibilities (numerous exotic islands in the Pacific, Atlantic and Indian Ocean).

According to consumption in 2000, the most important emitting areas are related to the economically most powerful and most developed countries in the world. The first ten countries generated around 55% of the total consumption in international tourism in the year. The most important emitting countries were the USA, Germany, Great Britain, Japan and France and others.

Table 4. The most important emitting countries of the world in terms of consumption in international tourism in 2000 and 2016

2000				2016			
Number	Country	In M.	% in the World	Number	Country	In M.	% in the World
1	USA	64.5	13.7	1	China	261.1	19.5
2	Germany	47.6	10.0	2	USA	123.6	9.2
3	G. Britain	36.6	7.7	3	Germany	79.8	5.9
4	Japan	31.5	6.6	4	G. Britain	63.6	4.7
5	France	17.2	3.6	5	France	45.5	3.4
6.	Italy	15.5	3.2	6.	Canada	29.1	2.2
7	China	13.1	2.9	7	J. Korea	26.6	2.1
8	Hong Kong	12.5	2.7	8	Italy	25.0	1.9
9	Netherlands	12.2	2.6	9	Australia	24.9	1.9
10	Canada	12.1	2.5	10	Hong Kong	24.2	1.8

Source: UNWTO Tourism Highlights, 2000- 2017 Edition

In the period 2010-2016 there were significant changes in the order of the list of the most important emitting countries. Since 2003, China has a two-digit annual growth rate of consumption, which has contributed to becoming the world's leading emitting state. In 2016, this country accounted for nearly 20% of consumption in international tourism. South Korea and Australia emerged as new large emitting areas. Residents of the ten most important emitting countries spent \$ 703 billion in 2016, accounting for 53% of total international tourism spending. Besides these already mentioned countries, Spain, Sweden, the Netherlands, Taiwan and others are among the most important emitting countries.

Table 5. Leading receptive states of the world according to tourist traffic

2000				2016			
Number	Country	In M.	% in the World	Number	Country	In M.	% in the World
1	France	75.5	10.8	1	France	82.6	7.2
2	USA	50.9	7.3	2	USA	75.6	6.5
3	Spain	48.2	6.9	3	Spain	75.6	5.8

4	Italy	41.2	5.9	4	China	59.3	4.8
5	China	31.2	4.5	5	Italy	52.4	4.3
6.	G. Britain	25.2	3.6	6.	G. Britain	35.8	3.3
7	Russia	21.2	3.0	7	Germany	35.6	3.0
8	Mexico	20.6	3.0	8	Mexico	35.0	2.9
9	Canada	20.4	2.9	9	Thailand	32.6	2.7
10	Germany	19.0	2.7	10	Turkey	-	-

Source: UNWTO Tourism Highlights, 2001- 2017 Edition

In order to determine the most important tourist destinations of international tourism, the number of international arrivals and revenues in international tourism is taken as a key indicator. From the tables, it is noted that the most commonly developed countries of the world are at the same time the most important tourist destinations. Tourist business of these countries is influenced by numerous business trips, urban and cultural tourism. China joined this circle of receptive countries (opening up to the world and accelerated industrial development) in the 1990s, and Russia, in 2002, thanks to significant investments in the necessary touristic supra structure, and Turkey.

The US, China, Spain, France, G. Britain and others have the greatest revenue. The United States, with a convincing first place in terms of revenues from international tourism, accounted for 205 billion US \$ and participation in international tourism revenues of 15.4%, while the other is Spain with revenues of 4.5%. It should be noted that China with Hong Kong and Macao has revenues from international tourism of over 100 billion US \$.

Table 6. Most important receptive states according to tourism revenues

2000				2016			
Number	Country	billion \$ US	% in the World	Number	Country	billion \$ US	% in the World
1	USA	85.2	17.9	1	USA	205.9	15.4
2	Spain	31.0	6.5	2	Spain	60.3	4.5
3	France	29.9	6.3	3	Thailand	44.9	3.4
4	Italy	27.4	5.8	4	China	44.4	3.3
5	G. Britain	19.5	4.1	5	France	42.5	3.2
6.	Germany	17.8	3.7	6.	Italy	40.2	3.0
7	China	16.2	3.4	7	G. Britain	39.6	2.9
8	Austria	11.4	2.4	8	Germany	37.4	2.8
9	Canada	10.8	2.3	9	Hong Kong	32.9	2.5
10	Greece	10.8	1.9	10	Australia	32.4	2.5

Source: UNWTO Tourism Highlights, 2001- 2015 Edition

As a rule, tourist destinations that are closer to more important emitting areas have higher tourist traffic. The best examples are the countries of the Mediterranean located near the large emitting regions of Western, Central and Northern Europe. It is similar to Mexico and many Caribbean states located near one of the largest emitting areas such as the United States. With the collapse of the socialist bloc and the opening of China since the 1990s, all important tourist flows have been directed towards these countries. At the same time, with

the rise of the living standards of the countries of these regions, they become an emission area, whose population is increasingly traveling towards affirmed tourist destinations in Europe, the Middle East and North Africa, and the Caribbean islands.

Conclusion

The question of the future development of tourism in the world is justifiably asked. Some projections are based on the assumption that the future development will follow the trends of the previous period of tourism development in which mass tourism had the dominant role. Other hypotheses are based on changing the way of life in post-industrial society, the increasing use of information and communication technology, the emergence of new tourist needs, non-standardized tourist services and new forms of tourism that will be created by tourists themselves.

Trends foreseen by the World Tourism Organization take into account factors that limit or encourage tourism development. It identifies external and internal factors that influence the development of tourism. External factors include: economic and financial development, demographic and social changes, communication and information technologies, travel and stay safety in the destination, political factors, environmental pollution, natural disasters, climate change, other extreme changes in nature, etc. Internal factors include: changes in tourist demand, changes in tourist offer, changes in distribution channels, changes in tourism products and services, etc. (Gee, Fayos-Sola, 1997).

According to experts of the World Tourism Organization, further growth of tourism traffic in all spatial units in the World is foreseen. The turnover of tourists in international tourism in 2030 will amount to 1.809 million (UNWTO, 2011). In the future, there will be a change in the spatial distribution of tourism in the world. The dynamics of the growth of international tourism in Europe and America will be slower than in other major tourist regions of the world, such as East Asia, the Pacific, Africa, and so on.

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Mirjana Knežević¹
Zlata Đurić²
University of Kragujevac
Faculty of Economics

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SOME ASPECTS OF INSURANCE DEVELOPMENT IN SERBIA³

Abstract

The main purpose of incorporating insurance into the law and economy of a country is to ensure that adverse circumstances should not affect the quality of functioning. Consequently, the question is: Why is this concept not attractive for people living in underdeveloped and developing countries, where any financial compensation for the loss is almost necessary? We looked for the answer by means of two questionnaires: one examining satisfaction of voluntary insurance policy holders, and the other using respondents who have never used any form of voluntary insurance. The insights allowed us to make recommendations pertaining to what insurance companies should do to strengthen and improve their position.

Key words: insurance companies, questionnaire, insurance market

JEL Classification: K20, C1

НЕКИ АСПЕКТИ РАЗВОЈА ОСИГУРАЊА У СРБИЈИ

Апстракт

Основна сврха конституисања осигурања у правно-економски амбијент неке земље јесте пружање сигурности да реализација неких неповољних околности неће нарушити квалитет функционисања. Самим тим, неизбежно се намеће питање: Зашто овај концепт није довољно примамљив становништву, посебно у неразвијеним и земљама у развоју, где је свака монетарна компензација губитака скоро неопходна? Одговор на ово питање потражен је кроз две анкете: једна анкета испитује задовољство корисника добровољних видова осигурања док је другом анкетом обухваћена популација која није користила ни један облик добровољног осигурања. На основу стечених перцепција дате су препоруке о неопходним акцијама осигуравајућих друштава у циљу њиховог јачег и доминантнијег позиционирања.

Кључне речи: осигуравајућа друштва, анкета, тржиште осигурања

¹ mknezevic@kg.ac.rs

² zdjuric@kg.ac.rs

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Introduction

Insurance market in underdeveloped and developing countries has significant potential for those insurers who realize that the vision of insurance is returning to its roots. As the number of risks is on the rise, as well as that of the poor, the question is: Why is this concept not more attractive, especially in underdeveloped and developing countries, where any financial compensation for the loss is almost necessary for the population? Are the insurers responsible for the current gap between them and the users? Is the problem on the side of the supply or that of the demand?

To increase their profit, the insurers have developed and directed their products to financially strong clients, whose insurance coverage can bring large income. However, as the competition in this field has become very strong, the insurers are now turning to the huge segment of world population struggling with existential problems. The insurers' efforts to create a global offer obviously lack success. All they can do to reach the beneficiaries is to stop focusing on profit and start focusing on the needs of the target market.

To detect the problems pertaining to the development of the insurance market in the Republic of Serbia, this paper is divided into four parts. The first part analyzes the effects of insurance on economic development. To identify the reason for decelerated interaction between insurers and beneficiaries, we asked holders of voluntary insurance policy for opinion on insurers' services. The results of the survey are presented in the second part of the paper. In the third part, we conducted a survey among the respondents of different age and education, who have not used voluntary insurance, to determine whether the problem lies on the side of the supply or that of the demand. The fourth part of the paper contains a comparative analysis of the answers obtained in these surveys with those obtained in the developed and underdeveloped EU countries. In the conclusion, we present suggestions for the insurers based on global and local perceptions of their policy holders.

Economic importance of insurance

The importance of the insurance sector for economic development was recognized at the founding session of the United Nations Conference on Trade and Development in 1964 (UNCTAD, 1964), where Annex A.IV.23 emphasizes that 'a sound national insurance and reinsurance market is an essential characteristic of economic growth', which is why developed countries should give their full co-operation to the developing countries to strengthen their insurance and reinsurance markets. (UNCTAD, 1964, p. 55).

François Outreville gives an overview of 85 empirical studies (Outreville, 2013), examining the influence of economic development on the demand for insurance products, as well as the impact of insurance sector development rate on the growth of national economy.

Contrary to the influence of the activities of banking and stock exchange market, specificities of insurance play a key role for economic growth as they: stimulate financial stability of companies, promote entrepreneurship, encourage investment and innovation, mobilize domestic savings and accumulation of new capital and encourage production

and consumption потрошње (Chen, 2012; Ghosh, 2013; Garcia, 2012; Chang, 2014; Pradhan, 2017). This makes the growth of insurance in developing countries all the more important, especially as these countries comprise more than 80% of world population (Outreville, 2013) while their share in global economy steadily increases.

The European Insurance and Reinsurance Federation (CEA) points out that in the world characterized by social and economic changes, insurance provides efficient help to the state through non-mandatory pension programs, as well as health and social security programs. In the guidelines, the Federation claims that the insurance sector guarantees stable income level, limits the influence of demographic changes on the state budget, while compensations and rehabilitations of workers from other countries contribute to high quality social protection. (CEA, 2006)

The analysis of satisfaction of voluntary insurance policy holders

Historically speaking, the development of insurance, together with economic and technological growth has lead to social protection of the population capable of work. Various forms of security for the workers and their family members in the case of illness or reduced productivity due to injuries have reduced the need to buy additional insurance coverages. Insurance companies turned to commercial clients and offered their services to corporations facing numerous risks (Miladinović, 2017). As the competition in this field grew more intense, many insurers now turn to uninsured population to make room for further growth and increase their profit (Počuča & Krstinić, 2013).

The insurers' most powerful ally to achieve this goal is an offer that suits the needs of potential policy holders. To detect the drawbacks and identify the room for market position improvement, it is necessary to analyze the existing offers of insurance companies. Recognizing how important insurance development is for the economic stability of the Republic of Serbia during EU integrations, the answer to these questions was firstly elicited from the holders of some form of voluntary insurance policy.

The questionnaire was distributed to residents of several central Serbia towns in 2017. The questions focused on various interaction factors, pertaining to the respondents' awareness of offers, availability of necessary information, satisfaction level, willingness to renew the contract or recommend their choice to friends and colleagues. We also looked for reasons for dissatisfaction in terms of services that, according to beneficiaries' needs and experiences, need improvement.

The responses were analyzed according to respondents' age, gender, education, employment status, as well as according to whether they bought the insurance policy from a domestic or a predominantly foreign insurer. Out of 1615 respondents, 56.97% were male, 43.03% were female, and they were divided into three age groups: under 30 (24.46%), between 30 and 50 (46.13%) and above 50 (29.14%). When it comes to employment status, 30.03% were unemployed. Among the employed, 27.24% work for state-owned companies, 32.51% work for privately-owned companies, while 10.22% work in their own companies. The majority of respondents had secondary education (53.87%), 26.32% had high education, while the smallest portion had higher education (19.81%). Although domestic market is dominated by foreign insurance companies, the number of policy holders who bought their insurance from a national insurer (40.25%)

was almost equal to that of beneficiaries who acquired their policy from a foreign-owned insurance company (50.46%).

On the whole, the policy holders are satisfied with the products they bought. The money they put towards security matches their expectations, so that 34.67% consider it useful, 32.82% consider it reliable, while very few respondents think that the coverage of loss was of low quality (3%).

They show their satisfaction by staying loyal to the chosen insurer, since more than a third of the respondents (36.84%) have remained with the same insurer for more than three years. Speaking of insurance density level in our country, it is encouraging that for 18% of the respondents this was the first voluntary insurance coverage. The policy holders will share their positive experience with their colleagues and friends very likely (52.94%), or certainly (32.20%), so that 75.23% are willing to renew the contract with the same insurer.

Encouraging results were also obtained when satisfaction of new policy holders – the first-time users of voluntary insurance – was examined. The purchased product is considered to be extremely useful and reliable by 68.96% respondents, so that 64.7% of them would renew the contract on voluntary insurance with the same insurance company, while 62% would probably recommend their insurer to their friends.

According to the Statistic Calendar of the Statistical Office of the Republic of Serbia (SORS), only 16.24% of the population has higher or high education. (Statistical Office of the Republic of Serbia, 2018).

For this reason, it is interesting to examine the perception of obtained service of those with lower education, as they are the largest target group for the insurers. Our survey included 53.87% respondents with secondary education. 40.80% of them have remained with the same insurance company, while a small percentage, around 9%, consider their insurance to be overpriced and poor quality. Majority of these respondents will maintain the cooperation with the chosen insurer (67.82%), while 77.85% will recommend the services to their colleagues and friends.

When it comes to buying power, or employment status, the respondents were categorized as: unemployed, employed at the state-owned company, employed at the privately-owned company and employed in their own company. Although users of voluntary insurance are undoubtedly well aware of the importance of and the need for insurance protection, this awareness is most prominent in subjects employed in their own company. 48.48% of the respondents in this group consider the purchased product useful, 24.24% consider it reliable, while 63.64% will remain loyal to the chosen insurance company.

The study has also shown that low standard of living is not the main reason for the weak position of the insurers. Quite contrary, as much as 30.03% of the unemployed respondents have been clients of the same insurer for years, while 69.07% will very probably renew their contract with the chosen insurer.

Domestic insurance companies inspire trust and loyalty in their clients, as 81.25% of their clients intend to maintain the cooperation with them, in comparison to 69.33% respondents who claim they will remain with foreign insurers. Domestic insurance companies also lead when it comes to customer satisfaction, as 69.38% of the policy holders consider the purchased insurance reliable and useful, in comparison to 65.6% of foreign insurers' policy holders.

Agents and staff of insurance companies are the main source of information about the characteristics of the insurance protection for 52.10% of the respondents, and only 19.20% of our subjects get their information from the insurers' web page.

The choice of the insurance company (the offered answers were: randomly, on a friend's recommendation, because of the best terms, because of the best price, and because of the advertisement) is predominantly based on a recommendation of a friend (40.43%). Almost half of these respondents (50.38%) have secondary education, 46.56% of them are between 30 and 50, and they mostly work in privately-owned companies.

Awareness that some form of voluntary insurance coverage is necessary guides 26.29% of the respondents to choose the insurance with best insurance protection terms. The best price is decisive only for 8% of the respondents, majority of which are unemployed, predominantly male (50.57%) with secondary education. The smallest number of respondents relies on insurers' advertisements (4.64%), and they are predominantly employed in state-owned companies, aged between 30 and 50 and they purchase their insurance coverage from a domestic insurer.

Policy holders mostly purchase different forms of voluntary insurance from the same insurer, because they find it much easier and faster (43.03%). Only 22% of the respondents claimed that high satisfaction with the chosen insurer motivated them to extend and renew their insurance coverage. 57.75% of domestic insurers' clients are satisfied. In terms of education, the percentage of satisfied policy holders with secondary education is similar, more than half of which are male (50.7%).

Despite these findings, the survey has also detected the reasons for dissatisfaction, or the segments that insurers should improve (Figure 1). To strengthen the cooperation with their clients, the insurers should make their offer more transparent (18.89%). Transparency of price is important for 17.03% of the respondents. 15.48% of the policy holders feel that damage compensation program should be improved, while a large number of them expect loyalty rewards (39.63%). The clients of domestic insurance companies feel that their insurers lack loyalty program, transparency of offer, a better damage compensation program, price transparency and easy access. The order of aspects that foreign insurers should polish is slightly different. Their clients feel that there is most room for improvement when it comes to loyalty program, followed by price transparency, better damage compensation program, transparency of offer, and finally ease of access.

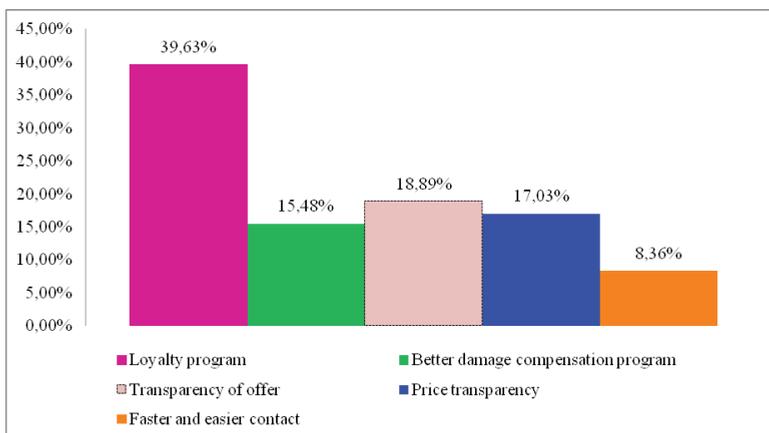


Figure 1: Which aspects should your insurer improve?.

Source: Authors' research, 2018.

Criticism leveled at loyalty program was predominantly made by male beneficiaries (57.03%) aged between 30 and 50 (46.09%) with secondary education (52.34%), more than a third of whom works for private companies (34.38%).

The primary motive, especially in underdeveloped countries, for purchasing some form of voluntary insurance coverage is to obtain financial compensation for a suffered loss. Consequently, the quality of damage compensation program is the aspect that beneficiaries are most interested in. This is what 15.48% of the respondents identified as the aspect which insurers should improve. Most of these respondents were male (76%), aged between 30 and 50. Damage compensation is, understandably, most important for the unemployed (38%). In terms of education, 52% of the respondents had secondary education. When it comes to the choice of the insurer, most of them where insured at foreign-owned insurance companies (54%).

Insurers should also correct their customer retention policy. The respondents claim that insurers mostly offer extended coverage (44.89%), but as many as 29.41% of the respondents informed us that the insurer showed no initiative to maintain the cooperation with them (Figure 2). Foreign-owned insurers showed more motivation to keep the existing policy holders.

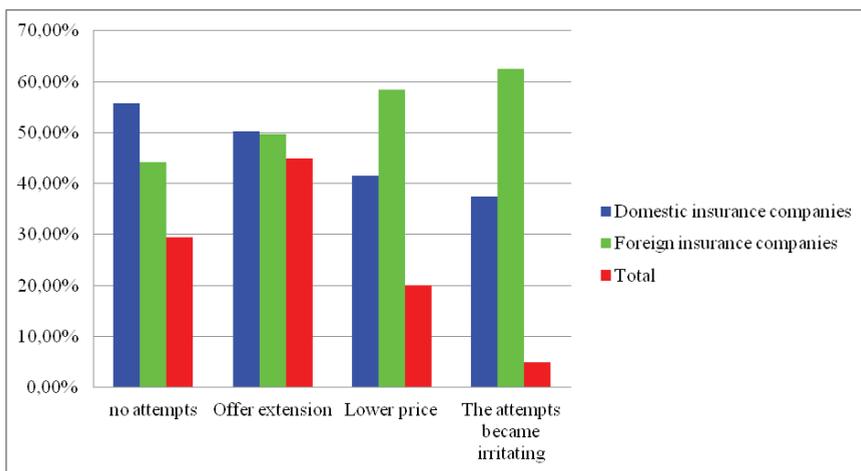


Figure 2: In which way and how hard did the insurer try to convince you to remain their client?.

Source: Authors' research, 2018.

People employed in their own companies, who are more motivated to get insurance than those working for state-owned or private companies, claim that domestic insurers frequently ignore them as clients which should be retained. First-time users of voluntary insurance also claim that foreign insurers were more interested in keeping them as clients (by extending the offer or lowering the price). This piece of information is certainly important for domestic insurance companies, as most policy holders base the choice of the insurer on the recommendation of their friends and colleagues.

The reasons why insurance is not more popular in the Republic of Serbia can also be identified on the side of the demand for some form of voluntary insurance coverage. When asked if they would like an extension of their insurance protection, through packages comprising several kinds of insurance, 48.30% policy holders replied that they did not need more protection. Large number of policy holders (32.82) lacks information regarding possible extensions, while 18.89% find that the packages on offer do not suit their needs. This certainly gives insurers a chance to enhance their offer to fit the clients' needs.

Low awareness of advantages of insurance protection can be observed at all education levels since all the categories (secondary, higher and high education) predominantly feel they do not need higher protection against risks.

Development perspectives and future policy holders

Economic uncertainty, together with intense competition and market risks, drives insurers to a constant, frequently unfair fight for new clients. The same economic uncertainty makes it difficult for the people facing existential problems to see the need for and advantages of insurance protection. Insurers' perceptions of clients' behavior should be reexamined, since only those who understand the attitudes and dilemmas of potential clients can manage to gain their trust.

The questionnaire pertaining to attitudes and inhibitions regarding voluntary insurance was distributed in several towns. The authors obtained responses from 990 subjects, who were as follows: 37.69% male, 62.31% female; 49.24% under 30, 35.56% between 30 and 50, 15.20% above 50. According to employment status, most of them were unemployed (53.80%), out of which 58.19% have secondary education, 11.86% have higher and 29.94% have high education.

The majority of unemployed respondents is under 30 (68.35%), and 15.82% of them have higher education, while 16.38% of them have high education.

The structure of the working respondents is as follows: 28.21% work for private companies, 14.89% work in state institutions, while 2.74% work in their own companies. When it comes to private companies, 61.29% of the respondents have secondary education, while 19.35% have higher or high education. 33.33% of the respondents are under 30, 54.84% are between 30 and 50, while 11.83% are over 50. Out of those working for state institutions, 38.78% have secondary education, 65% have higher, while 28.57% have high education. In terms of age, 63.26% of the respondents were between 30 and 50, while 18.38% of them have secondary or high education.

The responses to the question whether they plan to purchase some form of voluntary insurance are presented in Figure 3. The smallest portion of the respondents (13.37%) thinks that they do not need such coverage against unwanted risks. Low awareness of insurance advantages prevails among women (52.27%), people under 30 (45.45%), the unemployed (53.33%) with secondary education (71.64%).

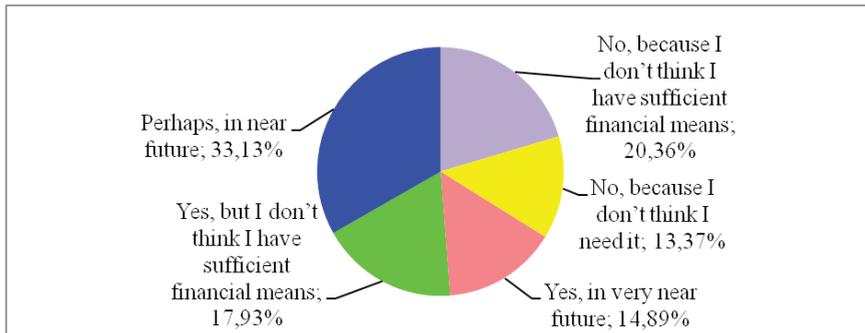


Figure 3: Do you plan to purchase some form of voluntary insurance?.

Source: Authors' research, 2018.

When asked about purchasing insurance, the respondents replied that they: a) would make the purchase if somebody informed them about the offers and prices – 42.68%; b) would make the purchase in case of adverse incident – 40.73%; c) would purchase voluntary insurance together with mandatory – 16.59%.

When it comes to insurance offers and conditions, 24.32% of the respondents have no, while 70.52% have little information about it. 5.17% of the respondents claim to be fully informed: 17.68% of them obtained all the information on the Internet, 58.82% obtained it from an agent, while 23.53% got it from a friend. Potential policy holders most frequently obtain information about insurance coverage from a friend (33.13%), while the smallest segment of them (only 19.45%) gets it from insurance agents.

The respondents tend to purchase their insurance at the insurance company's office (64.44%), or from an insurance agent (32.52%). They mistrust online purchase, and only 3.04% would buy insurance coverage over the Internet. In addition, personal contact plays an important part in this, primarily because they need additional information (52.89%), expert advice when making financial decisions (30.40%), while 15.81% have problems with the paperwork.

The uninsured population mostly feels the need for life insurance (47.42%), followed by voluntary health insurance (21.28%), while 29.18% would purchase some form of property insurance. When purchasing insurance, they feel that quality (67.17%) is more important than the price (31.91%).

These results suggest that people are aware of the importance of insurance coverage, but their low living standard prevents them from purchasing some form of voluntary insurance. Beyond doubt, many respondents would realize that they are financially capable of paying insurance coverage if insurers took some effort to inform them about it.

Comparative analysis of satisfaction of domestic and EU beneficiaries

Insurance industry is going through revolutionary changes in terms of regulations, through implementation of stronger and more cautious solvency supervision by

implementing Directive Solvency 2 (Tošić, 2017). The regulators focus the supervision on insurer's ability to meet numerous business risks. As interaction with beneficiaries is most important for insurance companies, this segment should be permanently analyzed and corrected. Listening to purchasers' opinions and dilemmas provides valuable information and becomes integral part of competitive strategy. The insurance sector has numerous specificities. Therefore, deeper understanding of consumers' basic motives, where awareness of insurance protection advantages is low, will help managers design a more attractive offer and increase their market share.

Ernst & Young company conducted in 2011 a global research on insurance purchasers, starting from the fact that 'previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now are most likely to succeed' (Ernst & Young, 2012). Their survey covered 23 countries in seven world regions, encompassing 8532 policy holders in eight European countries: France, Germany, Italy, Holland, Poland, Spain, Turkey and Great Britain. Although the selected countries vary in terms of economic and demographic characteristics, it detected high consistency of purchasers' motives and preferences (Ernst & Young, 2012). The findings of this survey were compared with the opinions of Serbian policy holders in order to analyze the present state and future perspectives of insurance companies doing business in the market of the Republic of Serbia.

The European respondents show high satisfaction with insurers' service (from 66% to 70%), yet it is lower than the satisfaction of domestic policy holders, out of which only 5.57% claimed that the purchased product was overpriced and of poor quality (Herman, 2012).

Although our insurance market is underdeveloped and our sample smaller (1615 in comparison to 8532 in Europe), the criticism is very similar. Both domestic and international insurance policy holders complain about the lack of loyalty programs, ask for better availability, more transparent offer and easier access to the Internet information. While 5.17% of domestic respondents claim to be fully informed about the insurance offers, 27% of European policy holders obtain detailed information before the purchase. When purchasing life insurance, they obtain their information from family and friends, Internet sources and compare offers from insurers' web pages. Holders of other insurance policies rely much more on the information from the Internet, although they make the online purchase far less frequently. Personal contact is most important for approximately 50% of the EU respondents, as they need additional information and expert advice when making important financial decisions. However, life insurance policy buyers do not want to purchase several products from the same insurer. What motivates them to remain with the same insurer is the price reduction (20%), while 16% want insurance coverage extension at the same price.

The opinions of non-life insurance policy holders diverge from these findings, as they feel that, apart from the price (which plays the key role when purchasing) the brand is also important, so that 31% of them would pay a higher price for a financially stable brand. Almost half of these respondents (49%) want to purchase several products from the same insurer, for reasons of simplicity and trust. However, a high percentage of buyers (82%) have changed the insurance company because the agents took no trouble to retain them as customers.

The foregoing indicates that, regardless of the sample size, findings pertaining to customer satisfaction and insurers' performance are almost identical in the domestic and EU market. The differences pertain to less intense Internet activity of the Serbian people, since only 19.20% of domestic respondents obtain information about insurance offer online, as opposed to 35% EU insurance policy holders. (Njegomir, Tepavac & Počuča, 2013).

In addition, many foreign respondents made the choice of the type of insurance and the insurance company after comparing information from web pages, contrary to domestic insurance policy holders.

Conclusion

Customer satisfaction of domestic and EU insurance policy holders is extremely high, which speaks well of the insurers, at the same time indicating directions for business policy corrections. Underdevelopment of the insurance market in the Republic of Serbia suggest that insurance companies must make revolutionary changes, including technological modernization, creation of products attractive to the growing middle class and development of new sales channels and methods. They should also make use of simplified marketing activities to demystify their products in terms of price, importance and content of insurance coverage.

The results of the survey suggest that more efficient sales channels should be found to persuade the people that their ability to purchase protection against numerous risks is high, especially when compared to the potential damage. Since we have detected the customers' habit to base their choice of the insurer on opinions of friends and relatives, insurers should continuously monitor and improve satisfaction of current and future insurance policy holders, primarily by loyalty programs, which are plenty in other market segments.

Insurance companies' management must stimulate agents to turn more attention to the huge number of uninsured people, because if they find the right way to gain their trust and make them aware of the quality of insurance product, financial compensation may be even larger than that from commercial insurance policy holders.

This multidirectional activity must be supported by regulations, based on customer protection and education, accompanied by popularization of some basic voluntary pension, health and life insurance. The state should also intervene to create conditions for the development of potent insurance industry by investing in modernized systems for data collection and processing, needed for the expertise and identification of most profitable development and investment activities. To implement this, it is necessary to improve the system of education which can provide better quality information about this market and educate the needed staff.

High sales potential is an adequate encouragement for the insurers to set off on this long and hard journey, which will, accompanied by state intervention, bring benefit for all stakeholders, especially general population.

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Zaklina Spalevic¹
Sinergija University
Faculty of Law

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Milos Ilic²
University of Pristina
Faculty of Technical Science

Goran Filipic³
Sinergija University
Faculty of Law

LEGAL AND ECONOMICAL ASPECTS OF INTELLECTUAL PROPERTY IN CYBER SPACE

Abstract

The use of information communication technologies as well as massive use of digital tools has influenced the daily activities of people. One of the most obvious indicators of rapid technological development is certainly the amount of information available in digital form. As a result of the use of digital tools and the Internet, a cyber space was created, which is the largest source of information. A variety of digital content is available to users of cyber space. In addition to content that is publicly available and can be used without any restrictions at the same time, a large percentage of digital information is protected by intellectual property rights and copyright and related rights. Beside aforementioned mechanisms for the protection of digital content, there is an evident increase in the number of copyright abuses. Abuse of copyright works causes huge economic damage to the authors of works as well as organizations. The aim of this paper is to analyze the current state of implementation of intellectual property protection mechanisms in the cyber space with a special emphasis on the application of these mechanisms in the Republic of Serbia. Mechanisms for the protection of intellectual property are examined through the domain of application of information communication technologies, legal aspects and registered abuses. At the same time, registered abuses were analyzed from the economic point of view both from the angle of the author of the work and from the perspective of the person who misused the subject work.

Key words: *Cyber space, open source, copyright, abuses.*

JEL classification: *K10, K11*

¹ zspalevic@sinergija.edu.ba

² milos.ilic@pr.ac.rs

³ gfilipic@sinergija.edu.ba

ПРАВНИ И ЕКОНОМСКИ АСПЕКТИ ИНТЕЛЕКТУАЛНЕ СВОЈИНЕ У ЦУБЕР ПРОСТОРУ

Апстракт

Употреба информационо комуникационих технологија као и масовна примена дигиталних алата утицали су на свакодневне активности људи. Један од најевидентнијих показатеља брзог технолошког развоја свакако је количина информација доступних у дигиталном облику. Као последица употребе дигиталних алата и Интернета настао је цубер простор који представља највећи извор информација. Најразличитији дигитални садржаји доступни су корисницима цубер простора. Поред садржаја који су јавно доступни и могу се користити без икаквих ограничења у исто време велики проценат дигиталних информација је заштићен правом интелектуалне својине и ауторским и сродним правима. Поред примене поменутих механизма заштите дигиталних садржаја евидентан је повећан број злоупотреба ауторских дела. Злоупотреба ауторских дела наноси велике економске штете ауторима дела као и организацијама. Циљ овог рада је анализа тренутног стања примене механизма заштите интелектуалне својине у цубер простору са посебним освртом на примену ових механизма у Републици Србији. Механизми заштите интелектуале својине сагледани су кроз домен примене информационо комуникационих технологија, правних аспеката и регистрованих злоупотреба. У исто време регистровне злоупотребе анализиране су са економског аспекта како из угла аутора дела тако и из угла лица које је злоупотребило предметно дело.

Кључне речи: Сајбер простор, лиценце отвореног кода, цопуригхт, злоупотребе..

Introduction

Intellectual property can be regarded as having property of goods that have intangible character. In regard with this, the goods that belong to the intellectual property must be intellectual products of the person they belong to. At the same time, intellectual property can also represent the product of the creativity and innovation of the person to whom it belongs. Observed from the origin, intellectual property encourages the creative side of man, and at the same time affects the shift of the boundaries of science and technology. In addition to the scientific and technical goods that are the product of intellectual creativity, intellectual goods also form a product of a creative human side and, by their very nature, influence the increase and enrichment of the world with literary and artistic works. If intellectual property is viewed from the domain of the author of the work or its creator, it can be said that it represents the specific rights of the author, inventor or holder of intellectual property rights. The key fact that is important to emphasize is that intellectual property is not a material property, but a set of rights and powers granted to the author or creator of the work. This practically means that the rights and powers are provided to the author and the creator of the intellectual good. The intellectual property rights frameworks are based on agreements and contracts that have emerged as a product of working groups at the international level, as well as on the

legal norms defined in the national legislation of each country. The problem that arises with intangible assets that are protected by intellectual property rights is the way of their usage and protection in the cyber space. A large number of users deliberately or unconsciously ignore the fact that the works to which they are accessed are copyrighted and can not be freely used. The availability of copyrighted works in digital form, such as scientific works, literary works, audio and video materials, various types of software, has made it very difficult to apply the concepts of copyright. For this reason the well-known traditional concept of copyright has to be adapted to the digitization of the content that need to be protected. In order to protect copyrighted works in digital form, new concepts have been created such as open source licenses, open source software, copy left licenses, Creative Commons Licenses (CCL), etc.

Principles of intellectual property and copyrigh

The intellectual property rights as a kind of protection of goods created as the ultimate product of individual or group creativity date back to the Constitution of the USA. Under article 1 of the USA Constitution, the Congress was given authority in the field of encouraging and advancing science and useful skills. This means that Congress have authority to provides the inventors and writers with exclusive rights over their works and inventions. The duration of these rights is limited, while the time limit is deferred in advance. Owing to the very early efforts in this area as well as the multilateral conventions covering this area, the area of intellectual property is one of the few branches of law that enjoys a high level of compliance in most of the legal systems. Within the scope of intellectual property, two categories can be distinguished. In these two categories all works that need to be protected can be classified. These two categories are:

- Industrial property.
- Copyright and related rights

One of the representative examples of industrial property are patents. In addition to patents, companies' stamps, geographical indications, works created as a result of industrial design and even schemes of integrated circuits are included in the category of industrial property. From the other side category of copyright and related rights includes works of literature, science and art. If we observe number of actors that cooperate on the development of the intellectual property, in this category we can classify works that are the result of the intellectual and creative efforts of the individual. As was the case with the provisions of the US Constitution on intellectual property, as well as other countries and international organizations, for each case declared intellectual property no matter what category of intellectual property belongs, it defines a time limit on the duration of protection. For example, in the Republic of Serbia, the maximum duration of intellectual property protection that is in the form of a patent is 20 years. On the other hand, the maximum protection time of the stamps is 10 years with the possibility of unlimited renewal of protection. In practice, the protection of industrial property, for example, patenting an invention or product is achieved by conventional procedures. These procedures involve the recognition of a right or the registration of a particular patent. The very process of recognition of rights is exercised by the competent bodies for a particular area. In most cases, the mentioned area is the state in whose territory the work deserves to be created, which is the principle of territoriality. In fewer cases,

protection can be done in the region. If considered in this way, the region would cover a wider area, and in such a way the protection itself would have a stronger effect. In the Republic of Serbia, the Intellectual Property Office is in charge of implementing the procedure for granting intellectual property rights.

Unlike industrial property where works are mostly of scientific or technical significance and where works have been created as a product of collective work, the work can be an original intellectual creation that can belong to a literary, scientific or artistic field. In order to classify the particular work in a copyright it must have an individual character. If we look at the domain of intellectual creation from the literary area here we could classify novels, poems, tales, and dramatic works. Foundations, patents, and more recently computer programs and databases can be considered under the domain of the scientific field. In the end, the movies, music works, choreographic works, works of fine arts, works of architecture, applied values, sketches, photographs, etc. can be included in the works of art.

The process of assigning copyrights over some work and intellectual property rights must be covered by legal provisions. In the Republic of Serbia, provisions governing copyright are defined by the Law on Copyright and Related Rights⁴. According to this Law, the work of authorship is defined as a spiritual creation of the original character. The created spiritual creation must be expressed in a certain form. This practically means that regardless of the artistic, scientific or other value of the work itself, as well as its purpose, size, content and mode of expression, the work must comply with a particular form. The very form of work also relates to the permissibility of the public disclosure of its content.

The law also defines that every author has moral, property and other rights from the moment of creation of the author's work. Under the moral rights of the author, we can classify the author's right to acknowledge his work, as well as the right to make his name clear on each issued copy of the work. The author also has the right to publish his work. More precisely, according to this law, the author can determine the manner in which the subject matter will be published. Property rights include the right to reproduce the work, the right to obtain economic profit in the form of distribution of a work or its leasing, as well as the right to perform, broadcast and publicly communicate. A group of other rights includes the right to access a copy of the work, the right to follow, as well as the right to prohibit the presentation of the original specimen in the case of works of fine arts. This group includes the author's right to change the copy of the architectural work.

In addition to the copyright law, the Law also provides assignment of related rights to copyright. These rights are most often related to the legal protection of copyrighted works that include: the rights of the interpreters, the rights of the producers of phonograms, the rights of the producers of videogames, the right of the producer of the program, the right of the database manufacturer, the right of the first freelance publisher, the right of the publisher of printed editions to a special fee.

As can be seen from the above, in most cases protection related rights refers to audio and video records, works created in broadcasting, as well as to the domain of protection of organizational business and financial investments in the same. Generally speaking, authors of copyrighted works, as well as their successors and legal followers, are called copyright holders. All rights defined by the Law can be achieved by the holders in two ways: individually

⁴ Law on Copyright and Related Rights, Official Gazette of the Republic of Serbia, no. 04/2009, 99/2011, 119/2012 I 29/2016 – decision CC.

or collectively. Individual realization of a law practically means that a concrete person has created the original intellectual creation. In this case, the author himself, by the act of creating the work, has acquired the copyright and is not obligated to fulfill any other formalities such as registration or work deposit. If more authors worked on the creation of a work, where the work as such is an indivisible, shared copyright over the created work belongs to each author. The created work is called co-authoring. On the other hand, if the work is possible to be divided into individual parts where the authors were actively working, and afterwards, for the purpose of their joint use, all parts were combined into a joint work in which case each individual participant has a copyright over the part of work that is only his (Popovic, 2015). Collective copyright organization is never set up to earn profits. Holders of copyright or related rights through the organization for the collective exercise of rights may exercise the property rights and rights to claim compensation. Authors can claim compensation for their property that is copyrighted. The law stipulates that if the author realizes only property rights, this practically means that he will have the contract in the exclusive way to transfer all his rights to the organization. After the transfer of rights, the organization performs the affairs of concluding contracts with the users of the works on the non-exclusive transfer of these rights on behalf of the author. When it comes to exercising the right to remuneration of the organization on behalf of the copyright holder and at his request, he makes a payment from the user of the work. In such cases, an organization reserves the right to exercise control over the exploitation of copyrighted items. Pursuant to the Law in the event of a dispute, the organization has the right and is obliged to protect the interests and rights of the copyright holder before the court as an authorized person (PKS, 2018).

Holders defined in such way have certain rights and privileges that relate to the specific work of authorship. Rights and privileges allow the carrier to prohibit or authorize reproduction in all forms, including printing and sound recordings. Also, the holder of these rights may authorize the public performance and communication of the work. In the case of requests for the translation of works into other languages, as well as a request for eventual adaptation, the copyright holder decides whether or not he will approve changes.

In addition to the copyright law, the law also defines public ownership of some work. It can almost be said that the introduction of public ownership is as important as the existence of copyright. The reasons for the introduction of public ownership are varied and range from the domain of educational character through a democratic and economic one to the establishment of free competition. The role of public ownership is reflected in the creation of a positive atmosphere of free creativity, cultural diversity, innovation of individuals and groups, and the development of science and culture. The influence of the public domain in culture and science is particularly significant. In these areas, the public domain is reflected in the creation of cultural and scientific goods that will be available to everyone. In this way, the introduction of the public domain of work is protected from privatization and appropriation. An even more important feature of public ownership is the establishment of a balance between all available works and the exclusivity of intellectual property. According to the Berne Convention of 1886, public works belong to works that have ceased copyright protection. This practically means that intellectual works and creations, after the termination of the validity of intellectual property rights, become publicly owned by intellectual property. In accordance with the Berne Convention, certain works can be classified as public property. Article 2, paragraph 4 of this Convention defines that official texts of legislative, administrative and legal nature, as well as official translations of such texts, can not be protected by copyright. In addition

to official documents, Article 2, paragraph 8 of the Berne Convention stipulates that daily news and information are mandatory in the domain of public ownership. A large number of countries follow the convention as it is defined in order to limit copyright protection, while some countries are completing their national laws. In countries such as Algeria, China, France, Italy, and Korea under public ownership, they are considered at the very least laws and under legal acts, as well as court decisions. In some cases, some countries are extending the domains of the underlying public ownership to works produced or subsidized by the state or other public institutions. In the group of these countries we can include Brazil, Malaysia, USA. For example, Germany also approves the freedom to use and modify such documents. Judicial practice sometimes excludes works that have normative value, such as bank notes, official exams for certain professions, as well as opinions given by a judge. There are also states that do not apply the principles of this Convention, and examples of states recognized by Crown Copyright such as the United Kingdom and Australia. Countries that practice such protection are banned from public domain and given protection to them by copyright, while the holder of state protection (in the case of Australia) or queen (in the case of the United Kingdom) (Dusollier, 2010). If we observe daily news as one of the forms of public ownership, China, Costa Rica, Italy, Korea would be some of the countries that explicitly provide this rule. There are also cases where states based on national copyright laws transfer some of works from the copyrighted category to the domain of public ownership. By Article 11 of the Copyright Act, Chile defended that works obtained by expropriation by the state became public property. This practice was introduced at the beginning of the 1970s, when the Socialist government maintained the spirit of the times when expropriations for the public interest were a political strategy. Article 66 of the Copyright Act of Costa Rica as well as Article 45 of the same law of Brazil defines that works protected by copyright become public property after the death of the copyright holder if the holder has no legal successors.

Open content licenses

A large amount of information exchanged via the Internet service, as well as the diversity of published content, created the need for defining general licenses. These licenses define the way and the extent to which a particular copyright work can be used. This practically means that the privileges of using the copyright work will depend on the type of license that applies to it. The rules defined in these licenses author independently decides whether or not to allow commercial or non-commercial use of their work. Non-commercial use of the copyright work in practice does not necessarily mean the failure to realize economic profit for the author of the work. Practically, in this case, the author can still make an economic gain if he contracts with the publishing house. Based on such a contract, the publisher will pay a certain economic compensation to the author. In the process of licensing with open source licenses, authors must comply with the licensing procedure so that the work in question can be deemed to be truly licensed. Since for the use of a work that is licensed with open-content license does not require financial compensation, each such license contains a clause on the basis of which the license does not give any guarantee to the author of the work. Depending on the characteristics of the privileges offered by open source licenses, they may be split into general-type licenses or special-purpose licenses. Also, according to the nature of this license, they can be divided into licenses with small restrictions and licenses that clearly define the

restrictions on the use of the work. Examples for Creative Community Licenses are licenses that clearly define restrictions on the freedom to use copyrighted work (Liang, 2015). In the domain of licenses for special purposes that defines special rights and privileges of use we can include licenses for software solutions. In regard with this, it can be said that when distributing the software, different licenses are defined depending on the privileges assigned to the user. As far as the open source software is concerned, it represents a type of sophisticated licenses for which the program code is available to anyone who wants to upgrade or develop it. Within these licenses various other divisions are defended, but the essence of free software remains the same. Their main differences are related to the use of source code in other projects as well as the use of the software generated by these new projects. Examples of open source software are: Linux, Open Office, apache web server. Some examples of such licences that are in use today are given below:

- GPL (General Public License). This type of license gives the user a very wide range of rights reflected in the possibility of redistribution and reverse engineering. This practically means that a user can make changes to the software. Although the user is allowed to make changes to the source code of the software, he must still fulfill certain conditions prescribed by this type of license. One of the basic conditions is that the user is obligated to publish all the changes made over the source code.
- LGPL (Lesser General Public License). This type of license is mainly applied to software libraries. This practically means that a user can distribute and modify the software so that everything connected to the library falls under the license itself and can be distributed so that the created application that uses the library can not be under this license.
- BSD (Berkeley Source Distribution). This type of license guarantees the end user complete autonomy over the software. In this way, the user is allowed to use the software and its source code as part of the encryption code of the closed code published under the proprietary license.

One of perhaps the best examples of using open source licenses is the GNU Movement or the GNU Community. This community is one of the first practical and successful initiatives that enable software users to freely use the advantages offered by the use of information communication technologies. The community itself started with activities in 1984. Its goal was to create an open source operating system called UNIX. For the GNU GPL license, one can freely say that it is one of the widely known licenses when the software industry is in question. The license itself defines the freedom to use the software, its copying, modification and distribution of all versions of the software released on the base version. The practical distribution of free software must be done under the same conditions under which the user originally received the software. In this way, GPL gives freedom to both the user and the software. The use of Creative Commons licenses was initially oriented to individuals (creators of creative works), however, with the increasing problems that the creative community encounters with regard to copyright protection, there is an increasing number of users of these licenses from legal entities and government agencies. All this testifies to the importance of this kind of creation and use of licenses.

Copyright infringement in cyberspace

Popularizing the use of the Internet and its rapid expansion has contributed greatly to the opening up of a public access network, the ease of publishing content, easy finding it, and access to a large amount of information of different content in one place. A large amount of information has led to a severe differentiation of content that is protected by copyright from the content that is not protected. If it is compared with printed works as well as works on image and sound carriers where it is clearly indicated who is the copyright holder and whether the copyrighted work is protected, in the case of cyber space users are not always able to establish legal ways of downloading, modifying and later reproduction of a certain work. However, users of such content should always keep in mind that most of the content is subject to copyright. Generally speaking, two of the most significant forms and cases of potential infringement of intellectual property can be highlighted, such as software and multimedia content in digital form. Software and multimedia content as such on the one hand are most often subject to copyright protection, and are offered to Internet users with a certain fee. This group of content mostly includes audio and video materials, feature and documentary movies, software for commercial and home use, as well as multimedia tutorials created by an individual or organization (Spasic & Stevanovic, 2015). In order to exchange and copy files without respect for copyright, services use different ways to get through protocol and security mechanisms. Some of registered examples of copyright abuse are shown in the table 1.

Table 1: Registered abuses of copyright

Year	Type	Acter	Amount	Verdict	Remark
2000	File sharing	Napster	\$36 million	Quilty	Music file sharing
2014	File sharing	BitTorrent	unknown	Dismissed	
2006	File sharing	Finreactor	\$700.000	Quilty	Torrent web site
2016	File sharing	KickAssTorents	\$31 million	Quilty	Torrent web site
2012	Direct download	Megaupload	\$500 million	Quilty	Kim Dotcom

In order to exchange and copy files without respect for copyright some services allow computers to directly interconnect without the intervention of the central server. One of the first music file sharing services appeared in 2000. This service was named Napster and enabled millions of users to exchange mostly copyright protected music files. After a series of litigation disputes, the service was shut down. The shutdown of this service did not discourage users of such services in attempts to create and use new ones. New services that are still in use in their work apply a different protocol that greatly prevents the prosecution of persons. This protocol is called BitTorrent. The very fact that a person involved in the exchange of files can not be processed has led to massive use of these services. These services in recent years are not limited just on sharing music files. Through this service, users can download almost all digital content from music through video to various types of software. That the torrent file was not illegal is proved by the Iowa court judgment in 2014, by which

this court dismissed the massive lawsuit against BitTorrent users as unfounded. In favor of rejection, the fact was that it was not possible to prove the link between the torrent file and the Internet pirate (Van der Sar, 2017).

On the other hand, a large number of court verdicts against various torrent file sharing services testify to the extent to which the fight against such a copyright infringement has persisted. One example is the court case which is conducted in front of the court in Finland. Namely, following the police's downfall on the Bit Torrent website named Finreactor, eleven people were arrested. For the damage caused by the distribution of the copyright protected digital material, they were ordered to pay 500.000 euros in damages and 200.000 euros on behalf of the court costs. After the series of appeals brought by the accused, the whole process reached the Supreme Court of Finland, which once again confirmed the first instance verdict (Enigmax, 2017). Six EliteTorrents.org site administrators, after taking control of the site by the US Federal Bureau of Investigation, pleaded guilty to participation in a conspiracy involving criminal offenses of copyright infringement and publication of works before their commercial release. After the trial, they were sentenced to imprisonment, house arrest and fines. Prison sentences are based on criminal law (Yoskowitz, 2017). The arrest of Artem Vaulin owner of KickAssTorrents was carried out in a coordinated action by the IRS and Homeland Security. In the process of obtaining the facts that led to the arrest, Facebook and Apple also participated in the service through which the service was created the IP address of the computer from which Artem approached. The same IP address was used to purchase on iTunes as well as to access the KickAssTorrents Facebook page. It was also associated with a Bitcoin account sponsored by donors to support the KickAss Torrent (Sandoval, 2017). Artem is charged for copyright infringement and money laundering. In an account opened in a Lithuanian bank to save money collected from illegal transactions over a period of seven months, investigators recorded just over \$31 million. It is estimated that the torrent service itself has distributed various digital content worth over one billion dollars during its existence. Vaulin was arrested by Polish authorities on July 20th, 2016. The United States District Office of Northern Illinois filed an unsealed complaint charging him with conspiracy to commit criminal copyright infringement, conspiracy to commit money laundering and two counts of criminal copyright infringement. Vaulin faces up to 20 years in prison.

Direct downloading of copyrighted files is another way of copyright violation. Some of the examples of websites for direct download are Mega.co.nz, FileShare.link, etc. In an indictment against Megaupload owner Kim Dotcom and three directors arrested in New Zealand in 2012, it is alleged that they damaged copyright holders of various films, series and other content for more than \$ 500 million. They were arrested on charges of US officials (McCormick, 2015). The indictment alleges that Dotcom, who is a native of Germany with his current place of residence in Hong Kong and New Zealand, earned \$ 42 million in 2010. It is interesting that in addition to two places of residence, Dotcom has a dual citizenship of Finland and Germany. Experts estimate that owners are based on premium subscription orders for this service earned \$ 175 million (Gallagher, 2012).

One of the copyright infringement trends that has emerged with the development of higher speed Internet is online streaming. This principle is in use when a user is watching digital content in the form of different videos, series, films, shows, etc. Also, in this group of sites we can include sites that allow tracking of sports or other channels for which a monthly subscription is required. Practically, sites providing such services are usually registered in countries where copyright protection is not overly developed and intellectual

property infringement is tolerated. The court practice have been devided with regard to copyright infringement by viewing digital content through streaming. The court in Cologne has established on the basis of IP address tracking that the owner of the same has accessed copyrighted works, so it has been processed. The specificity of this case is that it was not about actually downloading content but streaming. The law office, which launched this dispute against a large number of users (about 60000), has instrumented its process by the fact that when the user calling video streams, digital content caches. This cached digital content can later be copied or recorded on the local computer memory (Dusollier, 2014). Namely, in these disputes, it remained contested whether the law office had the right to monitor users in any way and to record IP addresses of users who visited a particular portal. Namely, the court in Hamburg ruled that the privacy rights of users were violated with this move of a law office. In the explanation of the decision, it was stated that the entire process and violation of the privacy rights against the users of this streaming channel was led by the law office for the acquisition of financial gain. The introduction of this decision in court practice represents the success of the streaming portal users.

Criminal offenses against copyright in the Republic of Serbia

By defining criminal offenses, the fulfillment of the protection of intellectual property rights is carried out within the legal system of a country. The processing of works aimed at the damage or theft of intellectual property in the Republic of Serbia falls within the scope of work of the Special prosecutor's office for combating against high-tech crime. This office of the prosecutor performs the tasks of prosecution of criminal offenses established by the Criminal Code, which are directed against the security of computer data. In addition to this type of criminal offense, the prosecution's activities include all those acts in which computers, computer networks as well as computer systems occur as objects or means of committing criminal offenses. For example, in such works can be included works against intellectual property, acts against property, economy and even traffic. Also, the prosecution's work is based on the processing of copyright infringement cases, if it is a piracy for commercial purposes, with the number of multiplied copies of the work exceeding 2000, or by an investigation it is found that the author has suffered material damage in the amount of over one million dinars. If computers and computer networks are used for the purpose of committing crimes against human rights and freedoms, as well as for the purpose of violating sexual freedom, public order and peace, as well as constitutional order and security, the Prosecutor's Office is obliged to prosecute such acts⁵. The processing of persons accused of endangering copyright and related rights covered by this law is part of judicial practice in the Republic of Serbia for many years. In 2012, 219 persons were registered for criminal offenses against intellectual property. Of the total number of reported cases for a criminal offense, an unauthorized exploitation of an author's work or subject-matter of a related right from the article. 199. Criminal code is reported 24 persons⁶. During 2013, due to a criminal offense, the unauthorized exploitation

⁵ Criminal Code, "Sl. glasnik RS ", no 85/2005, 88/2005 - corection., 107/2005 - corection., 72/2009, 111/2009, 121/2012, 104/2013, 108/2014 i 94/2016

⁶ Republic of Serbia Republic Public Prosecutor's Office, "The work of the Public Prosecutor's Office on combating crime and protection of constitutionality and legality in 2012"

of a copyrighted work or subject of related rights under Article 199 of the Criminal code filed a criminal complaint against 19 persons. During 2014 and 2015, due to a criminal offense, unauthorized exploitation of an author's work or subject of a related right under Article 199 of the Criminal Code against 12 or 10 persons was filed criminal charges. During 2016, criminal charges were filed against 4 persons for the same criminal offense ⁷. A smaller number of filing criminal charges can be discussed from different aspects. One of the aspects may be that the number of such work is lower, and therefore the number of applications is smaller, while the other aspect may be an indicator of the poor involvement of state authorities in solving this problem.

One of the examples from the case law is also the judgment of the District Court in Belgrade K1.vtk.br.19 / 08 of 10 October 2008. With this verdict Ž. J. (36) and S. M. (35) were found guilty of Internet piracy. During the investigative procedure, they were charged for the unauthorized sale of various author's works through the wireless connection over the territory of Kraljevo municipality during three years. During 2005, they even founded the company “EXCALIBUR COM D.O. O” through which they received cash payments for the services they offered. After submitting proof of payment, users were able to download copies of various copyrighted works. With this verdict, the defendants were sentenced to a suspended sentence of six months' imprisonment. With the same verdict, the verification deadline was two years.

Another example of the same criminal offense is the judgment of the District Court in Belgrade, K1.vtk.br.44 / 08 of 28 November 2008, by which the criminal offense of piracy was found guilty by M.S. (30) from Belgrade. M. S was also in the period of three years (01.01.2005-03.09.2008) multiplied different copyrighted works for the purpose of gaining a property benefit. The entire process of multiplication and distribution was done at the address of his place of residence, while communication with clients was done via e-mail created using the yahoo mail service. At the time of the arrest of M. S, two computers were seized. In addition to the computer, at the time of the arrest he also had 10,327 pieces of multiplied optical discs, which contained unauthorized multiplication of author's works. The most numerous works were in the form of films, television series, music, comics and other multimedia content (Prlja, et. al. 2012).

In one of the cases, the accused claimed that he was a collector, and that he had collected confiscated films for many years. He also claimed that some of the films were transferred from VHS to DVX for easy storage, and that he personally made wrappers. However, although he defended with the fact that films were not intended for the acquisition of material gain, the investigation showed that a large number of folders and electronic catalogs were found on the hard disk of the computer. The key moment for the indictment was finding ads in which the sale of DVX disks with the same titles found in the electronic catalogs was offered. For each of the titles, it was stated that the quantity was not limited, the price and the phone number of the defendant were also indicated, through which the interested customers can contact him.

⁷ Republic of Serbia Republic Public Prosecutor's Office, "The work of the Public Prosecutor's Office on combating crime and protection of constitutionality and legality in 2016"

Anti - Counterfeiting Trade Agreement

The amount of digital content available in the cyber space has allowed a large number of abuses of intellectual property rights protected. Today, there is almost no work that can not be found in a cyber space and used as such, both with respect to copyright and abuse of copyrights. How big a problem for the intellectual community is the abuse of copyright work in the cyber space is also testified by international agreements designed to devise an effective system of intellectual property protection. These agreements must be adapted to the times in which digital technologies are far more represented than traditional paper forms of publication. One in a series of such agreements is ACTA an international agreement aimed at protecting intellectual property. Negotiations on the agreement were concluded on October 1, 2011 by signing in Tokyo. Signatories to the negotiations were Singapore, the United States, Morocco, Canada, Japan, New Zealand, and South Korea. Several months after signing the agreement, the European Union, more precisely 22 member countries, joined. In addition to the fact that the 22 EU member states have signed an agreement, after a series of disagreements, the EU Parliament is on 4.7.2012. refused this agreement. Of the total number of Members of the European Parliament, 478 MPs voted against the agreement, 39 were for ratification, while 165 MPs remained abstained ⁸.

Work on this agreement and its creation from the very beginning was covered with vast secrets. The secrecy of this agreement is enhanced by the fact that the world's leading institutions such as the UN, the WTO or the SOIS were not involved in the first negotiations. The first negotiations on this agreement began in 2006 between US and Japanese officials. Later, the largest and most powerful countries in the world, such as the EU, joined the negotiations. Official negotiations began in 2007. At the same time, some countries that have been involved in informal negotiations are leaving official negotiations, which express their opposition to the idea of the entire agreement. What might have caused the greatest suspicion of the intention of such an agreement was that certain countries declared the content of the agreement a state secret. In favor of the lack of trust under this agreement, the George W. Bush and Barack Obama administrations refused to make ACTA versions of the negotiated agreements available to the public. In addition to the United States, the European Union has also proclaimed negotiations with state secrets. Canada has, for example, disclosed the case as a public name only, while the contents remained secret. New Zealand, as one of the participants in the negotiations, made promises that the secrecy of these negotiations will be in effect for a shorter period of time, more precisely when the partner countries do not get the permission to publish the data. However, the negotiations themselves remained a state secret until their completion ⁹. Also important fact is that the content of this agreement will certainly remain a secret if the Wikileaks did not disclose the existence of negotiations in 2008 and part of the content of the agreement.

The basic provisions of the ACTA agreement expressed in the preamble were legitimate copyright protection, intellectual property rights as well as the prevention of falsification of intellectual property and piracy. The ultimate effect of the signed agreement was the

⁸ BBC News, „Acta: Controversial anti-piracy agreement rejected by EU“, available on: <http://www.bbc.com/news/technology-18704192>, date: 10.12.2017.

⁹ Tech Liberty NZ, „Acta – The NZ Official Information Requests“, available on: <http://techliberty.org.nz/acta-the-nz-official-information-requests/>, date: 12.12.2017.

legal method contrary to the provisions defined in regional and international human rights documents. The basic human rights violated by this agreement were the right to privacy, the right to freedom of expression, access to medicines, and the right to a fair trial. The solution to this counterfeit agreement is aimed at forcing Internet companies and Internet service providers to monitor the activities of their online users, as well as censor content. One member of this agreement provides an opportunity for the signatory countries to monitor online users through the competent authorities. The group of supervised users include users of cyber space suspected of having violated and actively violating the principles of copyright protection. This agreement also introduces a global agency that would deal with the suppression of piracy through electronic services. All this indicates that the ACTA concept of a three-tier agreement, regardless of the importance of copyright protection, puts emphasis on restricting the freedom of individuals and enabling the creation of financial profits for individual companies. The limitations on medicines and biotechnology, in addition to the fact of neglecting humanity, also reflect on the impact of the financial lobby of large companies on the creation of this agreement.

Conclusion

The protection of intellectual and copyright law has been a challenging issue from the mere start of development of systems for protection from unauthorized usages. By digitizing most of the content and massive use of digital work in cyberspace, the problem of protection has become even more complex. This problem is reflected in a constant struggle in which authors must protect their works from unknown users that can be anywhere in the world. The economic gain of counterfeit content, especially software and multimedia, can pass serious numbers. Pirates are increasingly attacking commercial software for whose use it is necessary to pay the license. Enabling the use of such software without the purchase of a license causes great harm to the producers of these licenses. On the other hand, counterfeiting of multimedia content, junk hoarding or publishing before the official premiere can cause great problems for the authors of the work, and at the same time make great profit to the pirates. The presence of copies of copyrighted works in cyberspace, the widespread and undisturbed work of the file sharing service as well as the ever-increasing streaming services are one of the indicators that there has been very little legal action to combat this type of crime. It is precisely for these reasons that the individual legal system of each country, as well as of international organizations, must further engage in the suppression of any possibility of abusing copyright rights and works protected by intellectual property rights.

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Jugoslav Aničić¹
Dušan Aničić²
University Union – Nikola Tesla
Faculty of Economics and Finance; Belgrade

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Goran Kvrđić³
University Union – Nikola Tesla
Faculty of Menagement, Sremski Karlovci

SUSTAINABLE GROWTH AND REGIONAL COMPETITIVENESS OF SERBIAN ECONOMY

Abstract

Backwardness in economic development in comparison with EU and countries from region, expressed especially after big crisis from 2008, demands a change of country's economic policy in order to create assumptions for a long-term sustainable development and competitiveness' increase in regional and world contexts. Having in mind results realized so far, there is a real danger that current economic policy will stabilize country on a low level of GDP, high unemployment rate, with low wages and bad working conditions in a large number of enterprises, in domestic or foreign ownership. Such situation is a result of non-existence of adequate strategy of economic development in transitional period. The goal of paper is to point that new economic policy should be based on support to sectors which most of its added value create through internationalization of business and which have faster growth of revenues on foreign than on domestic markets, such as IT sector, agro-business, medium-tech developed industries.

Key words: sustainable development, regional competitiveness, globalization, Serbia

JEL Classification: O11, P51

ОДРЖИВИ РАСТ И РЕГИОНАЛНА КОНКУРЕНТНОСТ ПРИВРЕДЕ СРБИЈЕ

Апстракт

Заостајање у привредном развоју у односу на земље ЕУ и земље региона, изражено нарочито после велике кризе из 2008. године, захтева промену економске политике земље како би се створиле претпоставке за дугорочни одрживи развој и повећање конкурентности у регионалним и светским оквирима. Имајући у виду досадашње резултате, постоји реална опасност да текућа економска политика стабилизује земљу на ниском нивоу БДП-а, високој стопи незапослености, уз ниску цену рада и лоше радне услове у вели-

¹ ajugoslav@yahoo.com

² dusan.anicic@yahoo.com

³ g.kvrdic73@gmail.com

ком броју предузећа, у домаћем или страном власништву. Оваква ситуација је резултат непостојања адекватне стратегије привредног развоја у транзиционом периоду. У раду се потенцира да нова економска политика треба да буде заснована на подрици сектора који највећи део додате вредности реализују кроз интернационализацију пословања и који остварују бржи раст прихода на страном у односу на домаћа тржишта, као што су ИТ сектор, агробизнис, средње технолошки развијене индустрије.

Кључне речи: *одрживи развој, регионална конкурентност, глобализација, Србија*

Introduction

Globalization process of world economy led to the creation of big multinational companies which rule the world market. Global companies define world's production, trade and investment flows managing, on that way, world economy. Modern trends of mergers, acquisitions of smaller companies and enlargement became unavoidable trend in countries in transition, too. These countries have to adapt to current situation and to create assumptions for sustainable development of its economy and competitiveness' increase on international level. Baseline of sustainable development concept is based on interrelation between development and environment, their interdependence, as well as complementarity of development policy and protection of environment along with obeying of ecological principles.

The Republic of Serbia's economy realized very modest results in transitional period: low GDP per capita, high unemployment rate, low level of average salaries, deepening of regional disparities in development and other. These results are a consequence of acceptance of neoliberal concept of development whose axioms are privatization, deregulation and liberalization, along with reduction of state's role in economic movements. Optimism for a faster economic growth in perspective is provided by enterprises that most of its added value growth realize through internalization of business and whose turnover is growing faster on foreign than on domestic markets. Because of that, the support to sectors which will be the bearers of economic growth in future will be of key significance for sustainable economic development and competitiveness improvement of the whole country's economy.

Trends of enlargement in world economy

Globalization process at the end of twentieth century changed the structure of world market and made conditions for creation of monopoly and oligopoly relations in world economy. In a large number of economic activities only the biggest companies can make profits, while the functioning of small firms is more and more dependent on cooperation with big global concerns. The most important changes in international business surroundings are market barriers reduction, fast movements of markets, continuous competitive pressures, large separations or mergers, global accesses to capital

markets (Danielle, et all, 2006). New trends on globalized market ask from management to provide successful positioning of a company on world market, and adaptability to challenges of local markets, too (Colin, 1992).

Globalization is a process of widening of various knowledge and experiences worldwide, process of standardization and convergence between different cultures, economies, laws and policies worldwide (Popovčić-Avrić, Vidas-Bubanja, 2009). Viewed from the aspect of liberalization, globalization implies a process of creation of conditions for a more dynamic movements of production factors between countries in order to create open world economy without borders. Globalization process is supported by governments of most developed countries in the world, numerous measures through supplying infrastructure, liberalization of international transactions, guaranteeing property rights, support to global management arrangements and similar. Global production and global market is promoted and supported by global financial system, too.

Most modern companies are included in globalization process, whether they, by its size and significance, occupy a significant segment of world market, have its branches and representative offices worldwide, or create strategic mergers with other enterprises which are located in more regions. Global companies define world's production, trade and investment flows and, by that, manage world economy. Strategic alliances enable companies to attract big financial sources, to expand its business activities and shape market in order to jointly advance. For example, agreements on mutual licensing between global pharmaceutical companies created very high profits in that sector (Gilroy, 1993).

After big financial crisis from 2008, very important question of globalization's role in modern world movements was posed: does this process enable economic development of all countries or leads to an increase of already big inequalities in development of certain countries. Big economic crisis which affected numerous countries, even members of the EU such as Greece, Spain, Italy, Portugal, additionally sharpened question of relations between developed part of world and deepening of indebtedness and poverty of economic periphery.

Big multinational companies rule the world economy, from car industry, agriculture, trade to IT sector. Trend of enlargement and creation of monopoly and oligopoly structures still continues. In the processes of mergers and taking over, energy companies, media companies, health sector, classical industries, finance and hi-tech companies are standing out so far.

Modern small companies and their founders find their interest in, after fast development and market positioning, selling its businesses to big world giants. They are aware that they cannot successfully compete with big companies regardless of their quality, originality, innovativeness and market for its products or services. On the plus side of big companies are economies of scale effects, possibility to bear big promotion expenses, established distribution channels and customers network and other advantages that will, in the long term, bring small companies into unfavorable position and bankruptcy.

By buying small, innovative companies, big multinational companies achieve numerous positive effects: they get rid of potential competition and improve its financial strength through increase of market share and number of users. Through buying they come to key staff resources for further research and future development, by which they strengthen its competitiveness and future position on market. Also, through vertical

integration, they unite all phases of technological process and product development and have it under the control. Company's balance is improved by taking over, because it increases market share, number of buyers, total revenue and the amount of realized profit.

Modern trends of mergers, taking over of smaller companies and enlargement are unavoidable in countries in transition and less developed countries. In those countries numerous questions appear how to answer to these challenges and have a result of economy's competitiveness increase in both regional and world frames.

Macroeconomic results of Serbia in transitional period

Economic reforms process in countries in transition was conducted by Washington consensus' recommendations, strongly supported by IMF and the World bank, as main advocates of neoliberal concept of economy. In the period between 1990 and 2000 most countries in transition had a negative growth rate (EBRD, 2010). Besides recession, growth of unemployment and an increase of social stratification of population was also expressed. After 2000 and all the way to emergence of global economic crisis, countries in transition had high economic growth rates (5,7% on average) and optimistic forecasts of further growth (Lissowska, 2014).

High economic growth rates were kept all the way to the emergence of global economic crisis. Crisis weakened economic activity, reduced consumption and investments which led to slowing down of economic growth, loss of work places and reduction of salaries. Most countries face budget deficit problem and a way of its financing. Because of current macroeconomic instability countries are concluding certain arrangements with IMF and by that increase their foreign debt. According to Stiglitz (2004), world's financial institutions did not give an answer to developmental problems of countries in development, so it is necessary to offer new solutions which enable economic development alongside with cooperation of state and market.

Serbia has, after 2000, accepted neoliberal concept of development which is based on privatization, deregulation and liberalization. Realized results of Serbian economy in transitional period (Table 1) point out numerous weaknesses and a big backwardness behind economies of developed world. GDP growth rates are far below expected, so GDP per capita in Serbia today is, almost three decades since the start of transition, lower than it was in 1989. In order to get close to developed countries' level, forecasts show that the GDP growth rate of at least 4% is necessary. Unfavorable economic structure represents a big problem, because economic policy lead to a deindustrialization of the country and neglecting of real sector of economy. According to Mićić and Savić (2018), manufacturing industry is the most important sector of Serbian economy in which, even besides growth, specialization is not high, which affects the fact that this sector does not realize comparative advantages and is not competitive on the EU market.

Table 1: Basic macroeconomic indicators for period 2012-2017

	2012	2013	2014	2015	2016	2017
GDP's real growth (%)	-1,0	2,6	-1,8	0,8	2,8	1,9
NBS' foreign-currency reserves (million EUR)	10.915	11.189	9.907	10.378	10.205	9.962
Export of goods and services (million EUR)	11.469	13.937	14.451	15.728	17.385	19.330
Import of goods and services (million EUR)	16.992	17.782	18.096	18.643	19.597	22.365
Current account of pay balance (million EUR)	-3.671	-2.098	-1.985	-1.234	-1.075	-2.090
Unemployment by Survey (%)	23,9	22,1	19,2	17,7	15,3	13,5
Average salaries (EUR)	366,1	388,5	379,8	367,9	374,5	383,9
RS' public debt (central state level, % of GDP)	56,2	59,6	70,4	74,7	71,9	61,5

Source: The National Bank of Serbia, 2018.

Big developmental challenge of Serbia is that only a small part of economy is transformed into a new, modern economy which employs a small part of population. Increase of quality employment would have a great effect on reduction of inequality and poverty, because inequality and poverty rates are among highest in Europe. Serbia has a big problem with a reduction of number of citizens in the country, especially young educated people which are seeking for their existence in developed countries in west. There are big unfavorable migrations from undeveloped regions of the country towards big city centers, which as a consequence have devastated villages and smaller settlements in certain undeveloped parts of the country.

Such movements endanger country's sustainable development concept which is based on three main aspects: equal economic growth (economic aspect), protection and preservation of environment (ecological aspect), respecting and improving of social and human rights (social aspect). Sustainable development strategy represents a process of search for vision and sustainability solutions in social community (Milosavljević, 2009).

Natural resources and environment protection are of priceless importance for current and future generations and because of that all countries should adapt its development to principles and goals of sustainable development. This adaptation, in the short term, can slow economic growth down, but in the long term it has better effects because as a result, it gives better quality of population's life, not only economic growth. Because of that, the protection of nature and its resources is imposed as a primary objective of all development efforts, before production, economic, regional and others (Pokrajac, 2009).

Republic of Serbia's government adopted Sustainable development strategy of the Republic of Serbia for period from 2008 to 2017. This strategy defines sustainable development as goal-oriented, long-term, continuous, comprehensive and synergetic process which affects all aspects of life (economic, social, ecological and institutional) on all levels. Serbia has numerous other strategies and planning documents, but they

often contain too many priorities and problems, so their realization is often times half-successful.

For a faster sustainable development, appropriate institutions that will create assumptions for entrepreneurship and investments, as well as the rule of law in economic relations, are necessary. Besides that, a large number of development matters and projects should be left to local authorities which could, because of their familiarity with them, solve them in a more successful way than central authorities. Local authorities need a greater autonomy in order to take over development initiatives, as well as responsibility for its realization.

Analysis of foreign direct investments' effects in Serbia indicates necessary corrections of overall investment policy in order to establish sustainable and efficient economy. Serbia had a policy of stimulating and attracting foreign investors, at domestic investors' expense. However, it is not good that one country's development is based on foreign investments only, because that, in the long term, increases value of foreign property which affects profits outflow and withdrawal of dividends. In case of bigger crisis (such as in 2008) capital is withdrawing, too. Also, because of unfavorable economic structure foreign investments were put into sectors which create small added value, so efficiency of investments is a lot lower than in surrounding countries. Foreign direct investments represent a significant addition to domestic accumulation, but it cannot be permanent substitute for insufficient domestic savings (Cvetanović, et all, 2018).

Transitional period in Serbia is characterized by unfavorable crediting conditions of economy (and population) by banking sector, so the users of credits were paying interests and fees which are among highest in Europe. Such conditions lead to capital spillover from real to banking sector, with the National Bank of Serbia which was a silent observer of those processes. Interest rates' reduction of the biggest world's central banks such as FED, European central bank, Central bank of Japan came to Serbia with a big delay, which is particularly visible on the National Bank of Serbia reference rate's movement in comparison to rates of mentioned banks. The biggest world's banks were, after big crisis, injecting large amounts of money into economy for the sake of its faster recovery, in which they succeeded. Now there is an indication that base interest rates on world level will be increased, which will affect an increase of interest rates on banking market of Serbia. That will be an additional aggravating circumstance for a faster development of enterprises and their internationalization of business, as well as a reason for the state to rethink forming of national development bank for support to big investment projects and growing economy.

Economy's competitiveness in regional and world frames

Serbian economy, after economic crisis from 2008, realizes a slower growth in comparison with average of western Balkan countries or new members of the EU. There are numerous reasons for such position of economy of Serbia, starting from economic policy, unfinished reforms, undeveloped institutions and other. As far as the economy itself is concerned, three segments can be differentiated: first, state, public enterprises; second, new-private economy, which is a bearer of export and GDP's growth; and third, a group of non-formal-existing enterprises and entrepreneurs, which are surviving

thanks to grey economy. Non-commercial agricultural farms are also in the third group (CEVES, 2018).

Among the sectors which are bearers of economic growth are agro-business, mid-tech developed industries such as sectors of rubber and plastic, metal products and machines, electrical equipment and devices. Third sector is made of smart services led by IT sector. What is common for these sectors is the fact that they, most of its added value growth, realize through internalization of business and their turnover is growing faster on foreign than on domestic market. The biggest part of growth is realized through conquest of market share on foreign markets, so it will be very important to systematically support these sectors in the future.

Support to sectors which will be bearers of economic development in future will be of key importance for acceleration of overall economic growth and its sustainability. Also, solutions which will provide transition of small agricultural farms into market oriented ones should be found, and with public enterprises the solution is professionalization of management. One of key assumptions for sustainable growth is availability of quality work force because it became, in many segments, a limiting factor for faster growth. State's role should still be in building an infrastructure of development – to facilitate access to information, market, finances and knowledge.

According to World Economic Forum for 2018, Serbia takes the 65th position on Global Competitiveness Index ranking list, out of 140 countries observed (last year it took 70th position which indicates an improvement of 5 positions). It is characteristic that among countries from region the best position is, in both viewed years, taken by Slovenia (35th position) ahead of Hungary, Bulgaria and Romania, as well as others countries from region (Table 2).

Among elements which contributed most to position improvement, some stand out: Macroeconomic stability, Financial system, Ability to innovate, Skills and Goods market. Inside of macroeconomic stability two indicators are observed: average inflation on annual level and public debt dynamics. Indicators that follow development and stability of financial system and which are very important for sustainable development of enterprises, gave a great contribution to competitiveness increase. Those are accessibility of financing of small and medium enterprises, availability of capital for new entrepreneurial ventures and stability of banking sector.

Table 2: Countries' rank according to Global Competitiveness Index (2017-2018)

Country	2017	2018
Albania	80	76
Bosnia and Herzegovina	90	91
Bulgaria	51	51
Croatia	66	68
Hungary	48	48
FYR Macedonia	-	84
Montenegro	73	71
Romania	52	52
Slovenia	35	35
Serbia	70	65

Source: WEF, 2018.

Significant contribution to GCI's growth for Serbia in this year is owed to the pillar which observes economy's capability to generate new innovations. All indicators within this pillar realized better marks in comparison with last year. The biggest advancement was realized by indicators that follow a number of international co-inventions, number of registered patents and the level of expenditures for research and development as a percentage of GDP (FREN, 2018). Also, higher marks were realized in area of clusters' development in economy and the degree of cooperation between employed, enterprises and universities.

According to Arsić (2016) Serbia is, after two and a half decades of transition, in a small group of countries from central and eastern Europe (CEE) which haven't reached the level of development from pre-transitional period, while some countries from CEE, in the same period, have increased their GDP for close to 60%. As a result of divergent development in mentioned period, countries from CEE were in 2015, on average, more developed than Serbia for 85%, although Serbia was on the average level of development of these countries in 1989.

Table 3: Serbia, countries from CEE and region: participation of investments, export and import in GDP, average for 2014-2017

	Investments	Export	Import
Participation in GDP			
Serbia	17,7	48,1	57,4
Countries from CEE (weighted average)	21,2	60,9	58,6
Regional countries (weighted average)	22,0	56,1	56,5

Source: Eurostat, 2018

Results shown in Table 3 point out structural problems which are present for many years in the economy of Serbia, because participation of investments and export in GDP is significantly lower than average in CEE countries, as well as average in countries in region. Main bearers of economic growth have to be investments and export, and consumption has to grow slower in comparison to GDP. Possibilities for an increase of investments and export exist, and some of them are: state's public investments which have a positive impact on growth of other branches of economy, public enterprises reform, corruption reduction, efficiency increase of state's administration and other.

Having in mind previously mentioned, there is a real danger that current economic policy stabilize country on a low level of GDP and high unemployment, along with low price of work and bad working conditions in numerous privatized enterprises or those in foreign ownership. This situation is a result of non-existence of adequate strategy of economic development in whole transitional period. Without domestic banks directed towards financing of development, without independent monetary policy, without credit control and directing of credits towards domestic enterprises on the basis of clear strategy and priorities, there won't be efficient investments nor independent development.

Conclusion

Backwardness in economic development in comparison with EU countries and countries from region, expressed particularly after 2008 crisis, requires a change of country's economic policy in order to create assumptions for a long-term sustainable development and competitiveness increase in regional and world frames. For achieving faster growth and development, more efficient role of state's institutions and improvements in tax, monetary and investment policy are necessary, in order to prevent negative consequences of globalization's affecting insufficiently developed countries. Serbia, just like other countries in transition, has to find adequate strategy to answer to challenges of world's economic trends in order to keep up with developed countries.

Because of that, main tasks of economic and development policy in next period are macroeconomic and market stability, sustainable economic growth based on growth of industrial production and export, increase of employment of work force, foreign debt and negative foreign-trade balance reduction. Serbia needs much faster growth of GDP and a recovery of industrial production in relation to average rates of these aggregates in world's economy in order to restore its relative position of development from eighties of last century. Development policy should redirect investments into enterprises which deal with production and export of products of higher degree of processing, with orientation on sectors which will contribute most to stable and dynamic economic development and an increase of country's competitiveness.

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Dušan Jerotijević¹
Zoran Jerotijević²
University Union “Nikola Tesla” Belgrade
Business and Law Faculty

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POLITICAL AND ECONOMIC RELATIONS OF RUSSIA AND CHINA BY THE HOME

Abstract

Russia and China occupy a vast area of Earth's land-based land. For centuries, the vast expanses of these countries have been unexplored in the fact that in the XX century, these two ginsns were more seriously explored and the rivers link their distant territories with the capitals. The creator of the first international treaty between Russia and China (the 1728 coalition agreement) was a Serb, Russian count, Sava Vladislavic. It was the beginning of the construction of political and economic relations between Russia and China. During the three centuries of the existence of international cooperation between these two countries, there have been rising and falling as well as stagnation. In the Russian-Japanese War at the beginning of the XX century, Russia struggled to protect its influence in the Far East and prevent Japanese penetration into the significant Chinese province of Manchuria. Similarly, it was repeated in the Second World War when the Russians (the USSR) expelled the Japanese from Manchuria. The worst relations occur at the time of the communist development of both countries. At the end of the XX century, after the fall of communism in the USSR and the reforming of China into a market economy, the strategic partnership of the two countries, which is still taking place on both sides, has begun. We can say that this is a good example of a natural ally, where the two countries have a match of strategic interests.

Key words: Russia, China, cooperation, Sava Vladislavic, Manchuria, strategic partnership.

JEL Classification: K2, K33, K37

ПОЛИТИЧКИ И ЕКОНОМСКИ ОДНОСИ РУСИЈЕ И КИНЕ ПОЧЕТКОМ ХХИ ВЕКА

Апстракт

Русија и Кина заузимају огроман простор копна планете Земље. Вековима су огромна пространства у саставу ових земаља била неистражена да би тек у ХХ веку ова два џина била озбиљније истражена и саобраћајницама спојене њихове удаљене територије са престоницама. Творац првог међуна-

¹ dusanjerotijevic@gmail.com.

² zoranjerotijevic@gmail.com.

родног уговора између Русије и Кине (Кјактонски споразум из 1728. године) био је Србин, руски гроф, Сава Владиславић. То је био почетак изградње политичких и економских односа између Русије и Кине. Током три века постојања међународне сарадње ове две земље било је успона и падова, као и стагнације. У Руско-јапанском рату почетком XX века, Русија се борила да заштити свој утицај на далеком истоку и спречи јапански продор у значајну кинеску провинцију Манџурију. Слично се поновило и у Другом светском рату када су Руси (СССР) протерали Јапанце из Манџурије. Најлошији односи наступају у време комунистичког развитка обе државе. Крајем XX века после пада комунизма у СССР и реформског претварања Кине у тржишну привреду, почиње стратешко партнерство две земље које на обострану корист и данас траје. Можемо рећи да је то добар пример природног савезништва где две земље имају поклапање стратешких интереса.

Кључне речи: *Русија, Кина, сарадња, Сава Владиславић, Манџурија, стратешко партнерство.*

1. Introduction

Geopolitics has no universal meaning. He studies the relationships between political power and geographical space and has only become important in analyzing the relationship between world powers. International relations represent the field of public action, and the branch of the polytic science dealing with the foreign policy of the state within the international system. The state's foreign policy in the broadest sense is any activity of a state regarding relations with other states or international organizations (Jerotijević, Jerotijević and Matić, 2015, p. 33). International relations connect many different areas, such as political science, economics, philosophy, sociology and other social sciences. International relations deal with a wide range of issues and problems, including the ecological movement, nuclear danger, nationalism, international aid, economic development and human rights (Jerotijević, Jerotijević and Matić, 2015 p. 33). We will try to analyze the geopolitical relations between Russia and China in the 21st century. At the end of the last century, more precisely in 1996 Boris Yeltsin and Zijang Cemin arranged a “strategic partnership” between the two countries - the Russian Federation and the People's Republic of China. Thus, former enemies suddenly became allies. Russian and Chinese influences in the world are growing, and these two countries are able to provoke the domination of the United States at the international level. China's economic growth in this century turns out to be the greatest fear for the United States, and the Pentagon has decided to increase its aggressive military attitude towards China. In 2001, the Shanghai Cooperation Organization (SCO) was founded as a counterweight to NATO. Members of SCO are China, Russia, Kazakhstan, Tajikistan, Kyrgyzstan and Uzbekistan. The Shanghai Summit in Astana was held in June, and India and Pakistan became full members of the organization. Under the SCO, Russia and China regularly hold joint military exercises, the first being in 2005. In general, there is a Euro-Asian link between Russia and China. These two countries increased mutual trade, and in 2008, they resolved the controversial issue of the border. The import of weapons from Russia to

China goes hand in hand with the economic and strategic interest of both countries, and a complementary energy strategy has been elaborated: Russia has oil and gas that China is absolutely indispensable.

Similarly, Russia and China share common interests. Some of them are the suppression of terrorism, the resolution of global conflicts and the suppression of weapons of mass destruction. Relations between these two countries have never been better. In 2009, BRIC was established to improve the global economic situation. Members originally were Brazil, Russia, India and China, and since 2010, the Republic of South Africa has joined, and the name has changed to BRICS.

2. Economy of Russia and China

This chapter will show why Russia and China are geopolitically important and strong, which will emphasize the importance of their alliance. We live in a world where large military formations are still present in the East and West, and few realize that this will no longer be important in the future. The world is accustomed to this state of affairs, with the United States located wherever they can express their role in world affairs.

However, Russia is the country with the largest reserves of natural gas in the world and the sixth in the world with oil reserves. With oil and gas, Russia is the main exporter of coal. According to a report by the Stockholm International Peace Research Institute, in the past five years, after the United States, Russia was the largest exporter of weapons - exported 23% of the world's total export weapon (Petrović, 2007, p. 32). The largest exporting country in the world is China, and along with the Russian-Chinese alliance, the US primacy in the world is becoming questionable.

In connection with the above, Russia is one of the world's leading producers of oil and natural gas, and is also a leading exporter of metals such as steel and aluminum. The economy of Russia may be damaged by the export of such products due to the frequent change in global prices. The economy, which in the period from 1998 to 2008 had an average growth of 7% due to the rapid rise in oil prices, began to stagnate in the following period (Petrović 1, 2007, p. 79).

China is developing good neighborly relations in order to strengthen its influence in the region. After 1989, China opened for foreign investment and began to seek membership in the World Trade Organization. It has become a privileged direct investment market for American and European multinational companies. In the past twenty years, the results of investment are incredible. Today, China is the largest exporting country in general and the second largest oil importing country. In 1994, China became the world's importer of a petroleum exporter (Petrović, 2007, p. 35).

Vladimir Terehov considered that 2018 would be a year of radical change in the world. These changes affect the internal and external policies, as well as the economic development of all countries of the world. The events that marked the world in the next few months were the biggest proof of the time of global change. Teherovs pays special attention to Chinese President Xi Jinping. She considers that 2018 represents a year of special challenges to China and its foreign policy, which is largely linked to the uncertainty caused by the foreign policy of the United States, which currently has a new administration and new President Donald Trump.

3. Russian economy

Russia has undergone many changes since the collapse of the Soviet Union. There have been huge changes in the Russian economy. She no longer had exclusively centrally planned, but began to focus on the market economy system. Economic growth and reforms have stagnated in recent years, but the Russian economy is still predominantly etatistically oriented with a strong concentration of wealthy state officials in power. The economic reforms of the 1990s privatized most industries, with exceptions in the energy sector, transport, banking and defense-related sectors. The protection of property rights is still weak, and the state continues to interfere with the free work of the private sector (Petrović 1, 2007, p. 80).

The combination of falling oil prices, international sanctions and structural constraints has sparked a major recession throughout Russia in 2015, with GDP falling by almost 4%. This trend continued until 2016, while GDP fell by another 0.6%. Government support for import substitution has recently been increased to boost the diversity of economies. Lately, there has been a stabilization in terms of recession, with the resurgence of economic growth.

Russia is largely dependent on how world prices are moving, and the Central Russian Bank estimates that if oil prices remain below \$ 40 per barrel in 2017, the result will be a 5% drop in GDP (Milošević, 2005, p. 32).

Oil and gas have been the main item of Russian exports for a long time. This makes sense because Russia is the country with the largest reserves of natural gas in the world and is the sixth in the world with oil reserves. But that's not right. This leads to the economy's sensitivity to fluctuations in oil and gas prices. According to reports from the Russian export center, in 2016, exports fell by 17%, or 58 billion dollars compared to 2015. This was due to a sharp drop in oil prices at the beginning of the year. Oil prices jumped again when OPEC states agreed with Russia to limit oil production. The oil market is still quite immune to oscillations and instability. Today, the popularity of alternative energy sources is growing, and the question is how stable stability can be based on the export of fossil fuels. However, in 2016, Vladimir Putin pointed out that it is too early to expect the end of fossil fuel. Russia knows that dependence on oil and gas exports is harmful, but in the opinion of experts it is difficult to change the situation in the next decade (Petrović, 2007, p. 41).

Authorities in Russia are most hoping to export wheat. Agriculture Minister Aleksandar Tkachov has repeatedly stressed that Russia has become one of the leading exporters of wheat in the last few years. In the agricultural season, from June 2016 to June 2017, Russia delivered 27.1 million tons of wheat to world markets. Also, according to certain forecasts, Russian agricultural products could reach a record of 133 million tons. We can conclude that Russia is becoming one of the leaders among agricultural producers in the world. Data from the Federal Customs Service of Russia show that the volume of exports increased by 41.9% in January 2017 compared to the same period last year (Dinić and Lazić, 1970, p. 54).

4. Chinese economy

In the seventies of the last century, China began to open, and the “world workshop” was slowly created. China was skilled in capitalizing its most valuable asset, an abundance of human labor, and turned the country into the world’s second largest economy, just behind the United States. However, the problem of economic growth from the point of view of China’s national security was a very high degree of dependence on foreign international companies, especially American. The Chinese business wonder for the last thirty-three years was due to other countries. Most of the profits were taken by international companies from developed countries, especially from the United States. Foreign companies in China significantly contributed to Chinese GDP. Many products are produced in China, but several of them are designed, created or designed (Petrović 1, 2007, p. 96).

Deng Xiaoping opened the country’s investment, facilitated foreign affairs, and encouraged Chinese entrepreneurs to join joint ventures with the West. Deng’s Shenzhen fishing village, located along the border to Hong Kong, declared “a special economic zone” without taxes on foreign operations of the first year of operation. Throughout southern China, the government began to build roads, ports and other infrastructure. In 1994, it devalued the Chinese currency from about 5 to 8 yuan per dollar, which avoids the rapid development of the country. China, at one time the cheapest in Asia, has attracted huge investments. Millions of migrant workers have flooded industrial centers. Shenzhen was successful. With a growth of 20% a year, the famous Chinese “Monster Town” became famous. In two decades, the fishing village has turned into an urban center of 7 million people (in a wider area of the city) with skyscrapers, large square kilometers of factories and modern electronic business centers (Dinić and Lazić, 1970, p. 55).

Since the end of the 1970s, China has moved from a closed, centrally oriented system to a market-oriented system. That is why China has become important globally. China has gradually implemented reforms, resulting in its increasing efficiency in many areas. GDP has risen more than ten times since 1978. Reforms began with the abolition of collectivization of agriculture and expanded to a gradual price liberalization, fiscal decentralization, there was an increase in the autonomy of state-owned enterprises, the growth of the private sector, the development of stock markets and the modern banking system. This resulted in the opening of foreign trade and investment. China is still focused on industry, state aid to key sectors and a restrictive investment regime. In terms of parity, China became the world’s largest economy in 2016, which for the first time surpassed the United States in its contemporary history, and in 2010 it became the world’s largest exporter (Dinić and Lazić, 1970, p. 58).

New markets throughout Eurasia continue, in Africa and Western Europe, depend on the construction of large, new infrastructure roads such as high-speed railways, modern highways, telecommunications, electrical and energy infrastructure. Financing the construction of such infrastructure, with state aid from China, Russia and Eurasian countries, including Kazakhstan, and even Iran, has led to the problem of money not appearing. China supports the US and EU in the possibility of issuing bonds for such long-term infrastructure. If China, Russia and other SCO countries are seriously cooperating and planning to build such an infrastructure, so they have established one another, and

not within the major world markets, they will stimulate economic revival for the next three or more decades not only for the Chinese industry, but also for the Russia, Central Asia endangered the economies of European countries.

The Chinese government's thirtieth-year plan was presented in March 2016. The government stressed the need to increase innovation and increase domestic consumption, so the economy is less dependent on government, export and heavy industry investments. However, China has only made little progress in achieving these goals. Chinese government led by President Xi Jinping intends to double the GDP by 2020 (Milošević, 2005, p. 52).

Obviously, the economic diplomacy of Russia and China and their Eurasian economic communities largely depends on the realization of numerous industrial projects such as fast railways, new ports, energy infrastructure, and all of which will create a diverse market within the next decade if things continue to evolve at the current pace (Milošević, 2005, p. 52-53).

5. The importance of the Russian-Chinese alliance

From the above, the reader can slowly notice the importance of the Russian-Chinese alliance for the future of both the new world order and geopolitics. Russia and China are countries that have many natural resources, and this only increases their interests in their mutual relations. Official reports show that exports from Russia to China in 2015 amounted to \$ 33 billion, and Russia ranked 16th among 20 leading trading partners in China, which is the main Russian export partner. In 2016, about 30% of Russian exports to China were food products that are experiencing increasing demand. China purchases primary fish and meat products. Despite the healthy Chinese diet, Russian dairy products are in the first place. Milk to the Chinese is one of the healthiest products, and are willing to pay it very costly. In addition to dairy products, in the period between 2015 and 2016, exports of Russian chocolate, sunflower oil, beer and honey from Russia to China have increased greatly (Milošević, 2005, p. 93).

Despite the disagreements in the past (or at the time of communism), Russia and China are increasingly cooperating in the 21st century. The Ministry of Geological Resources and Mining of the People's Republic of China estimated that the South China Sea could contain 17.7 billion tons of crude oil. The most optimistic estimates suggest that the potential oil reserves of the Spratli and Paracel Islands in the South China Sea could reach 105,000,000,000 barrels of oil and that total reserves in the South China Sea could reach as much as 213,000,000,000 barrels (Petrović, 2007, p. 53).

William Engdal, a renowned economist, historian and geopolitical analyst, writes that in June 2012, the state oil giant Sinopec began drilling the first of the nine planned shale deposits in Chungking, where it is expected to produce 11 to 18 billion cubic feet (300-500 million cubic meters) of natural gas, which is the amount of Chinese daily gas consumption. By 2020, the national goal is to cover 6% of the country's total energy needs from Chinese shale gas. The government in Beijing has received geological forecasts from the US Energy Information Department of Energy that China may “possibly have” the world's largest “technically reimbursable” resources estimated at 1275 billion cubic feet, i.e. to 20% of total world resources.

This means that the alliance of Russia and China establishes a new framework in the geopolitical relations in the world. The author of this text considers that the mentioned alliance is extremely important because new power centers are emerging in which the US no longer leads. China itself is certainly not capable of taking the leading role in the world, but with Russia, for its part, it can surely become the number one force.

It should be noted that from the list of 20 Russian companies, including financial institutions, industrial companies and government services, placed bonds on the Chinese stock market worth \$ 300 million. It may not seem like this is a big deal, but that segment of the market has finally begun to develop. By 2015, foreign investors were banned from investing in the Chinese bonds market. For this reason, Russia is very important for entering the market (Milošević, 2005, p. 96).

6. Russian-Chinese relations

When Russia returned Krim under its umbrella in 2014, many world officials condemned it. In his book, Rob de Vijk writes that Putin made a normal thing, that is, the thing that big states do when re-integrating their territories. At the same time, China was in conflict with the Philippines and Vietnam, in terms of control over small islands. China and Russia have begun to become the forces that currently shape the image of the new world order, and as a result, the world is increasingly dependent on the West (Milošević, 2005, p. 102).

The power of the state is a combination of various factors: population, territory, economy, and military. Furthermore, technology and factors that are not as easily measurable as political and strategic culture, these two factors greatly determine whether the state joins the power politics, and if so, then political and strategic culture determines in what way. Energy policy is the ability of the state to exploit that power and determine how it will be exploited. For example, in general, Russia is a country with a weaker economy than Germany, but it is always willing to take advantage of its power (Petrović, 2007, p. 72).

From a geopolitical point of view, the relationship between Russia and China is getting tougher when signing a partnership agreement between the two countries. The agreement signed after a long period of both verbal and deadly conflicts marks a genuine desire on both sides to forget all the disagreements and bad relations and to turn to the future (again, we must emphasize that this is a period of communism and ideological differences at that time). Therefore, excellent relations have been created for a better future for both countries (Dugin, 2004, p. 137).

Lovel Ditmer writes that perhaps the greatest value of the partnership is bilateral, turning the world's longest land border from the iron curtain to economic transition, and generally improving relations between the two largest countries in the world. Since 1992, there have been a number of diplomatic exchanges and summits on a high level, which has been stabilized on an annual basis. This resulted in hundreds of agreements of which the most important ones were: the 1991 agreement on the restriction of the eastern border and the initiation of the border demarcation, in 1993, the Pact on Military Cooperation was signed for five years, in September 1994, a non-aggression agreement, the common classification of strategic weapons and joint non-use of nuclear energy, as well as the 1997 agreement on trade, oil and gas and cultural cooperation.

Irina Isakova believes that China is the main strategic and economic partner of Russia. On July 16, 2001, Russian President Vladimir Putin and Chinese President Xian Cemin signed a friendship agreement. Within 20 years, a framework for bilateral relations has been established. After these 20 years, the contract will automatically be extended for the next 5 years unless one of the members requests an annual notice. Russian and Chinese experts in US affairs said the Amnesty Agreement symbolized the increased role of the arms market in international relations. Thus, China became Russia's largest arms export market (Milošević, 2005, p. 111).

As Scherman Garnet writes in his article, since 1995. By 1999, the Russians sold weapons worth \$ 3.3 billion to China. In August 2005, there were the first combined military maneuvers on the Shandong Peninsula. It was an obvious indicator of the creation of a geopolitical alliance that Washington was most afraid of. Political, military and economic ties between Russia and China, former enemies, who become allies (Dugin, 2004, p. 139).

Before the beginning of the financial crisis 2008-2009. Russia and China experienced strong economic growth stimulated by their exports. Russia with the export of oil and gas and China with everything else. At the same time, China and Russia are characterized as developing countries, and China continues to fight millions of people living in poverty, while Russia continues to try to make its economy diverse and not depend only on the export of raw materials (Dugin, 2004, p. 140). This close relationship between China and Russia is causing discomfort in the Asia Pacific, as well as in Washington. Despite all the fears of these countries, there are many common interests. For example, they have the same attitude to regional security. In addition, they have growing economic interactions, and have similar approaches to energy diversification (Milošević, 2005, p. 115).

Beijing and Moscow have similar attitudes about the world and do not agree with the US leadership in the international arena. They doubt Washington's intentions, and China and Russia have worked together to balance US interests. Similarly, both countries are skeptical of sovereignty, and probably because they have regions that are concerned with the independence they need to worry about. Common perspectives, as they have led to the practical cooperation of these two countries. Not only are China and Russia permanent members of the UN Security Council who have veto power, but they have similar voting processes and have similar attitudes to a range of international issues. This includes a significant role in the OUN, opposition to missile defense and the armament of the universe, and the problematic situation in Sudan, Iran and the Democratic People's Republic of Korea (Dugin, 2004, p. 143).

Regarding relations with Central Asia, China and Russia have a similar view of the five former Soviet republics in Central Asia. Russia and China have long borders in the region and have an interest in maintaining stability. Fighting terrorism is one of the key concerns of Moscow and Beijing and support the US in its efforts to destroy the Taliban in Afghanistan. At the same time, both countries hope to reduce the influence of the United States in the region. As for energy resources, Russia and China want to develop the exploitation of large amounts of gas and oil in Kazakhstan and Turkmenistan. Moscow hopes to keep the monopoly over the pipelines in the region and direct them to the west. On the other hand, China wants access to oil and gas in Central Asia and already builds pipelines directed east of the region, and in cooperation with Kazakhstan and Turkmenistan (Dugin, 2004, p. 144).

Russia's energy infrastructure is west oriented and Russia is not fully prepared to devote itself to the development of oil pipeline that would send oil from East Siberia to China. However, in 2009, an agreement was signed on the construction of a gas pipeline to the Chinese border. Russian hesitation stems from the inconvenience of the fact that any gas pipeline built in East Asia will not be commercially viable. If this happens, then Russia could become dependent on China as the destination for energy exports and will be exposed to pressure from Beijing in relation to the price and quantity of any oil or gas delivered (Petrović 1, 2007, p. 105).

The leaders of Russia and China expressed the desire to create joint conditions for economic and trade cooperation, to improve the banking system for mutual settlement of accounts and financial services. In addition, they want to achieve better results regarding China-Russia affairs in the field of arbitration systems. Both countries promote a neutrality policy with a strong advisory mechanism for security. The friendship agreement has led to the establishment of friendly relations between Russia and China on neutrality, friendly relations and without the interference of any third country (Dugin, 2004, p. 149).

7. Geopolitics of Russia and China in the 21st century

Geopolitics is the simplest term, which indicates intercontinental or global politics (Dugin, 2004, p. 150). The term itself was used for the first time in the late 19th century, and soon geopolitics appears as a scientific discipline. Similarly, geopolitics traditionally points to the links and causal relationships between political power and geographic space (Petrović 1, 2007, p. 108).

Petar Kurecic believes that in the 21st century China has become one of the greatest advocates of the multipolar world, which is in contrast to the unipolarity and hegemony that the US realizes. China is also one of the biggest and perhaps the biggest challenges for a new world geopolitical order. China also shapes its activities in the world in the most important countries of the international community. Like every state, special attention is paid to its neighbors, especially because it borders on three nuclear powers - Russia, India and Pakistan (now with the NDR Korea). Furthermore, China's foreign policy operates in several directions:

In line with the promotion of multipolarism, China believes that the United Nations must remain the only place where fundamental decisions about the world order and the use of force against aggressors are made, along with other functions that the organization carries out. Strengthening the role of the UN, reorganizing and taking on new functions are processes that China strongly supported (Dugin, 2004, p. 153).

Russia, the largest state in the world, was once the only true rival to the United States, and then, as Petar Kurecic called it, it became a “state-sick”. After the Cold War and the planned economic system, Russia has largely emerged from a devastating economy, with enormous political and economic problems, and with the population it only wants to survive. The ruling Boris Yeltsin came across a chaotic situation in the country itself, and the territorial integrity and survival of Russia and democracy in Russia were threatened (Petrović 1, 2007, p. 112). Russia also has a special relationship to territories that have been Russian for centuries before the October Revolution and where the population is very much in favor of Russia. In addition to major economic problems, Russia has had

problems with its neighbors - Ukraine and the Baltics, as well as with minority nations belonging to the Russian Federation, for example, the Chechens.

However, since Yeltsin left, Vladimir Putin took over the presidency. After that, major changes were made in domestic and foreign policy. Putin solved the Chechen issue, reformed the administration, the army, the judiciary, and began to fight the Russian oligarchy. In addition, he began working to establish a new Russian foreign policy and a new look at Russia and the Russian forces in the world. Putin started re-engaging with US relations in his politics, and this did not seem to be a logical step in terms of the characteristics of his foreign policy. After this reversal, known as Putin's doctrine, the West and Russia are getting closer in terms of terrorist attacks and the fight against terrorism in the world. The establishment of a global anti-terrorist coalition brought new opportunities for cooperation between Russia and the United States, which quickly and painlessly resolved disputes over the expansion of NATO, the American withdrawal from the ABM agreement and the reduction of the number of nuclear warheads to one-third of the current number on each side (Dugin, 2004, p. 158).

Bobo Lo writes about how the Kremlin allocates more funds to the countries of the former Soviet Union and focuses on relations with important members of the European Union, such as Germany. On the other hand, China is more engaged in relations with the United States, Japan, Southeast Asia, Africa and the European Union.

This partnership in a way gives China the support of Russia for the Chinese position in Taiwan, Tibet and Xinjiang, the securing of the Chinese northern and western borders, the constant supply of the latest weapons, and, finally, the political support to China and its increasingly active role in the world (Petrović 1, 2007, p. 115).

Furthermore, the geopolitical picture of the 21st century is changing. The United States no longer holds the primacy in the world. Alen Suceska writes in her article that there has been an inversion of economic dependence in the world. Earlier, the world depended on US production, and today the United States is dependent on world production. This was confirmed by the large US trade deficit of 19% of GDP at the end of 2006.

Due to the collapse of the Soviet Union, the bipolarism of the world officially stopped, but in Russia, the bipolar mentality continued to prevail to a great extent. On the one hand, the United States and NATO members, and on the other hand, a powerful country like Russia, China, India and the Islamic world. Under such circumstances, a strategic partnership between China and Russia in the Western world could bring great commitment to Russian interests. Russia could become a force between the United States and China and would appeal to them depending on their own interests (Dugin, 2004, p. 160).

Conclusion

In this paper, the most talked about Russia and China, their relations, the new world order and, of course, the events that shaped the geopolitics of the 21st century. The emergence of new power centers has already been highlighted, and the United States no longer has a monopoly in the world economy. Every reader saw that geopolitical changes are taking place at short intervals and we remain on these issues to follow those changes and comment on what is expected of us in a not so distant future.

However, there may have been a change in the world order where the United States will no longer have a monopoly. They can still have the highest military, political, economic and cultural power in the world, but things change rapidly. China is the country with the largest population, and trade links with Russia are becoming more and more powerful every day, and economies are at an enviable level. The American primacy in the world is only a matter of time. China is paying more attention to neighboring countries, of which Russia is the most important for its development strategy. Bearing in mind that both countries benefited from partnership relations, they will surely have a big impact on the new world order.

It is certain that their interests do not coincide in everything, but it is obvious that they are complementary to the most important world problems and that disagreements, if any, do not affect a long-term strategic partnership on the economic, political and military agenda.

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Jelena Erić Nielsen¹
Vesna Stojanović-Aleksić²
Dejana Zlatanović³
University of Kragujevac
Faculty of Economics

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THE CHALLENGES OF MANAGING THE ENTREPRENEURIAL ORGANIZATION

Abstract

The research goal is to explore how to transform organization, with conservative management, organizational structure and culture, into an entrepreneurial one. We hypothesize that organic organizational structure, entrepreneurial culture and appropriate management decisions are crucial for enhancing entrepreneurial initiatives. A relevant theoretical overview is provided, incorporating in depth analysis of investigated issues. This paper contributes by revealing the relevance of adjusting organizational design and management style, to make it more innovation friendly and compatible with needs of individual entrepreneurs in organization. Based on these considerations we note our conclusions, and suggest that academicians provide a more fine-grained depiction of firm-level entrepreneurship, as an avenue for future research.

Key words: entrepreneurship, innovation, management, organization, structure, culture

JEL classification: L2, M13, O30

ИЗАЗОВИ УПРАВЉАЊА ПРЕДУЗЕТНИЧКОМ ОРГАНИЗАЦИЈОМ

Апстракт

Основни циљ истраживања је испитати како трансформисати организацију, са традиционалним менаџментом, организационом структуром и конзервативном културом, у предузетничку. Полазне претпоставке су да је органска организациона структура, предузетничка култура и одговарајуће одлуке менаџмента кључни за подстицање предузетничке иницијативе. У раду је презентирано релевантно теоријско истраживање, укључујући критички осврт на анализирани теме. Рад доприноси литератури указивањем на значај прилагођавања организационог дизајна и стила менаџмента, како би се креирао подстицајан амбијент за иновације, усклађен са потребама појединаца са предузетничким потенцијалом. На бази спроведених разматрања изведени су одговарајући

¹ jelena_eric@kg.ac.rs

² vesnasa@kg.ac.rs

³ dejanaz@kg.ac.rs

закључци, и дате препоруке у погледу правца и важности опсежних истраживања организационог предузетништва у будућности.

Кључне речи: предузетништво, иновација, менаџмент, организација, структура, култура

Introduction

The beginning of new milenium is designated by rapid reaffirmation of organizational entrepreneurship, perceived as fundamental precondition for gaining long-term competitive advantage. In hectic and turbulent global economy, organizations are facing neverending change, resulting in the increasing need for proactive behavior and continual innovation.

Inside the organization there is a constant tension between the need for stability and the need for innovation. Stability is essential for daily operations, maintaining efficiency and effectiveness, and securing current competitive position in a short run. However, in a long run, stability and securing current competitive position are two mutually colliding goals. In order to protect a competitive position in the future, it is necessary to embrace risk taking innovations, disturbing current business routines. Organization revitalization and rejuvenation is a necessity, but real challenge and *the main research topic* is how to transform the traditional into an entrepreneurial organization. It involves creation of preconditions for encouraging employees entrepreneurial activities by adapting the structure, culture and management style, to enable the company to efficiently respond to better and more innovative products. In accordance with the defined research subject, two main objectives of this paper and appropriate scientific hypothesis have been developed.

Paramount concern for organization is how to create nurturing environment, where new ideas can be successfully developed, tested and implemented. It implies that not all organizational structures, nor cultures, are equally capable of supporting employees' innovative behavior. which is the subject of consideration in further analysis. In line with the research subject, *the first hypothesis* in the paper advocates in favor of organic organizational structure, as the most suitable for encouraging organizational entrepreneurship, and entrepreneurial culture, with open communication channels, decentralized authority, clear vision and strategic direction.

Organization with tendency to become entrepreneurial must be as efficient as possible in innovation efforts, with very limited and scarce resources. Therefore, the objective of this paper is to provide more in depth insight in dilemmas and challenges managers are facing on daily basis, trying to maintain current level of business activities and performance, but in a same time how to proceed in attempt to develop and enhance core competence and ensure future position. Special considerations are focused on appropriate leadership style, providing incentives for employees, managers behaviours and values. *The second hypothesis* is that management decisions are fundamentally determining course of action in organization relating to entrepreneurial initiatives.

The paper is structured in following way: after the introduction, the first section elaborates entrepreneurial organizational structure and culture. The second section

is devoted to explanation of key aspects and challenges of managing entrepreneurial organization. In third section, more specific elaboration about role and responsibilities of top management is presented, with special highlights on different responsibilities depending on management level in organizational hierarchy. Finally, relevant conclusions are derived and provided recommendations for further research avenues.

Entrepreneurial organizational structure and culture

Different organizational structures are not equally capable to support the employees' innovative behavior. Problems companies are facing with competitiveness stem from their capacity for innovation, limited R&D investments, inadequate resource allocation, and lack of fruitful collaboration with research institutions (Jovanović, 2018). Numerous researchers have been analyzing optimal solutions and preconditions for encouraging and enhancing entrepreneurial initiative, especially in the context of designing and developing an adequate organizational structure (Burgelman, 1984; Sathe, 1989; Guth & Ginsberg, 1990; Zahra, 1991; Hornsby, Naffziger, Kuratko & Montagno, 1993; Hisrich, Peters & Shepherd, 2008, pp. 75-77). The structure must have capacity to respond to environmental turbulence (competition, technology, market), handle internal priorities (efficiency, effectiveness, coordination, control, etc.), but also to provide space for potential entrepreneurs to step forward and start developing innovative ideas. Designing an adequate organizational structure implies taking a number of decisions referring to specialization, departmentalization, coordination, and control (Galbraith, 1995).

It is possible to distinguish several types of organizational structures (Miler, 1986, 1996):

- *simple structure* - low specialization and formalization, coordination is carried out by direct supervision, centralized authority; innovation intensity and frequency depends on managers' knowledge and awareness;

- *mechanical bureaucracy* – organizational structure based on firm hierarchy and bureaucracy, coordination through standardization, high centralization and formalization, technology automated and integrated into business activities, fully developed and internally oriented information system;

- *organic structure* - flexible, with loose hierarchy, limited bureaucracy and procedures, intensive cross-functional cooperation, designing and developing complex products with a short life cycle, reactive externally oriented information system, emphasis on interpersonal relations, communication, authority decentralized and based on expertise (Miller, 1983);

- *divisional structure* - divisions as profit centers created on the product/market base, with more or less organic structure, entrepreneurial intensity varies, permanent tendency towards higher formalization, getting more bureaucratized in time, acting autonomously, authority delegated to division managers, control facilitated through sophisticated management information system. The divisions are mainly focused on incremental innovation, so entrepreneurial efforts are at a low or medium level (Besanko, Dranove, Shanley, & Schaefer, 2004, pp. 543-545).

The requirements of an entrepreneurial organization do not match a traditional organizational structure, which implies that the organization cannot be both organic

and mechanistic, at the same time (Burns & Stalker, 1961). Traditional enterprises cannot withstand the pressure of their competitors without innovations (Kostić, 2018). Standardized activities such as payroll, accounting, taxation, procurement tend to be highly bureaucratic, while new products development, marketing and strategic planning require a more flexible organic structure (Grant, 2009, pp. 182-183).

The organic structures favor the development of innovativeness and enhance the employees' entrepreneurial behavior. Entrepreneurship will develop under conditions of open communication, decentralized authority, clear vision and the strategic direction defined at the top of the organization. Interfunctional cooperation and interaction are priorities, as well as the realization of low formalization. Decisions often take place in the short term, and decisions are partly rational, and partly intuitive. Changes in production and modern communications provide management with new opportunities in designing an organization that needs to be distinguished by the “structure, decentralized decision making, tolerance to uncertainty, porous internal and external borders, employee empowerment, capacity of reconstruction, autonomous organizational units and integrated coordination mechanisms” (Daft & Levin, 1993).

The organic structure is suitable for enhancing innovativeness, positively influencing the employees' entrepreneurial intentions. Entrepreneurship will thrive in organization with open communication channels, decentralized authority, clear vision and strategic direction. Interfunctional cooperation and interaction are priorities, as well as maintaining relatively low formalization. Decisions often take place in the short term, and decisions are partly rational, and partly intuitive. Constant change in production and modern communications provide management with new tools in designing an entrepreneurial organization, with flat structure, decentralized decision making, uncertainty tolerance, flexible boundaries, empowered employees, renewal capacity, autonomous organizational units and integrated coordination mechanisms” (Daft & Levin, 1993).

Organizational culture is a system of common values, attitudes and ways of thinking shared by employees in the organization and transferred to new employees, as the only correct one (Bratton & Gold, 2003, p. 485). It defines a set of beliefs and assumptions about how employees should behave, what is the purpose of the organization is and what is preferred competitive position.

There are essentially invisible and formally visible aspects of organizational culture (Schein, 1984). The essence refers to a common system of values, beliefs and norms, while the visible aspects represent the ways how culture is expressed, promoted and transferred, i.e. language, myths, rituals and ceremonies. Culture has several important characteristics: *collective spirit*, implying that most employees in the organization share the content. Culture is *emotional*, enables employees to identify themselves at an affective level. It is *traditional*, reflecting the history of interpersonal relations, but *dynamic* at the same time. Organizational culture is also highly *symbolic*, with rituals, symbols, attitudes, etc. expressing the pride of the employees for joint achievements and belonging to the company. Finally, culture is *ambiguous*, encompassing contradictory elements, leading sometimes to opposite interpretation of the company's basic values. A strong organizational culture emanates a unique, consistent message to employees about preferred behavior, in order to help them deal with everyday challenges, goals and collaboration with stakeholders.

Traditional, conservative culture corresponds with a mechanistic organizational structure, strong hierarchy, established procedures, routines and embedded control methods. Entrepreneurial culture, on the other side, corresponds to a flat organic structure, authority decentralization and teamwork. Open communication contributes to mutual thrust, creating more space and willingness to accept of new ideas. Traditional business founded on organizational culture embracing conservative decision-making is nowadays facing dramatic challenges (Hisrich et al., 2008, pp. 69-73). New proposals and projects sometimes take so much time and require dealing with complex procedures that hardly anyone is willing to take responsibility and step forward. Implicit internal message of conservative culture are to stick to the rules, follow the instructions, take no initiative, and mind your own business. A culture that promotes risk aversion, will automatically and systematically discourage employees from entrepreneurial behavior. Such an environment is unsuitable for development of new ideas and does not provide freedom to act.

A strong, positive and consistent culture is crucial for encouraging entrepreneurial behavior in the organization. In most cases it takes between seven and ten years for management to transform the traditional organizational culture into an entrepreneurial one. The tendency to act in entrepreneurial way represents essential ingredient of culture, more or less embedded in organizational identity. Entrepreneurial companies are lead by a vision, an idea of the organization as it is now and what it's striving to become. The vision goes beyond the scope of current business and goes far into the future. The essence of a vision lies in an ideology, encompassing the basic values, purpose and *raison d'être* of an organization. Ideology is constant, it is not adjustable to the change of products, markets, or leadership. Entrepreneurial management creates a culture that promotes creativity, innovation and exploration. In entrepreneurial culture, the main focus is on the future, and the ability to develop and transfer knowledge is highly appreciated. The ultimate goal is to empower employees to develop through innovation and the quest for excellence, as well as willingness to take responsibility (Ireland, Kuratko, & Morris, 2006).

Managing entrepreneurial organization

Entrepreneurial ventures are initiated by individuals, but in an entrepreneurial organization, all employees have a responsibility for opportunities identification and exploitation. In an organization managed in an entrepreneurial way, there is a strong tendency for accelerated growth. Traditionally managed companies tend to grow in a moderate pace, without compromising daily operations, risking resources or jeopardizing current managerial structure and positions. Most of the companies are somewhere between these two extremes, leaning more or less toward one of them (Hisrich et al., 2008, pp. 45-46).

In organizational development, entrepreneurial management plays a key role, encouraging new value creation through innovation. Management is willing to embrace the latent conflict in the organization, since ongoing activities ensure maintaining competitive position, while entrepreneurial are currently disturbing embedded patterns and bring discomfort, but aiming to secure the market position in the long run.

Entrepreneurial and traditional management are fundamentally different. From the perspective of traditional management, entrepreneurial enterprises are managed badly and inefficiently. Traditional and entrepreneurial management is different, in terms of strategic orientation, opportunity commitment, allocation resources, management structure, rewarding philosophy, growth orientation, and organizational culture. (Stevenson & Gumpert, 1985). Traditional management is focused on loss prevention and efficiency in the present, while entrepreneurial is oriented toward value creation, opportunities recognition and identifying prospective activities in the future.

Subtle signals management is transferring to employees have much stronger impact on their behavior, comparing to formal organizational documents. Emotions displayed by managers severely affect employees' behavior, but in a same time they represent significant signal about their preferred activities. Manager's emotional intelligence and self-control is a powerful instrument of motivation. Employees will be more willing to behave in entrepreneurial manner if manager is demonstrating self-confidence and optimism, and vice versa, if constantly confronted with frustration, concern, and confusion (Brundin, Patzelt, & Shepherd, 2008). Self image, experience, feelings and affects represent the reflection of ongoing cognitive processes, and consequently influence entrepreneurial intentions and behaviour (Erić Nielsen & Stojanović-Aleksić, (2015).

Entrepreneurial leadership possess the ability to influence others to strategically manage resources in order to encourage quest for opportunities and sources of competitiveness (Covin & Slevin, 2002; Ireland, Hitt, & Sirmon, 2003). The entrepreneurial leader must convince the followers that entrepreneurship is integral part of organizational values and the responsibility of each and every employee. It helps in motivating potential entrepreneurs, providing support in innovation development and securing the necessary resources (Hornsby, Naffziger, Kuratko, & Montagno, 1993).

When top management clearly promotes an entrepreneurial strategic vision, employees will have more courage, orientation and moral justification to behave entrepreneurially (Ireland, Covin, & Kuratko, 2009). There must be a consensus about dominant logic, implying consent about expectations, signaling which opportunities are important, which behaviors are appropriate and which results are valued (Dess, Ireland, Zahra, Floyd, Janney, & Lane, 2003). Resource exchange is a mechanism enabling leaders to manage and direct the employees' behavior. The key resources being exchanged are money, material goods, services, status, information, and affection (Foa & Foa, 1974). Understanding the employees' preferences about resources is enabling leader to strengthen entrepreneurial initiatives through demonstration of the appropriate leadership style and adequate incentives, above all compensation system.

The managerial perceptions of the environment and the frequency of providing support for entrepreneurial innovations vary depending on the hierarchical level (Hornsby, Kuratko, Shepherd, & Bott, 2009). The interdependence between managerial support and frequency of entrepreneurial activities is stronger at higher organizational levels.

Top, middle and operational management have different responsibilities and roles initiating and implementing entrepreneurial activities (Floyd & Lane, 2000). At the strategic level, managers are putting effort to identify effective ways to create new or redefine existing business. The middle management proposes and develops entrepreneurial ideas aiming to improve the organization's competitive position.

Operational management is focused on how organization core competence can be used in the process of opportunities exploitation.

The role of top management in building entrepreneurial organization

Top management needs to allocate enough time and effort to clearly and systematically promote innovation as core organizational value, with far-reaching potential benefits (Goffin & Mitchell, 2010, cc 325-327). Dess et al. (2003) argue that that the top managers' leadership role is crucial for designing organization capable to support internal entrepreneurship. Entrepreneurial orientation will result in enhanced competitiveness only if accompanied with adequate support from strategic management (Erić, Babić, & Nikolić, 2016). Top managers must create an entrepreneurial organization where innovative ideas will emerge regardless of managerial supervision and monitoring. Organizational architecture represents overall internal environment, i.e. the organizational context in which the entrepreneurial strategic vision is transformed into specific entrepreneurial processes and behaviors. A flexible organizational structure, innovation capacity, an adequate compensation system, and entrepreneurial organizational culture are increasing the probability of systematic recognition and tendency to exploit opportunities (Ireland et al., 2009). In other words, the strategic management effectiveness in promoting entrepreneurial behavior will fundamentally depend on the internal environment and the available human resources (Morris, Kuratko, & Covin, 2008, cc. 302-305).

The portfolio of innovative projects must be carefully balanced and integrated into organizational strategy (Goffin & Mitchell, 2010, cc 188-190, p. 27). The fundamental problem that entrepreneurial management faces is how to effectively manage innovative ideas and projects, often highly risky. Priorities must be set and when possible it is important to specify and quantify the selection criteria. Management support is essential and implies connecting the compensation system to the new venture performance, sending an adequate message to all employees and acting as incentive. (Hisrich, Peters, & Shepherd, 2008, pp. 75-76). Traditional methods of management by objectives, motivation and control is ineffective, particularly imposing directions for employees to behave in entrepreneurial manner, as this course of action will most likely result in number of superficial and useless ideas, lack of dedication and getting form without substance (Sathe, 1989). Even substantial financial incentives are not recommendable, as they can lead to internal injustice and lack of fair play. Managers often believe that the number of value-adding activities in organization is satisfying, including long-term business relationships and investments, so if new entrants, not bounded with previous contracts and obligations, unexpectedly change competitive environment, organization is facing real problem (Besanko et al., 2004, cc. 598-599). It is necessary to manage the entrepreneurial process in the organization as a whole, not just individual project (Sharma, 1999)

It is difficult to understand the organization core business, without taking into account the personal characteristics and capabilities of the most powerful internal stakeholder, top management. The central idea of the *upper echelons theory* is that the way managers are taking decisions dominantly depend on their interpretation of the

strategic context, based on previous experience, values and personal characteristics (Hambrick, 2007). The main precondition for enhancing the innovativeness is presence of autonomous entrepreneurial behavior throughout the organization. It implies that not only employees, but managers too, have high risk propensity, they are creative, dynamic and ready to pursue the entrepreneurial opportunity.

Thus, strategic management is facing a complex entrepreneurial challenge, including taking decisions about following key issues (Morris et al., 2008, pp. 305-307): nourish of entrepreneurial capability, protect disruptive innovations, make opportunities make sense, question the dominant logic, link entrepreneurship and strategy.

Doing business in accordance with these requirements creates the basis for building competitiveness in the future. Top managers provide encouragement and backup for these activities, and on rare occasions, they might even directly communicate with an entrepreneurial team. In order to promote corporate entrepreneurship it is crucial to maintain open communication and trust. That way it is easier for management to decide about resource allocation in favor of the entrepreneurial venture. Entrepreneur is fundamentally interested his idea to be as visible to top management as possible and to adequately communicate with lower level managers. Managers should demonstrate confidence in employees, their knowledge, experience and capability to evaluate, rather than formal analysis, calculations or their own convictions. Regardless of the position, management should primarily provide an advice, rather than imposing or dictating solutions. It is possible to predefine the part of the overall budget that organizational units can allocate for entrepreneurial activities, according to their size and scope of activities. In this way, the resource allocation decisions are decentralized, but management is still retaining enough space for maneuvering (Sathe, 1989).

In most organizations, top managers are primarily focused on monitoring the current operations and maximizing performance. In the entrepreneurial organization, they take responsibility for the emerging initiatives and help them to move forward. One of the biggest challenges for strategic management is how to balance market validated and successful ongoing operations with unproven innovations, but potentially crucial for future competitiveness. They must take into account current business, maximizing performance, satisfying preferences and outperforming competitors, because without that, there will be no future for organization. The activities of maintaining and changing the *status quo* in organization are putting top management in a schizophrenic position, and this ambiguity is reinforced when they assume direct responsibility for both streams of action. While managing current business, new track for the future should be set.

Management at all levels should be able to have the profound understanding of the business, which can be achieved by rotation or expanding the field of expertise. An alternative approach is also possible, to hire an external manager, with appropriate experience and competence related to the product, market, technology, etc. In this way, the organization can get a lot, provided the new manager is embraced by employees, demonstrates credibility, and fits well into political processes (Sathe, 1989).

In spite of the enormous positive effects and the importance of getting support in the implementation of entrepreneurial ideas, in reality, top management it often resistant and unwilling to help. Management efficiency is evaluated based on short term organizational performance, so shareholders need to find a way, via board of directors, to encourage managers to engage in promoting internal entrepreneurship (Zahra, 1996). Managers owners are more prone to encourage entrepreneurial behavior.

A high proportion of outsiders in the board is positively correlated with corporate entrepreneurship, and this interdependence is getting stronger if outsiders have more shares. Separation of board director and CEO positions also has a positive impact on internal entrepreneurship. The size of the board of directors is linked with entrepreneurial initiative in a non-linear manner: there is a positive correlation up to a certain board size, but consequently it becomes too large, negatively influencing entrepreneurial initiatives (Zahra, Neubaum, & Huse, 2000).

An additional problem for strategic management is how to make sure that lower managerial levels do not take advantage of the freedom given to them, through possible irresponsible behavior. Tactical managers differ in their structural capacity to put in action top management willingness to support entrepreneurial activities. Middle level managers, closer to the top of the organization will be better positioned to estimate the nature and scope of top management support. Conversely, operational managers are more distant to top management, and sometimes do not have sufficient information about top management position, perceptions and future plans. This implies that, if there is adequate backup from the top, more entrepreneurial ideas will be implemented by middle and senior, than by operational management. Likewise, higher working autonomy, available time, flexible organizational boundaries and an adequate compensation system increase the number of ideas implemented by middle and senior, compared to the operational management (Floyd & Lane, 2000).

Conclusion

Restructuring organization is often conducted without paying attention to entrepreneurial activities, disregarding and underestimating necessity for constant innovation, as a tool of maintaining long term competitive advantage. Entrepreneurship must be clearly pointed as one of the explicit priorities in redesigning the organization, with clear and unambiguous support of management structure. Competitive potential of organization can be fully exploited only under appropriate circumstances, in friendly and nurturing internal environment.

Strategic management is focused on creating and developing new or redefining current business, while middle and operational managers are more preoccupied with exploitation of organizational competencies through implementation of innovative ideas. For academics and researchers, who recognize the importance of entrepreneurship, we suggest to focus on methodological rigor, conceptual depth, and applicability. The quest for new sources of competitiveness is raising a series of issues on the theoretical and practical level, and limited knowledge is making the creation of internal environment favorable for entrepreneurial initiative even more challenging. Recommendation for managers and practitioners is to establish incentives and compensation system, to communicate entrepreneurial vision and strategy, to highlight flexibility in strategy implementation and become role model in promoting employees innovative behavior. If managers perceive themselves as innovative, willing to take risk and experiment, the rest of the organization will follow.

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Miloš Jovanović¹
BDD DIL BROKER AD Beograd

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INITIAL PUBLIC OFFERING AS A SOURCE OF FINANCING AND ITS SIGNIFICANCE FOR THE DEVELOPMENT OF THE SERBIAN CAPITAL MARKET

Abstract

Initial public offering has often been used in many economies in the privatization process of state-owned companies, primarily with those companies of strategic importance for the country. This further affected the private sector companies to decide on this step and thus gain additional capital in order to finance their further development. Based on the previous experience of many developed countries and countries in the region, the privatization through public offering of shares has significantly contributed to the development of the capital market in these countries, which is predominantly reflected in the growth of market capitalization, volume of turnover, number of transactions and participation of local and foreign investors in these markets. Through the conducted analysis of the capital market of Serbia, this paper points to its modest market capitalization and low level of liquidity largely caused by the long-term negligence of the role that the stock market can have on its development. The aim of the paper is to present the initial public offering of shares as a form of financing of companies, which can also make a significant contribution to the development of the Serbian capital market.

Keywords: initial public offering, capital market, privatization, market capitalization.

JEL classification: F30, G24, G32

ИНИЦИЈАЛНА ЈАВНА ПОНУДА КАО ИЗВОР ФИНАНСИРАЊА И ЊЕН ЗНАЧАЈ ЗА РАЗВОЈ ТРЖИШТА КАПИТАЛА У СРБИЈИ

Апстракт

Иницијална јавна понуда се у многим економијама често користила у поступку приватизације државних предузећа, првенствено код оних компанија које су од стратешког значаја за земљу. То је касније утицало и на компаније у приватном сектору да се одлуче на тај корак и да на тај начин дођу до додатног капитала у циљу финансирања свог даљег развоја. На основу досадашњих искустава многих развијених земаља и земаља у окружењу, приватизација путем јавне понуде акција значајно је допринела развоју тржишта капитала у тим земљама, што се првенствено огледа

¹ chemico.nis@gmail.com

у расту тржишне капитализације, обиму промета, броју трансакција и учешћу домаћих и страних улагача на тим тржиштима. На основу анализе тржишта капитала Србије, утврђена је скромна тржишна капитализацију и низак ниво ликвидности, проузроковану првенствено дугогодишњим занемаривањем улоге коју берза може имати на његов развој. Циљ рада је да представи основне информације о иницијалној јавној понуди акција као једног од облика финансирања компанија, који истовремено може дати значајан допринос развоју тржишта капитала Србије.

Кључне речи: *иницијална јавна понуда, тржиште капитала, приватизација, тржишна капитализација.*

Introduction

The financial market in Serbia is characterized by the inefficiency of the capital market and its potential in the overall financial system. Even after 20 years, being the duration of the transition process of the Serbian economy, we may conclude that Serbia still has an insufficiently developed and shallow financial market. Small volume of turnover, a minor number of listed financial instruments and a poor market capitalization are the main features of the capital market in Serbia. The capital market, as an important segment of the financial market (Krstić & Đekić, 2018), was organized in the form of the traditional stock exchange back in 1989, which functioned until 2002 in a non-standard manner. During this period, its functioning was limited to trade operations of short-term money loans in the form of debt instruments of companies (commercial notes and corporate bonds), treasury bills and bonds of the National Bank, while there was no trading in shares of companies in the prior period. Since 2002, the main financial instruments traded on the capital market have become the shares of the companies privatized accordance with the Law on Privatization from 1997, as well as the bonds issued (emitted) for the purpose of pay of liabilities based on old foreign currency savings. With the reestablishment of the Belgrade Stock Exchange, the Securities Commission (1990) as a regulatory body that monitors the implementation of laws and by-laws regulating the financial market, the Central Registry (2002) and the adoption of a series of laws (the Law on Privatization, Law on Capital Market, Law on Takeover, Law on Business Companies, etc.) has been created an institutional framework for the growth and development of the capital market in Serbia.

Characteristics of the Capital Market in Serbia

Although the Serbian financial market meets all institutional, technical and legal conditions for the functioning of the capital market, we may say that it is not sufficiently developed or represented in the economic flows. The development of the capital market in the former socialist countries was largely influenced by the manner in which the company ownership transformation was carried out, which, in accordance with the applicable regulations at the time, turned public ownership into private.

The selected privatization model has greatly influenced the development of the capital market, so we may conclude that the opportunity of a harmonized simultaneous process of privatization and development of the capital market has been missed in this area (of financial system). The applied privatization model also had a significant impact on the development of corporate culture, so we can conclude that it did not prove to be the best practice on this basis either. Selling majority packages of shares to one owner ensures budget revenues and improves the efficiency of the company in the first years after the sale, more than it would be achieved through voucher privatization, however leaves the capital market less developed than it would be under the alternative privatization schemes - for example, with voucher privatization. The Serbian authorities have chosen the method of selling majority packages of shares of the companies through auctions and public tenders as the dominant model of privatization (Prokopijevic, 2006), which resulted in a small number of listed companies on the Belgrade Stock Exchange whose shares are actively traded.

The liquidity of a market is reflected in the possibilities that it offers to its participants, to move easily and with as little cost as possible, from one form of financial asset to another. The capital market in Serbia is illiquid, which is reflected predominantly in a small volume of turnover at daily and annual basis, insufficient number of listed financial instruments and low market capitalization. In the last ten years, the only financial instruments that could be traded on the Belgrade Stock Exchange have been bonds of foreign currency savings of the Republic of Serbia (with the last bond to be billed matured on 31st May 2016 and all bonds withdrawn from the market), long-term bonds of two banks that were also due with which the secondary trade was almost non-existent, bonds of two local governments, debt securities issued by the Republic of Serbia and shares of privatized companies. One of the problems of the Serbian capital market is that, out of the total number of listed shares, there is only a small number of those which make a turnover during the year. The statistics illustrate that there are, on average, about twenty companies which trade shares daily, which is only a modest turnover compared to the developed markets in the region. During 2017, out of a total of 620 listed shares on the Belgrade Stock Exchange, the shares traded were only by 190 issuers. For these reasons, market capitalization is not an adequate indicator of the development of the capital market in Serbia, since a large number of privatized companies had to be on the stock market, as required by the law, although there was and there is still no interest of the investors for their shares because the majority packages of shares of these companies were sold through public tenders or auctions. Therefore, in recent years there has been a constant exclusion of securities and other financial instruments from the stock market. This is also illustrated by the indicator that in 2012, the total number of shares listed on the Belgrade Stock Exchange was 1067, while in 2017 there were 620 listed shares, which represents a decrease of 41.9% for a period of 5 years.

Since November 2015, there has been a group of long-term debt securities in dinars and euros issued by the Republic of Serbia included in the offer of financial instruments traded on the Belgrade Stock Exchange. One of the objectives of their introduction into regular trading on the Belgrade Stock Exchange was to enable individual investors to access these securities, providing them with an opportunity to place their assets in a simple way at significantly more favourable conditions compared to traditional savings. During 2017, the total number of listed bonds of the Republic of Serbia on the Belgrade Stock Exchange amounted to 70, while in the same year there were 58 different bonds traded. It should thus be noted that the dominant share in this trade belonged to the banking sector investors, bearing in mind the low yields that these financial instruments have had and relatively high trading costs that has further reduced the yield of the investors.

The level of development of the capital market of a country is well illustrated by the ratio indicator that represents the relationship between the market capitalization and gross domestic product. In developed markets, this ratio is usually over 50%, while in Serbia it is at the level of 15% (Table 1). We should also bear in mind that the amount of market capitalization of the Serbian capital market that was taken from the calculation of this ratio is not realistic, since in 2017, out of 620 listed companies on the Belgrade Stock Exchange, there were only 190 shares of companies traded, while 430 company shares were not traded at all.

Table 1: Ratio of Market Capitalization and GDP by countries in 2017.

Country	GDP (billions \$)	Market Capitalization / GDP (%)	Historical min. (%)	Historical max. (%)
USA	19,75	139.8	35	149
China	13,03	45	41	662
Japan	4,85	158	56	361
Germany	3,92	50	13	58
France	2,82	89	52	182
United Kingdom	2,81	117	47	201
India	2,77	64	40	158
Italy	2,23	15	10	45
Brazil	2	49	26	106
Korea	1,7	84	36	140
Canada	1,65	119	78	190
Spain	1,59	68	50	235
Russia	1,58	1575	16	1575
Australia	1,46	107	94	229
Mexico	1,07	37	12	46
Indonesia	1,07	38	17	99
Netherlands	0,87	107	51	503
Switzerland	0,68	269	84	431
Sweden	0,55	134	63	159
Belgium	0,46	110	80	147
Singapore	0,34	122	92	418
Serbia	0,04	15	12	55

Source: The World Bank, www.theglobaleconomy.com, www.gurufocus.com

During the 1990s and early 2000s, company commercial papers and central bank treasury bills had a dominant role in the overall turnover in the financial market. After 2003, short-term instruments were redirected to the money market (interbank market), while the dominant assets on the Belgrade Stock Exchange according to of volume and number of transactions have been the company shares and bonds of foreign currency savings. Since 2002, the development of the capital market has been characterized by a dynamic increase in market capitalization and turnover all the way until 2007. Thereafter, there has been a drastic fall in turnover and market capitalization caused, primarily, by the effects of the global financial crisis and a significant withdrawal of foreign investors

from the market, who have had a significant activity and share in the turnover of over 55% in that period (Hafner & Krstić, 2013). In 2012, the turnover on the Belgrade Stock Exchange fell by 85% compared to the record year 2007, while in the same period, the market capitalization fell by 46%. As of 2016, there has been a significant increase in turnover which in 2017 has reached a level that is 168% higher than the turnover in 2012. However, such a significant increase in turnover on the stock exchange may occur exclusively due to the inclusion of long-term debt securities issued by the Republic of Serbia. The practice shows that these securities are primarily traded by banks and that this trading is done sporadically. The share turnover in the same period (2012-2017) was reduced by 60% (Table 2).

Table 2: Total Turnover on Belgrade Stock Exchange in period 2010-2017.

	2010	2011	2012	2013	2014	2015	2016	2017
Total Turnover (mil. RSD)	23.018	28.585	24.988	30.163	20.240	22.429	44.944	66.907
Bonds of the Republic of Serbia	4.672	4.184	4.299	1.515	4.674	5.323	38.109	58.641
Company Shares	18.294	24.400	20.505	28.490	15.564	17.106	6.465	8.266
Corporate bonds and municipals bonds	52	0	184	158	2	0	370	0
Total Turnover (%)	100%							
Bonds of the Republic of Serbia	20,30%	14,64%	17,20%	5,02%	23,09%	23,73%	84,79%	87,65%
Company Shares	79,48%	85,36%	82,06%	94,45%	76,90%	76,27%	14,38%	12,35%
Corporate bonds and municipals bonds	0,23%	0,00%	0,74%	0,52%	0,01%	0,00%	0,82%	0,00%

Source: Belgrade Stock Exchange

There have been no serious foreign investors in our market to initiate a significant development of the capital market, for many reasons. The limiting factors for their higher activity in this market are mainly small number of different types of securities for trading and insufficient liquidity of the market. The liability on capital gains tax for the purchase of securities, which amounts to 15%, and is paid both by the investors of investment and voluntary pension funds, and those with foreign currency savings deposits in banks, additionally affects the lack of interest of foreign investors, given the fact that many countries in the region do not have this type of tax. High trading costs in relation to the markets in the region represent another limiting factor. These costs significantly increase the transaction as the commissions of the stock exchange, stockbrokers, the Central Registry and the bank in the transaction balance range in the total amount up to 2%.

Initial Public Offering as a Source of Financing and a Model of Transformation of the Company into a Public Joint-stock Company

Initial Public Offering (IPO) is the first sale of shares of a company to the investment public. In this way, investors purchase shares in exchange for money, and the company through the primary capital market comes to the fresh money required for further growth and development (Denčić-Mihajlov, 2013). Initial public offering is a transaction through which the company increases its value but also changes its ownership structure, that is, moves from any closed form to a publicly open joint-stock company. The IPO process is rather complex, demanding, and its realization lasts for several months, and therefore the issuers mostly rely on the services of the investment bank performing all business operations. The investment bank often acts as an underwriter as well, where the bank commits to purchase from the issuer all shares that are not sold on the market.

There are numerous advantages brought about by raising additional capital through the implementation of initial public offerings. With the additional capital, a company increases its value, creates conditions to finance its further development and improve its business, and the company becomes more attractive for investors. At the same time, the company improves its financial position on the basis of which it can obtain additional loans in the financial market under more favorable conditions. The possibility may appear for the company to be listed on the national stock market, which significantly contributes to: 1) the increase in the company's reputation, 2) increase of the interest in the company's shares by investors, 3) and increase of liquidity of the shares in the market, which enables purchase and sale of shares with minimal price deviations (Sjostrom & William, 2001).

The main disadvantages of IPO include high costs of public placement, where all services of the underwriter (the investment bank), lawyers, auditors, costs of registration of issuance and listing on the national stock exchange need to be settled. At the same time, the company becomes subject to regulatory body control and has additional costs. One of the important reasons why the current owners of companies do not choose initial public offerings but are additionally indebted and thus provide the necessary financial assets, is that the initial public offering brings about a significant change in the ownership structure of the company, it often gives way to the separation of ownership and management functions, hence the existing owners may have less decision-making power in the company. Frequently, a major problem for the existing owners is the fact that the company must accept high corporate management requirements and transparency in business and reporting, if it decides to implement the IPO procedure and open the company towards the investment public.

Table 3: IPOs on the European Stock Exchanges in period 2015 – 2017.

Stock Exchange		2015		2016		2017	
		Number of IPO	Volume in mil EUR	Number of IPO	Volume in mil EUR	Number of IPO	Volume in mil EUR
London	Stock Exchange	92	16.370	81	8.043	135	17.634
NASDAQ	OMX	90	5.905	80	7.861	98	3.996
Euronext		46	11.228	23	3.455	20	3.258
BME (Exchange)	Spanish	24	7.794	24	1.327	27	3.696

SIX Swiss Exchange	3	2.039	4	733	5	3.853
Deutsche Borse	23	6.795	11	5.022	13	2.525
Borsa Istanbul	6	42	2	103	3	278
Oslo Bors & Oslo Axess	8	1.078	6	287	11	1.099
Irish Stock Exchange	2	394	-	-	3	3.756
Wiener Borse	1	-	1	-	1	1.680
Warsaw	33	440	28	262	27	1.811
Zagreb Stock Exchange	2	36	-	-	-	-
Bucharest Stock Exchange	5	-	2	51	4	256
Sofia	1	6	2	31	-	-
Budapest	-	-	1	9	1	73
Total:	336	52.127	265	27.184	348	43.915

Source: PWC: IPO Watch Europe Survey 2017, PricewaterhouseCoopers, London

The practice exercised by a large number of companies in the world shows that IPO is a much more favourable way of accessing additional capital than taking bank loans. The loan that the company would use for financing its development must be returned eventually, while by selling a smaller package of the existing or newly issued shares, the owner can still retain his majority ownership, i.e. its managerial rights, and at the same time provide the necessary resources for further growth and development of the company.

The statistics show that a significant activity was achieved in the IPO market globally, since the crisis in 2007. By the end of 2017, 1624 IPOs were registered in the total amount of US \$ 188.8 billion, representing a growth of 49% in the number of shares and 40% in the raised capital compared to year 2016. Although this activity on the market was not at the 2007 level (1974 IPOs, through which \$ 338.4 billion was invested), the investors predict a very active year of 2018 as the markets are slowly returning to levels before the crisis (Ernst & Young, 2017).

Observed by the sectors in 2017, the dominant share was held by the financial sector, where EUR 16.7 billion were collected through 109 realized IPOs - the major IPO: Allies Irish Banks plc-2.9 billion eur. In the area of industrial production, close to EUR 7.9 billion were collected through the 50 realized IPOs - the major IPO: Landis&Gyr Holding AG – EUR 2.08 billion, while in the consumer goods sector in 2017, EUR 6.4 billion were invested through 28 realized IPOs - the major IPO: Pirelli & C SPA - EUR 2.3 billion eur (PWC, 2017).

On a global scale, the largest IPO activity is currently present in the Asian Capital Market. Companies from these areas dominate even if we examine the largest implemented initial public offerings throughout history. In the first five IPOs there is only one company from the US. Alibaba Group Holding Limited, (China) e-commerce company (currently one of the largest companies of this type in the world), which is currently holding the leading position as the company with the US \$ 25 billion collected, performed the greatest IPO in the world.

Importance of IPOs and Listing of Large Companies on the Level of Liquidity of the Capital Market in the Republic of Serbia

In the 1990s, IPOs were often used in many economies in the privatization process of state-owned companies, primarily with those companies of strategic importance for the country. Most of the successful privatizations under this model have been carried out in Great Britain, France and other developed West European countries. In our region, examples of the state-owned company privatization through an IPO are: 1) the privatization of MOL in Hungary in 1995, when 42% of the capital was offered to the citizens, 2) the privatization of the Croatian INA in 2006, where investors were offered 16% of state shares, and 3) privatization of the Croatian Telecom in 2007, in which almost 360,000 citizens took part. Shortly after the IPO of Croatian state-owned companies, a series of IPOs continued in the private sector of food industry, shipbuilding, maritime transport and similar. These and many other examples of sales of shares in companies through public offerings of shares have significantly contributed to the development of capital markets in these countries, which is primarily reflected in the growth of market capitalization, volume of transactions, number of transactions and participation of local and foreign investors in these markets.

Serbia is one of few post-socialist countries which did not use IPO as a model of privatization during the transition. The main problem was a lack of political volition as well as a legal solutions in the field of finance (the Securities Market Act, Law on Business Companies, Law of Takeover of Joint stock Companies). By amending particular laws during 2012, the conditions were met for initial public offerings to be technically feasible on the capital market in Serbia. After two decades of transition, there are still around 1300 state-controlled companies in Serbia (large public enterprises, public local companies, social enterprises in the process of privatization) with about 450 thousand employees, representing over 15% of the total number of formal employees. The implementation of IPOs with public companies should not be understood solely as one of the models of their privatization, but also as a way through which companies gain new capital, where a larger number of shareholders with their interest in business results, enter the company, further leading to the professionalization of management. A major missed chance for the development of the Belgrade Stock Exchange lies in the fact that Naftna Industrija Srbije and Airport “Nikola Tesla”, as companies of general public interest and with great market capitalization, were not privatized through initial public offerings. One of the key problems that delay the growth of the capital market in Serbia is the absence of large state-owned companies from the stock market. Given that these are mainly companies of general public significance, it can objectively be assumed that the state will be interested in retaining a part of the ownership under direct control, bearing in mind their importance and the possibility of influencing the overall economic development of the country. At the same time, the further development of these companies requires the injection of fresh capital. The privatization of certain public companies and companies controlled by the country of Serbia (Elektroprivreda Srbije, Telekom, Srbijagas, Putevi Srbije, etc.) through the implementation of the initial public offerings represents a way for the state to fulfil the above mentioned key requirements while providing, at the same time, local and foreign professional and individual investors with investments in attractive securities. The influence of the listing of public companies onto the liquidity of the capital market in the Republic of Serbia is best illustrated by the examples from years 2010 and 2011, when the Belgrade Stock Exchange started trading with the shares of Naftna Industrija Srbije and shares of Airport “Nikola Tesla”. Listing of issuers with multi-million number of shares has significantly contributed to the increase in the volume of turnover, number

of concluded transactions on the stock exchange and participation of foreign investors in the total turnover.

With the implementation of IPOs of the major Serbian public companies and inclusion of their shares in the Belgrade Stock Exchange, investors would be given a greater opportunity to invest in quality securities. The more massive use of IPO as a form of financing of companies, listing of their shares on the stock exchange and organization of secondary trading, would contribute to strengthening of local institutional investors, better interest of foreign investors and overall development of the domestic capital market. Initial public offerings of public and major companies' shares in Serbia are most likely the last chance for the development of the capital market. For the success of the foremost IPOs, it is also important to enter one of the leading European stock exchanges. This would greatly increase the availability of securities to foreign investors, thereby increasing their liquidity not only on the foreign, but also on the Belgrade Stock Exchange. In addition, listing of securities on the foreign exchange would be a sign that the issuer meets strict listing criteria, which gives confidence both to foreign and local investors.

What is perhaps most important is that initial public offerings enable a large number of citizens to take part in issuance, as we need to bear in mind that the Serbian population represents a potential of ten billion euros.

Conclusion

The capital market in Serbia is characterized by poor liquidity, a small number of listed quality securities with constant trading and symbolic turnover in relation to the developed stock exchanges of the world. For these reasons, the paper points out the necessity to follow contemporary financial trends and exercise positive and established practice of the developed countries' markets in the financial market of Serbia. Implementation of initial public offerings of many public companies, as well as private companies in Serbia, is a necessary condition for a substantial development of the capital market. Through the IPO procedure, shares are offered to the widest investment public and by organizing their secondary trade on the Belgrade Stock Exchange, it will significantly contribute to solving the problem of the chronic lack of quality securities on the organized capital market.

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Ratomir Antonović¹
University Union “Nikola Tesla” Belgrade
Faculty of Law, Security and Management
“Konstantin Veliki”

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Miloš Krstić²
University of Niš
Faculty of Natural Sciences and Mathematics

SOCIAL PROTECTION RIGHTS IN THE CONTEXT OF NEW LEGISLATIVE SOLUTIONS IN THE REPUBLIC OF SERBIA

Abstract

The Law on Social Protection of the Republic of Serbia was adopted in 2011 and contains solutions resulting from the reform processes in this field. This Act sought to ensure: the minimum material security of individuals and families, the availability of social assistance services, to guarantee equal conditions for the individual's individual life, to upgrade and improve family relationships, as well as to prevent unwanted occurrences such as: abuse, neglect and exploitation of people. However, despite the reform intentions and the achieved results in this area, during seven years of application of this law, numerous defects and shortcomings were noted, and there was a need for the adoption of the Law on Amendments to the Law on Social Protection. Since the issue of amending the positive Law on Social Protection is actual issue, the measures that were proposed by the respective amendments and proposals were analyzed, with a review of positive legal solutions, as well as the potential effects that could be achieved by adopting the proposed changes. All changes are aimed at the social protection in the Republic of Serbia is raised to a higher level, in order to bring the position of the user to an adequate level, respecting his personality and integrity. On the other hand, one of the major novelties is certainly social activation of social assistance beneficiaries, which in practice means that each user will be engaged in work according to his abilities and ability to work. This novelty is not in an antagonism with the basic goal of social protection, that is material support and the provision of social care services, because the working engagement of social welfare beneficiaries only stimulates their working capacity and performs vocational and professional training, that leads to integration into society as equal community members. So, although disputed, this novelty cannot be harmful to the users, because it gives them multiple opportunities, through job training, through social integration.

Key words: social assistance, protection, family, human rights, social welfare center

JEL classification: K15

¹ antonovicr@gmail.com

² krsticmilo3@gmail.com

ПРАВО НА СОЦИЈАЛНУ ЗАШТИТУ У КОНТЕКСТУ НОВИХ ЗАКОНСКИХ РЕШЕЊА У РЕПУБЛИЦИ СРБИЈИ

Апстракт

Закон о социјалној заштити Републике Србије је донесен 2011. године и садржи решења која су резултат реформских процеса у овој области. Овим Законом се настојало обезбедити минимум материјалне сигурности појединаца и породица, доступност услуга из области социјалне помоћи, гарантовати једнаке услове за самостални живот сваког појединца, надограђивати и усавршавасти породичне односе, као и предупредити нежељене појаве као што су злостављање, занемаривање и експлоатација људи. Међутим, упркос реформским интенцијама и постигнутим резултатима у овој области, током седмогодишње примене овог закона, уочене су бројне мане и недостаци, те се указала потреба за доношењем Закона о изменама и допунама закона о социјалној заштити. Како је актуелно питање измена и допуне позитивног Закона о социјалној заштити, анализирани су мере које су предметним изменама и сопунама предложене, уз осврт на позитивна законска решења, као и потенцијалне ефекте који би се могли остварити усвајањем предложених измена. Све промене иду ка томе да се социјална заштита у Републици Србији подигне на виши ниво, да се положај корисника доведе на адекватно место, уз уважавање његове личности и његовог интегритета. Са друге стране, једна од великих новина свакако представља радна активација корисника социјалне помоћи, што у пракси значи да ће сваки корисник бити радно ангажован складно својим могућностима и радној способности. Ова новина није у антагонизму са основним циљем социјалне заштите, а то је материјална подршка и пружање услуге социјалне заштите, јер се радним ангажовањем корисника социјалне помоћи само подстиче њихов радни капацитет и врши радно и стручно оспособљавање, што ин води ка интеграцији у друштво као равноправних чланова заједнице. Тако да, иако оспоравана, ова новина не може бити штетна по кориснике, јер им даје вишеструке могућности, што кроз радно оспособљавање, што кроз социјалну интеграцију.

Кључне речи: социјална помоћ, заштита, породица, људска права, центар за социјални рад

Introduction

Social protection could be defined as a series of measures by which state institutions provide assistance to socially vulnerable categories of the population. The goal of social protection is to improve the financial situation, opportunities for employment and health care, as well as all other vital aspects of the social life of socially vulnerable citizens of a state. These measures are primarily entrusted to the state, that is, the society, and therefore they have the attribute “social”, and they are reflected in the help and support of the socially vulnerable. Because of this, the general and commonly used name for them in most modern legislation is social assistance, social welfare, social support or

social welfare. In addition, in a large number of modern countries, besides the state, in providing social assistance, NGOs also took part, providing professional assistance to all or certain of the categories of socially vulnerable citizens.

Social protection can be provided in a number of different ways, through: providing social assistance, providing food and grocery products, providing hygienic and other packages, social housing construction and awarding solidarity apartments and health care and care and other similar ways (Radovanović, 2015, p. 16-17). Social welfare beneficiaries are socially vulnerable categories of the population: unemployed, severely ill and persons with disabilities, elderly persons who have no one to worry about, multi-family families with many children, participants in wars and other persons whose existence is endangered. Based on the volume of social assistance, i.e. how many people can enjoy social assistance, the classification of countries that are socially responsible and those that are not. It is considered that countries where a wide range of social assistance is represented by socially responsible countries, that adequately care for their socially vulnerable citizens, while countries that selectively provide social assistance do not have the character of socially responsible countries. Of course, the volume of social assistance beneficiaries is conditioned by the economic possibilities of the given country, and that richer countries are also socially responsible.

Social protection in the Republic of Serbia is based on material benefits and social protection services. It also includes child protection and pension and disability insurance. Material benefits are material assistance that is assigned (granted) to socially vulnerable categories of people. Beneficiaries of material benefits may be permanent and occasional. Permanent users are people who are permanently disabled to provide the means for their lives, and social assistance is their only source of income. Occasional users are persons who have been temporarily unable to provide funds for their own lives, most often as a result of an unfortunate situation or natural disaster (earthquake, flood, fire, storm, etc.). Social protection services include the assessment and planning of direct social work services arising from the assessment of the needs of social service users. They consist of daily community services, support in independent life, counseling - therapeutic and social - educational services, as well as accommodation services. Daily services can be provided in the living rooms, and can be in the form of home help, support for independent life includes support services, personal assistance and training for independent living. Advisory - therapeutic and social-educational services consist of family counseling, counseling of vulnerable persons, family therapies, mediations and organization of emergency telephone lines. Accommodation services include the accommodation of vulnerable persons in reception centers, where food, medical assistance and care are provided. The accommodation is done at reception centers, shelters and reception stations.

New social policy measures in Serbia

Positive Law on Social Protection of the Republic of Serbia (Official Gazette RS No. 24/2011) was adopted in 2011 in the process of reforming the social protection system in our country, that brought about the introduction of modern solutions and numerous innovation in comparison with the previous social policy that was in force in our country.

As one of the essential novelties, it is definitely considered the introduction of measure of accommodation in the home as a form of social support. New measures concerned the provision of protection within the community itself and the environment of the person to whom social protection is provided. Also, the principle of decentralization of the provision of social assistance was adopted, which practically meant lowering it from the level of the republic to the level of bodies of the provinces and local self-government units. Then, pluralism of social service providers was introduced, where besides public organizations, a number of private organizations from the non-governmental sector are involved in the process of providing social services. For the first time, quality system was introduced, that included the standardization of social care services, the accreditation of training programs for staff development, and the provision of services and professional assistance.

In addition to all the innovative solutions introduced by this law in practice, certain shortcomings and inconsistencies that prevent the achievement of the expected effects of the legal act were also noticed during its implementation. Also, at the time of the application of the positive Law on Social Protection, there have been changes in some of the Laws that are applied in the application of its provisions. Finally, it was noted that some proposed legal solutions did not yield the desired results. Therefore, in line with European legal solutions in this matter, a number of measures for amendments to the Law on Social Protection are designed. These measures are reflected in better allocation of resources in order to provide support to able-bodied social assistance beneficiaries in cooperation with the National Employment Service. Then, through incentive measures to local self-governments, especially poorer, to develop services through dedicated transfers from the national level. It also insists on: 1) the modernization of housing facilities, especially housing facilities for persons with disabilities, and 2) better monitoring and evaluation, and the strengthening of control mechanisms. The work on the information interconnection of various social and state sectors is particularly important because it eliminates administrative obstacles to social assistance beneficiaries with a considerable shortening of the deadline for exercising their rights, thus increasing the efficiency of the work of the social assistance authorities in the Republic of Serbia. Centers for Social Work across the country will be able to act through the centralized information system on requests (applications) for recognition of the right to assistance, for reviewing the evidence of other state authorities, and will be given the opportunity to collect autonomous evidence which saving time and raising the level of efficiency.

The general goals of the new measures of social policy in the Republic of Serbia are: 1) the improvement of the quality of services and the implementation of professional procedures in the field of social protection, 2) the improvement of the quality of providing social protection to persons at the level of local self-governments, 3) the elimination of legal and technical shortcomings present in the positive Law on social assistance, especially in the area of prevention of displacement of the child from the family, 4) the raising the level of competences of employed persons in the centers for social work and other bodies dealing with social policy in the state, 5) the building mechanisms for control, monitoring and evaluation of the social welfare system protection and legal harmonization of new legal solutions with other relevant laws at the level of the Republic of Serbia (Brković, 2014, p. 199-210).

Expectations from new measures

The basic starting point for the drafting of the Law on Amendments to the Law on Social Assistance is the the improvement and modernization of the existing social protection system that exists in the Republic of Serbia. The current work of social welfare institutions in our country has proven to be insufficiently efficient and consistent to meet all the challenges ahead they set him up. The new measures will, first of all, seek to ensure quality in the work of social assistance institutions. In practice that was previously represented and to which social assistance beneficiaries often had many objections, the Centers for Social Work, as a public service, whose founder of local self-government units, were the main and primary providers of social assistance. The changes to the Centers for Social Work significantly narrow the competencies to the assessment and planning segment. Apart from the narrowing of competence of CSWs ensures (to ensure) better quality of services provided, the existence of conflicts of interest due to interferences of competencies, which were inevitable, is prevented. Several different service activities were conducted in the centers for social work, that were often interference, which had a conflict of jurisdiction for the final result. Such situations were due to the fact that the centers performed the tasks delegated by the founders, that is, the units of local self-government from one hand, while on the other hand they performed tasks delegated by the republican institutions. Thus, the centers received overwhelming responsibilities with a large amount of work, that could not be completed either efficiently or quality. They are far from their primary jurisdiction, which, in the end, had the worst reflection for social assistance to users. The basis for this burden on social welfare centers lies in the provision of positive law that states that the Center for Social Work can provide other social welfare services if there is no adequate provider of these services. Therefore, with this formulation, an integral part of the work that does not belong to any other state body is in the corpus of the competence of the Center for Social Work, and because of its character, it should be left to the center.

When drafting new legal measures, the legislator proceeded from the fact that in our country there has been increased number of procedures in the field of family legal protection and an increased number of children who are placed in foster families. This is an absolute sign of weakening the authority of the institution of the family, that is becoming less and less appreciated, not only in our country, but globally. Therefore, the need for strengthening family support mechanisms, strengthening family capacities, the role of parents and parenthood is obvious, with the aim of better and more adequate care and protection for children. The foster care measure, that is highly represented, applies to children without parental care or to children whose parents have psycho-physical developmental disorders, behavioral disorders, and consequently the child cannot live with the parent. A family of fathers has the role of providing the child with all the necessary conditions in accordance with the law and his special needs conditioned by his age and health status. A nutritionist represents a temporary or permanent substitution to a parent, and it is therefore clear how important his role is to the child in the foster family. The furnishings can be standard when the needs of a child with proper psycho-physical development is met, for which it is estimated that foster care is in his best interests. Such fostering may take longer or shorter periods of time. Specialized fostering meets the needs of the child with psychological and physical developmental disorders, with

health problems and behavioral disorders. As a rule, this kind of fostering takes a longer period of time. Urgent fostering is caused by the child's abandonment by a parent, gross neglect or abuse, or when the parent's death occurs. This fostering lasts until the crisis in the family is resolved. At the end, there is occasional fostering for the children with developmental or health problems, that (and) live in their biological families. Children are placed on the occasional foster care for a short period of time in order to preserve the capacity of the biological family for further child care and in order to prevent the crisis situations that can endanger the capacity of the biological family (Nedeljković, 2017, p. 25-31).

The effect of the new measures proposed in the context of the above, should be reflected in the strengthening of family capacities with the aim of preventing the relocation of children from their biological families. The opinion of the professional public is that the displacement of children must be used as the last resort only after all other available opportunities are exhausted. For this reason, intensive measures of support for parents and families at risk are envisaged. Only if all these measures do not give the desired results; children are moved from their families to foster families or homes. Also, measures are reflected in the transformation, modernization and improvement of living conditions in homes, which should turn into modern centers for children and young.

As problem in the implementation of positive legal norms and problems in the practical application of these, it was determined the formation of waiting list for the service of accommodation in the retirement home. The current capacity of these facilities is not at a satisfactory level, nor is the equipment level. According to positive legal solutions, it is necessary to open public procurement for accommodation services in circumstances where needs cannot be fulfilled by engaging public capacities. The public procurement procedure involves preliminary assessment of the scope and territorial distribution of needs. As the service user has the right to choose the home in which he or she will reside, such legal solutions contribute to inappropriate allocation of funds and the inability to respond adequately to the demand. Instead of such ineffective solution, the new measures envisage the possibility of creating a functional network of authorized accommodation service providers that would provide services under the conditions prescribed by the line ministry. Users would also be able to use the service at home without waiting and forming waiting list, in better existential conditions, regardless of the fact that the hosts would have different founders. This would build a homogenous system of homes in the country, which would provide services in accordance with the needs of the users, using adequate resources and capacities under equal circumstances, regardless of who is the home founder. Also, the possibility of bringing users in the unequal position would be avoided.

In order to provide social services in a timely manner, it is necessary to have an up-to-date database. According to the positive Law on Social Protection, the database includes records and documentation, with the legislator paying very little attention to this important element. In the framework of providing social protection to citizens, various complex procedures for recognizing the rights of social welfare beneficiaries are firstly conducted, different types of support are decided upon, and strictly confidential personal data bases for users and related parties are being kept. Amendments to the present Law specify the registers and records that are kept and define their content and manner of conduct. Also, a central informational system of social protection is introduced, it unifies

all existing registers into one single base, providing the basis of efficient supervision. Compliance with the provisions of the Law on Personal Data Protection is made and allows all data to be malnourished in one document, raising the level of work efficiency and data management. At the end of each calendar year, the Annual Social Security Report would be submitted, with data from the central information system.

Novelty in the proposed changes is also reflected in the changes of the status and position of social welfare beneficiaries. Particularly, concerning working-minded users, which are long-time beneficiaries of social protection services. With them is made the so-called “ individual activation plan, with the aim of helping them to integrate in the labor market and taking responsibility for satisfying the their personal and family needs. The practice that was applied before the proposed changes were made, did not give the desired results because the activation plans were not precise, the procedure was not clearly defined, nor was the responsibility of those persons who took part in the activation.

The modern social welfare center must have highly qualified and competent personnel, which in every situation and circumstances know how to provide quality and conscientious support to those who are of particular importance. Therefore, the proper selection of personnel must be carried out exclusively according to the professional criteria of knowledge and experience in the field of social policy. The proposed amendments envisage the strengthening of the role of the Ethics Committee, especially in the segment of competencies and entrusted tasks, as well as the extent of professional responsibility imposed by this body. Also, in the social policy segment in the Republic of Serbia, the Republic Institute for Social Protection plays an important role. It conducts development, advisory and research activities and professional support activities, through the accreditation of training and social protection programs. Institute performs these tasks in continuity, and the proposed changes, also, extend the scope of activities of the Institute to external supervision in the preparation of methodological instructions and the preparation of the Annual Report on Social Protection, including the collection and processing of data. The proposed competencies of the Institute also include the harmonization of the social protection system at all levels, ranging from the central, provincial, city and local, as well as to the non-governmental sector. Also, the amendment of the positive law envisages the establishment of the new body, the National Institute for Social Protection.

Very important issue is the development of the Social Services Delivery Program. For the first time, the accreditation of the Program is announced and determined by the positive Law on Social Assistance, however without specific regulation, so that these provisions of the Law were not applied. The program includes activities meeting specific needs of users in the context of giving certain rights or goods and reduction and minimizing adverse effects in order to integrate users, as equal individuals, into the community. The fact that such important segment was not well defined by the positive Law has contributed to the reduction of the intensity of the promotion of professional work and contributed to the disabling the professional supervision of the work of these bodies.

As it has already been pointed out on several occasions, the amendments to the Law on Social Assistance have done lot to improve the quality of providing social services to beneficiaries, as well as in the raising the aspect of control in the work of

professional services and individuals. The reason for the tightening of control should be sought in the deconcentrated organization of social protection at the administrative districts level, which is very uneven and have no precise form. Therefore, the proposed measures only strive to balance and guarantee the quality of their work. The external supervision, according to the given proposal, would represent a deconcentrated form of professional support for workers, organizations and bodies participating in social protection, would contribute to the improvement of the provision of services and the application of social protection measures and achievement of maximum. This measure would increase the level of co-operation within the social protection sector itself, which would ultimately improve the quality and efficiency of work. Also, in addition to external audit, inspectional supervision of professional work in the social protection bodies is introduced, which is realised in accordance with the provisions regulating the issue of supervision over the work of state administration bodies. The positive Law does not elaborate in detail the issue of the responsibility of supervised entities in the case of detecting errors in the implementation of supervision, as well as with the implementation of supervision and the procedure of inspection supervision.

Organization of the Centers for Social Work

In the current practice, social welfare beneficiaries could only address Social Rights Centers for their rights, their determination and realization. They decide on exercising the right to material security, exercising the right to allowance for assistance and care of another person, exercising the right to the training for work, exercising the right to accommodation in social care institution, exercising the right to accommodate adult in another family, foster care, guarding, determining and changing the personal name of minor, measures of preventive supervision over the exercise of parental rights and measures of corrective supervision over the exercise of parental rights.

In addition to the original, the Center for Social Work also performs entrusted tasks in the sense of exercising public authority, such as the establishment of mediation in family relations, participation in litigation procedures in relation to minors in the context of the delivery of findings and expert opinions, especially in lawsuits for the deprivation of parental rights, submits opinions on the validity of the measures for protection against domestic violence at the request of the competent prosecutor's office, provides assistance in obtaining relevant evidence during the civil or other court proceedings, conducts procedure for assessing the general suitability of the foster parent, adoptive parent or guardian, performs inventory and assessment of the property of the person under guardianship, cooperates with the competent authorities in the selection and application of educational orders, mediates between the juvenile perpetrator of the criminal offense and the victim, submits reports to the prosecution and juvenile judge on the fulfillment of educational orders, in the proceedings against the juvenile person and prepares questions and proposals to the persons who carry out these actions, it submits to the court opinions on the facts concerning the age of the juvenile perpetrator, his maturity, the environment and the circumstances in which he lives and other circumstances of his / her behavior the main hearing in the criminal procedure against the minor, informs the court about the escape and the inaccessibility of the juvenile perpetrator of the criminal offense, is committed

to the execution of educational measures of special obligations, checks the execution of educational measures of enhanced supervision by the parent, adoptive parent or guardian, checks the execution of the educational measure of the enhanced supervision in the other family, carries out measure of intensified supervision by the guardianship authority, in particular taking care of the education of the juvenile, his employment and dispossession from the environment that is detrimental for him, taking care of the enforcement of the educational measure of increased supervision with the obligation of daily living in the institution for upbringing and education of minors, shall submit to the competent authorities report on the educational measures taken, propose to the court the decision on the costs of the execution of educational measures and initiate court proceedings in cases when the Law authorizes it (Šarkić & Počuća, 2013, p. 155-172).

The work of the centers for social work must be public and accessible to all persons under equal conditions in order to avoid any form of discrimination in the social welfare right exercising. Centers must act preventively, through the development of programs that meet the individual and collective needs of citizens and suppress social problems in a local community. Preventive programs are designed to address specific categories of population and their current problems. They can include individuals, families with problems, marginalized social groups with the goal of their training in community life, education and parental training. The main task of the CSW program is to prevent the emergence of social problems such as family violence, youth offenses and the consumption of psychoactive substances. Programs should work on developing community volunteering and fostering civic awareness and accountability in order to better and more effectively identify social problems in the community (Đorđević et al., 1978, p. 284).

Regarding the organization of the centers for social work itself, it is aimed at the absolute professionalization of work in the centers, which would be performed by highly qualified personnel with special knowledge and sensitivity towards the socially vulnerable categories of the population, which predominantly occur in the role of the users of their services. The user is at the center of attention of the Center for Social Work, its condition and its real needs. It is the goal of the users to incorporate themselves more actively into the process of protection, decision-making process and the process of meeting their own needs. The Center for Social Work must be efficient and economical with responsible management business and human resources. The Center must coordinate with local communities in order to implement programs and activities. When it comes to the internal organization of the centers for social work, it starts from the scope of work, the establishment of the system of responsibility, the human resources management with an adequate evaluation of the professional work. In centers where less than ten employees work, the jobs are organized within one organizational unit. If the center works in the area of several municipalities, then special departments for each municipality can be formed separately. Otherwise, the basic organizational units in the Center for Social Work are: 1) the Children and Youth Protection Service, 2) the Adult and Old Care Service, 3) the Legal Affairs Service, and 4) Department for financial, administrative and technical matters. In addition to these basic ones, the Reception and Planning and Development Service can still function.

The head of the Center for Social Work is the director, who is responsible for the legality of the work of the center, the respect of professional standards in work,

the internal and external coordination, the planning, the organizing and the controlling the work of the employees. Heads of organizational units of the centre provide: 1) the internal coordination and organization, 2) the plan and manage the scope of work, 3) respect the standards of professional work, 4) respect the legality of work, and 5) the respect of deadlines and procedures. The Head of the departments of centre is authorized: 1) to allocate and organize professional workers within the department, 2) to provide administrative support, spatial and technical conditions for work, 3) to perform control of timeliness and compliance with deadlines during the conduct, 4) keeping records and working with confidential user documentation, 5) to distribute items according to established procedures and criteria, with special care for the equal burden on all employees and rational use of working hours (Milovanović, 2009, p. 22-34).

In addition to directors and managers of organizational units, supervisors have a very important role in the internal organization of the Center for Social Work. They ensure compliance with the standards of professional work with the aim of ensuring the quality of services. Supervisors direct, train and evaluate the development of professional competencies of case-managers, so-called managers, while achieving optimal effects and meeting user needs. Supervisor has task to support case managers by organizing supervisory process at all stages of work. The supervisor has the authority: 1) to ensure the protection of the best interests of users organizes and realizes supervision in at all stages of the proceedings, 2) to inform managers of the unprofessional, incompetent and unlawful conduct of the case manager, and 3) to compile annual reports on the progress of the case manager and other professional workers (Polić, 2016, p. 66-71).

Conclusion

The Republic of Serbia is a country that traditionally stands on the point of view of strict respect for and respect for human rights. In this regard, social rights are also strictly respected. Serbia actively promotes social cohesion through: 1) the exercising the right to an adequate level of social protection, 2) the encouraging employment, further training and respecting the personality and integrity of workers, 3) the protecting the most vulnerable social categories, 4) the creating equal opportunities for all citizens, and 4) the prohibiting social discrimination. Although various endogenous and exogenous processes and events have contributed to social imbalances in Serbian society, Serbia can boast of the fact that it is a socially responsible state. The disturbance of the social balance was due to major changes in the domain of politics and economy, as well as demographic trends. As a consequence, these changes have led to: 1) the increasing of unemployment and poverty rate, 2) the increasing of high social segregation, 3) the increasing of levels of crime, and the vulnerability of personal security and security of personal property, especially the vulnerability of socially vulnerable categories, such as children and the old. Therefore, these societal challenges require an adequate response of the competent institutions, for which it is necessary to adopt appropriate legal frameworks. These new circumstances need to be introduced under the appropriate legal norms, that would effectively solve these problems or provide a mechanism for their resolution. This means the activation of citizens that, due to all these negative tendencies, went into a passive attitude and attitude towards society and social changes through: 1)

the activating and raising the efficiency of the social protection system, 2) the integrating of the non-governmental sector into the social protection sector, and 3) the reducing of the level of bureaucracy and increase the level of professionalization of public social institutions.

Since the amending the positive Law on Social Protection is the current issue, the measures that were proposed in respective amendments and proposals of the Law on Social Protection were analyzed, with a review of positive legal solutions, as well as the potential effects that could be achieved by adopting the proposed changes. All changes should enable that the social protection in the Republic of Serbia is raised to a higher level, and the position of the user is brought to an adequate place, respecting his personality and integrity. On the other hand, one of the major innovations is certainly a social activation of social assistance beneficiaries, which in practice means that each user will be engaged in work, according to his abilities and ability to work. This novelty is not in an antagonism with the basic goal of social protection - the material support and the provision of social care services, because the working engagement of social welfare beneficiaries only stimulates their working capacity and performs vocational and professional training. So, although disputed, this novelty cannot be detrimental to the users, because it gives them multiple opportunities, through job training, through social integration.

The social protection system must be efficient and must meet the needs of various strata of socially vulnerable categories, such as: children, young people, people with disabilities, single parents and the elderly. These strata of socially vulnerable categories are characterized poverty and crisis that prevent and disable them in everyday life, vocational training, family formation and the resolution of existential issues. For this reason, the role of the centers for social work is primarily reflected in the fact that these people are saved in order to they did not to go to the social margin and use some unlawful form of satisfying their existential needs. That is why it is important to constantly modernize the work of social welfare institutions, keep up with the new tendencies and needs of the beneficiaries, decentralize social protection services and introduce new services with the increase in the volume and quality of the existing ones. In every society, even our priority issue should be the reduction of poverty and the improvement of the quality of social protection, with the rational allocation of capacities according to the territorial principle. Modern measures of social protection are achieved by raising the quality of life of socially vulnerable categories of the population. It is therefore crucial to adopt pre-existing amendments and supplements to the positive law, as well as the correct implementation of new measures in practice. Applying new legal solutions should be monitored and evaluated for their effectiveness, both from the aspect of theory and practice.

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Marijana Aleksić Glišović¹
*University „Union - Nikola Tesla“ Belgrade
Fakulty of Business and Law*

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Gorica Jerotijević²
Preschool institution Biseri, Trstenik,

Zoran Jerotijević³
*University „Union - Nikola Tesla“ Belgrade
Fakulty of Business and Law*

MODERN APPROACHES TO EMPLOYEE MOTIVATION

Abstract

Motivation is a process in a person who moves it towards a goal. Given that employees represent the most valuable part of any organization, their motivation is one of the most important management functions. The subject of the work is modern approaches to employee motivation, that is, motivational strategies and tools that can be used for this purpose. The main goal of this paper is to consider a number of issues related to the modern approach to employee motivation: identifying and understanding the factors that motivate employees today, but also ways to increase their job satisfaction. In this paper, modern approaches to employee motivation will be viewed from the aspect of contemporary theories, which include: the theory of righteousness, goal setting theory, the theory of reinforcement and the theory of expectations.

Key words: *employee motivation theories, modern approach to motivation.*

JEL classification: *M50, M51, M52.*

МОДЕРНИ ПРИСТУПИ МОТИВАЦИЈИ ЗАПОСЛЕНИХ

Апстракт

Мотивација је процес у човеку који га покреће према неком циљу. С обзиром на то да запослени представљају највреднији део сваке организације, њихова мотивисаност представља једну од најзначајнијих функција менаџмента. Предмет рада су модерни приступи мотивацији запослених, односно мотивационе стратегије и алати који могу бити коришћени у ту сврху. Главни циљ овог рада се односи на разматрање низа питања везаних за модерни приступ мотивацији запослених: идентификовање и разумевање фактора који мотивишу запослене данас, али и начина за повећање њиховог

¹ marijana.aleksic@yahoo.com

² goricavidic.ts@gmail.com

³ zoranjerotijevic@gmail.com

задовољства на раду. У раду ће се модерни приступ и мотивација запослених посматрати са аспекта савремених теорија у које спадају: теорија праведности, теорија постављања циља, теорија појачавања и теорија очекивања.

Кључне речи: *теорије мотивације запослених, модерни приступ мотивацији.*

Introduction

“The art of selecting people is not nearly as difficult as art to enable the chosen ones to develop their full potential.” Napoleon Bonaparta. Motivating yourself is difficult, and motivating others is even more difficult. With this in mind, the question arises what determines employee motivation and how to fully utilize its capabilities in order to develop the organization? Motivation, according to many definitions, is an intrinsic enthusiasm for an employee and an effort to achieve work-related activities, that is, internal force that encourages individuals to achieve personal and organizational goals. In essence, it comes down to the inner drive and level of energy that determines the individual to decide to take action - and this is usually a positive action directed towards growth, progress and general or direct improvement of conditions or effects.

The notion of motivation is related to the Latin word: movers or shifts and the harshest can be described as targeted behavior bearing in mind that people are motivated in situations when after the action they expect the achievement of a goal and a prize that will meet their needs. “Work motivation proved to be one of the most important assumptions of the effectiveness of work and the achievement of the given goals of both individuals and the whole organization “(Boljanović, Pavić, 2011, p. 251). Motivation is a process that takes place within the person, which affects the degree, direction and duration of the effort involved in achieving a goal (Greenberg, Baron, 2003, p. 41). Motivation refers to some aspect of life that exists in the consciousness and behavior of each person and it launches to action, and the task of human resources managers is to find a way to understand how to inspire and ensure a high level of employee motivation, bearing in mind that their motivation is influenced many factors: biological, intellectual, economic, social, emotional ... because every employee perceives different activities, events, people and goals as motivating. It is precisely because of this complexity that the motivation of an employee must be regarded as an internal driving force subject to the influence of both internal and external factors. Motivation for employees is a combination of meeting the needs and expectations of work and factors at the workplace that enable their motivation.

Albert Einstein spoke of the weakness of the attitude, becoming a weakness in character. Transferred to an organization - if employees have a negative attitude or show inactive behavior, they will become unmotivated and, consequently, unproductive. The organization’s human resources management, among other things, must provide an incentive environment that creates motivated workers. Therefore, although they are well acquainted with traditional, tried and tested theories and approaches, they must be in the process of up-to-date and most useful methods and techniques of motivation, but also brave enough to apply new ways of motivating their workers.

Process theory of motivation

This paper presents some of the modern motivational theories in the business world, in which motive is the key to success, since people are the most important and most challenging resource of the organization. Employees who are motivated and working hard to achieve their personal and organizational goals can become a crucial competitive advantage for the company. Therefore, it is so important to understand the process of motivation, what motivates individuals, and how the organization can create a workplace that enables employees to do the best they can.

In the development process, the first managers laid the foundations that made it possible for today's managers to better understand their employees and how to best motivate them. Since then, new theories have made it possible to gain a better approach and understand the essence of employee motivation. There are four modern motivation theories that provide an insight into the improvement of employee performance: theory of expectations, theory of justice, goal setting theory, and theory of reinforcement. They are often referred to as process theories, all of which range from engaging employees in an activity if they expect some benefit. Hence, the activity being undertaken is an instrument for achieving certain goals that will give the employee the benefit he expects. These theories are based on the fact that an employee chooses a particular type of behavior depending on how he estimates that the results of this behavior will work to achieve the goals. It should be noted that since employees have different preferences towards different goals, in each individual situation, employee motivation is a combination of the interaction of individual expectations and preferences.

The Theory of Equity - developed by J. Stacey Adams, is based on a simple assumption that people in the organization want to be treated fairly (Moorhead, Griffin, 2004, p. 76) and is based on the perception of an employee about how he is treated in a relationship to associates. Equality means equity, and in the workplace it refers to the perceived equality of employees according to the way they are treated and according to the rewards they deserve. Employees estimate their own outcomes (in the form of salaries or benefits) in relation to their contributions to the organization (in terms of hours of work, education, mastered training, etc.), and then compare the outcome and contribution relationship with one of the following experiences:

- previous experience of an employee in a different position within a given organization,
- previous experience of an employee within another organization,
- previous experience of another employee within a given organization, or
- previous experience of another employee within another organization.

According to the Adams Equity Theory, if an employee finds out that there is inequality, they will most likely make one of the following choices:

- will change their working habits (less effort at work),
- will change its requirements related to compensation for work or income (it will demand an increase, shorter working hours for the same salary),
- he develops a distorted perception of himself, which calls into question his self-esteem and self-image (“I have always thought I'm smart, but now I realize that I am / I'm not much smarter than my colleagues”),

- develop distorted perception of others (“Anina’s position is much less / more flexible than mine”),
- will treat the situation of inequality from a different perspective (“maybe I’m not working hard as other sector leaders, but I’m working far more than most graphic designers”), or will
- abandon a situation in which they recognized the existence of inequalities (leaving a specific job position within the organization or the organization itself).

Bearing in mind that the motivation of an employee does not depend solely on the award but primarily on the relationship of the effort invested and the rewards it receives, it is clear that employees will compare their relationship of effort and rewards with the relationship of effort and rewards of the reference persons in the organization and / or environment. On the basis of this comparison, an employee’s perception of fairness or unfairness of the prize is formed, and a balanced relationship of commitment and rewards of all employees is perceived as just. According to Festinger (1954, according to Jelić, 2009), it is not necessary for people to tell others what they are in their eyes, but only enough to compare each other. Consequently, unjust or unequal distribution of prizes will have a demotivating effect on the employee, who perceives this inequality in the context of overpaid or subsistence.

However, one should not ignore the human nature, that is, the inclination of employees to overestimate their personal contributions or rewards to other employees, which leads to the creation of unrealistic images, which is one of the problems of applying this theory. However, human resources managers can use this theory in order to improve employee satisfaction - bearing in mind that everyone wants an equal and just treatment, management must make an effort to understand the perception of honesty by employees and, in line with this, take appropriate steps to reduce the situation in which are inequalities.

The Theory of Reinforcement was developed by Harvard psychologist B. F. Skinner. This approach is called positive reinforcement or modification of behavior, and is based on the fact that employees can be motivated by the adequate design of the work environment and rewards for the results achieved, as the accent on punishment yields negative results. The approach is reduced to the assumption that employees take certain activities because they know what the consequences of these activities are, and depending on what consequences they follow, they adopt certain behavior or avoid it. There are three basic types of consequences that follow after the undertaken activities: positive, negative and none. In general, positive rewards are considered rewards, as opposed to them - punishment is all that suppresses and does not encourage any behavior. Motivation of employees who rely on the theory of reinforcement, although actually simple, can be effective because it is functional - all of its components are defined by their function, and not their structure, which means that the consequences can work differently for different people and in different situations. What a punishment for an employee can actually be a reward for someone else, and that’s why managers use this theory in practice to motivate and direct employees to desired types of behavior by using rewards to achieve the desired results. The strength of this Skinner theory lies in its overlap with the requirements of good governance, since it emphasizes the removal of

obstacles to achieving the goal, careful planning and organizing, feedback control, and constant communication (Wehrich, Koontz, 1998, p.)

Goal Setting Theory. Edwin Locke developed the theory at the center of the intent to achieve a goal as the main source of labor motivation, (Moorhead, Griffin, 2004, p. 96) and is based on the premise that the intention of an employee is to direct his work to the goal, the primary source of motivation. When setting the goal of an employee, it becomes clear what needs to be achieved and how much effort will be needed to complete it. This theory has three main components: (Janićijević, 2009, p. 42)

- specific goals lead to a higher level of performance than the more general goals (“do your best”, “do the best you can”),
- The more difficult goals of the water have a better effect than easy goals (provided the employee accepts the goal),
- Progressive feedback on the goal improves performance, they are particularly important because they help the employee to see the gap between real performance and ideals (the desired outcome as a goal).

Bearing in mind the trend towards empowerment of employees at the workplace, more and more employees participate in the goal setting process. This theory starts from clearly defined and defined goals in order to motivate employees to achieve goals of the company easier, faster and more efficiently. The work process may be known to the worker, but if he does not know the purpose for which he is doing the job, the motivation will be low.

Victor Vroom’s Expectancy theory (1964) is one of the most widely accepted motivation theories, according to which expectations are based on the probability that an employee works in a certain way, which depends on the strength of an employee’s belief that this act will produce a certain outcome that he values. This theory attempts to figure out why a person chooses a certain form of behavior in a particular situation. The theory of expectation is one of the best and most widely accepted motivation theories, and its emphasis is on the relation between the motivation of the employee and his behavior. According to this theory, the probability that employees will work in a certain way depends on the strength of his belief that this action will produce a certain outcome and whether and how much that outcome will be valued. The degree of employee motivation depends on three important links:

- The relationship between effort and performance, ie the strength of an individual’s expectation that certain effort will lead to a certain level of performance,
- The relationship between the effect and the outcome, ie the power of expectation that a certain level of effect will lead to a certain outcome,
- The relationship between outcomes and individual needs, i.e. to what extent the level of expected outcome can satisfy the employee’s personal needs.

The Expectancy Theory (Koontz, Wehrich, 1998, p. 6) includes concepts:

- Valence refers to the attractiveness of the prize and can be positive, negative or indifferent, depending on what the employee’s activity would produce. Valence refers to the affective orientation of the employee to the outcome, that is the degree of attractiveness, the importance of the outcome for an employee and, consequently, it is subjective, because it depends on the personality and

its relation to some consequence (outcome).

- Instrumentality is activity in the direction of achieving the desired outcome. It offers an answer to the question of why certain outcomes are important to employees and from where they have a positive or negative valency. Outcomes can have valency also due to the expected connection with some future outcomes in the future (promotion can have a positive valency for a worker, not only because of getting to a new, better job, but also because he will bring him a higher salary or more autonomy in work). If this logic moves backwards, the build-up of the trail builds up at work leading to improvement, which in turn leads to higher pay.

Although this theory suffers from criticism because people do not always decide rationally by making possible favorable results, but often with impulsive, emotional and irrational reactions in the desire for results at all costs, the significance of this theory should be recognized, which lies in the linking of efforts in work and realization desired goals.

- Expectation is the level of belief in the possibility of achieving the desired goals by undertaking a certain activity. As with instrumentality, expectation is one type of perception of probability that an effort will lead to the desired result. It can move in values between 0 and 1.

According to Jančićjević N. (2009, p. 45) the motivation of employees is determined by the following three types of relationships:

- Effort - performance (1st row score),
- Performance - prizes (2nd order score),
- Prizes - personal goals of an employee.

In order for a worker to be motivated, he must first of all believe that if he works, he will succeed in achieving the desired result, i.e. that they will achieve an effect that will earn a certain prize. An employee must believe that he / she will really receive the reward he / she is valued for. The expectation theory essentially speaks of the fact that employees will not be motivated to work if they do not believe that, if they invest, they will be able to achieve the effect for which the reward will follow. According to this theory, one of the reasons for lack of motivation lies in the belief of the workers that they will be manipulated in such a way that even if they achieve the required effect, the prize will be absent. The reason for the lack of employee motivation can be the prize itself, because if a reward for performance transfer is offered something that an employee does not want or does not value, then accordingly, he will not be motivated to work in order to reach such a prize.

Goal setting theory is based on employees perceptions of what their treatment is in relation to their associates. Goal Setting Theory suggests that employees are highly motivated to work when specific goals are set and when they have feedback about their progress. The theory of reinforcement claims that behavior is a function of consequences, that is, that people take actions because they know what they can expect as a result. The expectation theory is based on the expectation of the worker that his invested effort through concrete activity will result in achieving the desired goal. These four process theories build on content theories in that they eliminate their main defect, which is reflected in the lack of answers to the question why people often undertake

certain actions that are not expensive to them, i.e. which are contrary to their interests and motives.

How to modify existing jobs in order to increase employee motivation?

There are a number of different methods of motivating employees and their combinations, yet some strategies prevail in organizations that seek to improve the motivation of employees. Given that the field of human resources management is characterized by dynamic development, many theoretical and practical knowledge is quickly overcome, but one thing is certain: human resources are not only a mere sum of employees, but are also understood to mean “the total human potentials: available knowledge and experience, possible abilities and skills, possible ideas and creations, degree of motivation and interest in achieving organizational goals and the like” (Kulić, 2005, p.86). Understanding what motivates employees is the first step towards increasing their motivation to work, and inevitably affect the productivity and performance of the organization. It is clear that organizations can achieve an improvement in their performance by investing in employees. Since in the same sector of one organization workers are driven by different motivators, the assumption is that the key is found in a combination of flexibility, job design and rewarding systems. Numerous theoreticians and many scientific research have contributed to today’s understanding of employee motivation. Nevertheless, it is necessary to mention some of the ways in which these concepts can be practically applied today in the workplace in order to achieve the goals of organizing and improving individual effects.

Motivational design of the work Human resources management can, through the modification of existing jobs, increase the motivation of workers through:

Extension of the work related to the horizontal expansion of the work, that is, the increase in the number and variety of tasks performed by the employee. With a greater diversity of tasks it can be expected increased employee satisfaction with work, especially in situations where it is a matter of uniform, repetitive tasks. The disadvantage of this concept lies in the assumption that employees can experience that they are required to do more, without changing the fee, which can produce dissatisfaction and reduced motivation for work.

Job enrichment refers to the vertical expansion of an employee’s work. Bearing in mind that the expansion of the business refers to the width, ie, the scope of work, enriching a job is a way to increase the depth of work by giving the employee greater autonomy, responsibility and decision-making powers. In this environment, the employee is given the opportunity to use his talents and skills, but also has greater control over planning, implementation and control of work tasks. Essentially, enriching the work leads to increased job satisfaction and reduced absenteeism.

Changing a job is also called cross-training or job rotation, and relates to the transfer of employees from one job to another. This can be done to expand the knowledge workers’ corpus or because their reduced motivation to a specific job is noticed. The shift or rotation of work leads to increased flexibility in planning and production, and is also of great importance in the training of lower level managers in different functional areas. The disadvantages of this concept are related to the increase in training costs and the

period of reduced productivity that is needed while employees do not reach a satisfactory level in new work areas.

Work planning options. In an effort to meet the needs for diverse workforce and at the same time to retain the best employees, maintaining and improving their competitiveness, organizations are faced with challenges in finding new ways to motivate their employees. Many workers have a problem to match work and private life, or to achieve a satisfactory quality of life outside working hours. This concern occurs even when the employee is in the workplace and can affect the reduction of their motivation and productivity. Organizations that have introduced flexible arrangements for employees have acquired motivated employees whose productivity has increased. There are increasingly popular alternatives to traditional work schedules, such as flexible working hours, a compressed or four-day working week, remote work and work sharing, as a way for employees to focus on the job they need to do, without compromising the quality of their private lives, which certainly leads to greater motivation for work.

Flexible working time allows employees to decide when to work. They are expected to work for a certain number of hours per week, but have the ability to independently allocate the number of hours worked during the week / month, i.e. when they come to work and when they leave.

One of the options for workers who want to provide themselves with maximum free time, three-day weekends or to avoid travel to work and work in morning and afternoon traffic jams is a compressed or four-day working week. This is a concept where employees work for 40 working hours, but by deploying them in a way that they have a shorter working week. The most common arrangement is the 4-40 ratio, ie the regime in which the employee works four ten-hour days a week. Organizations that have this option of organizing work recognize the advantage of this regime in the form of increased motivation and productivity and reduced absenteeism from work.

Remote work is a work scheduling option that provides workers with the opportunity to work from home, through a computer connected to their office, headquarters or colleagues.

Job sharing is the ability to do the job in a way that two employees share assignments, responsibilities, and working hours of one workplace from 40 hours a week. In practice, it is used much less than flexible working hours and a compressed working week, although these employees provide work flexibility, while the organization receives “two for the price of one” or two workers, and therefore two sets of skills and abilities to achieve one set of goals.

Organizations often use a combination of these scheduling options depending on the needs and the specific situation. The point is that employees who have more free time or autonomy to organize their own time in an opportunity to lead a balanced life, which gives the opportunity to be happier and more productive. Although each of these job scheduling options may also have some disadvantages, the benefits outweigh the problems far beyond, and this is supported by the fact that the number of organizations offering more flexible work opportunities has a growth trend.

Recognition of commitment, recognition and empowerment - each worker has his own unique, unique needs that he seeks to satisfy through work. For this reason, organizations must create a range of different incentives that will cover a wide range of employee needs within the work environment, which should lead to an increase

in the level of employee motivation. Recognition and formal recognition for the top efforts of an employee or group of workers is one of the ways to increase their motivation. Recognition is a form of positive feedback that is a signal to employees that the organization recognizes and values their contribution. Recognitions can take various forms - formal and non-formal, so some organizations have a tradition of official ceremonies to award prizes and celebrate achievements of workers, while others through informal interaction congratulate employees on a well-done job. Recognition can also be in the form of a cash prize, an increased number of free days, greeting cards via e-mail, gifts or oral praise. However, it should be noted that it is not necessary that the recognition comes solely from superiors to be effective. Employee empowerment, also called the inclusion of employees, ie participatory management, refers to delegation of decision-making powers to employees at all levels of the organization. In this way, workers are given greater responsibility for planning, implementing and controlling the results of their decisions, and this type of empowerment is based on the assumption that human resources, in particular at lower levels in the firm, represent underused resources. Essentially, employees are able to contribute much more to their organization's skills and abilities if they are given the opportunity to be part of the decision-making process and provide access to resources that are necessary for the implementation of their decisions. As a result of employee empowerment, feelings of frustration are reduced, work motivation increases, and energy is diverted from self-sustainability to better performing business tasks.

Financial Incentives - Every comprehensive approach to employee motivation must also have a component of cash incentives to improve performance. Despite the existence of a large number of alternative motivators, money still takes an important place among them. Money is effective when it is directly related to the ideas or achievements of an employee. However, if they are not related to other, non-monetary motivators, its motivational effects are short-lived, and may also be counterproductive unless they are equally accessible to all members of the organization. Modern organizations use a number of pay-per-pay / pay-per-action programs, profit sharing, team split plans, option options and bonuses to motivate employees for work and productivity. The standard concept of wages or wages per hour is increasingly confusing the concept of variable wages, which means that one part of the salary of the employee is directly linked to his performance. Financial incentives are reduced to the variability of compensation that is proportionate to the employee's contribution, and are also known as pay-per-action programs.

The pay-per-pay / pay system implies that employees are paid a certain amount for each unit they produce, in this way the worker can bring in the earned amount of the earned amount with its productivity.

Profit sharing is based on the overall profitability of the company, and using certain formulas, management forms part of the profits of the organization to all employees.

Wage Sharing Plans are incentive-based schemes based on group productivity where employees within a team share a financial gain attributable to the increased productivity of that team. In this way, workers are motivated to increase productivity within their working group, unrelated to the general picture of profit for the organization as a whole.

One of the popular approaches to financial incentives is the allocation of stocks or the provision of opportunities for employees to buy a certain amount of stocks at prices

below the market - which can be a strong motivator given that those who receive shares receive a chance to earn more money from them.

Bonus is nevertheless the most popular form of incentive, it is a one-time cash prize that employees receive to achieve a certain level of performance. The bonus system of the organization compensates employees for a good job while motivating and encouraging such behavior in the future. This is because bonuses may vary depending on the outcome.

Learning, creativity and innovation, if employees offer tools and provide opportunities to achieve more, most will use them. Organizations can motivate employees to achieve more in such a way that they will commit themselves to continuously improving employees' skills. Programs of various trainings and trainings for employees are increasingly popular and more efficient ways to increase the knowledge and motivation of employees, and through these programs the employees' self-confidence increases. Observed from the motivation motivation of the employee - if the acquired knowledge can be applied to the job to be done, acquiring that knowledge will be a value for both the employee and the organization. Within the organization, an irreplaceable number of employees of great creative and innovative potential, who do not offer management with fear of being ignored or smuggled, do the job. For this reason, it is important from the aspect of employee motivation to provide opportunities for workers to use their ideas, because the power of creation is motivated and at the same time it benefits the organization as the exchange of ideas and information among employees and sectors increases. These improvements in terms of promoting creativity and employee innovation create an environment that is open to change that can give the organization a competitive edge in the market.

Using some of the above-mentioned motivation methods and tools, in accordance with the requirements of a specific situation, managers can redesign existing jobs to increase the motivation of their employees. Horizontal expansion of the work implies an increase in the number and variety of tasks the worker performs, and a greater diversity of work tasks leads to increased job satisfaction, and consequently to an increase in employee motivation, especially when it comes to repetitive jobs. Job enrichment is a vertical expansion of the work and enables the employee to have more autonomy, responsibility and decision-making power. Other motivation tools relate to work planning options, recognition programs, recognition and empowerment of employees, and financial incentive programs. Non-financial incentives are compulsory companion of financial incentives that through their synergy, the effect of high motivation of the employee is permanent. Bearing in mind that material incentives are strong but short-term, and therefore insufficient motivators, non-financial motivators encourage team spirit and include recognition, responsibility and progress. Managers who recognize and promote participatory environments treat employees with respect and show them that they have confidence in increasing employee motivation. In the long run, sincere praise and personal gestures are far more efficient and economical than the awards themselves, but certainly the programs that combine cash prize systems with the provision of opportunities for employees to satisfy the needs for self-realization, the most powerful motivators.

A modern approach to motivation

Daniel Pink (2009), in the context of a modern approach to employee motivation, puts emphasis on the extreme mismatch between the practice of motivating the employees that the organizations use and the practices that really work, that is, how the ways of motivating employees can be updated to give the highest motivation and productivity of workers. The practice of motivating Pinka is based on the theory of self-determination that claims that all human beings possess an innate ability to be autonomous, self-determined and interconnected, and that when this synergy is achieved, people achieve higher productivity at the same time, living more quality. Modern approach to motivation focuses on intrinsic motivation, that is, the joy of the task itself, bearing in mind that human beings have an “inherent tendency to seek new challenges, to expand and use their abilities, to explore and learn” (Pink, 2009, p. 8). Accordingly, organizations should review existing approaches to motivation in a way that will match them with modern business environment and challenges, or, when managing human resources, focus on the innate need of workers to direct their own lives (autonomy), to learn and create new ones things (mastery), and make themselves and the environment better (purpose).

Autonomy - refers to enabling decision-making autonomy in relation to some or all of the main aspects of work:

When they work (time) - the work environment needs to focus on achieving the results, rather than on the time of work, thus enabling employees to have flexibility within the deadline for performing the task.

How they work (technique) - The employees should be given initial guidelines, but they should be able to implement the project in a way that they consider appropriate rather than by a strict procedure.

With whom they work (team) - employees should be given some kind of choice in relation to who they are working with. Certainly not workers from every working position are competent to perform the recruitment process, but when there is an opportunity there should be a possibility for them to perform the tasks they perform within independently assembled teams.

What they do (task) - employees should be allowed to do so. “creative” days when they will be able to enrich their experiences and knowledge by working on a task that specifically inspires them. The autonomy of the task is based on empirical evidence that many new initiatives are created precisely during this “creative free time”.

Mastery - refers to providing the opportunity for employees to become better in what matters to them, by offering them work assignments that are neither too difficult nor too simple and which as such enable employees to expand and develop their skills. The risk of giving a job that does not meet the capability of an employee can be a lack of motivation and boredom, but also providing tasks that go beyond the capabilities of employees can result in a decline in motivation and anxiety.

The purpose - relies on the natural desire of employees to contribute to the creation of something that will be greater and lasting than themselves. Employees need to communicate their goals with the superiors, in that way they will understand the goals of the organization, and when they understand the purpose and vision of the organization, they will be able to determine their role in achieving this purpose, which will make them happy in their work. Organizational and individual goals must be harmonized so that the employees of the organization can be experienced as a unique team.

Conclusion

Recognizing the importance of motivation for work, management organizations are making great efforts to better understand and understand the phenomena that form the basis of man's need to create, to develop, to progress. The level of motivation of employees is actually a topic that both theoreticians and practitioners approach with increasing interest, since the motivation of employees occupies a significant place in the research of organizational behavior. Today, the focus of the researcher focuses on intrinsic criteria for job satisfaction, where, apart from the personality trait, attention is focused on examining the impact of the organization and family balance on the motivation of the employee, or in general to his satisfaction with the quality of life.

Modern motivation theories indicate that the motivation that employees feel about their work is less related to material rewards and more to the job design itself. As a result, initiatives for expansion, ie “enrichment of work”, have been used as key terms: empowerment, creativity and innovation, flexibility, autonomy, intrinsic motivation, team work...

Motivation of employees represents the level of energy, dedication and creativity that the employees of the organization bring to their jobs. Motivated employees help organizations to survive and advance, they are more dynamic and productive, but realizing the importance of employee motivation raises the question of how to enable it in the context of modern fast-changing jobs. The starting point of each manager is to see and understand what motivates employees in the context of the roles they perform, because of all the functions that the manager does, motivation of employees is certainly the most complex, given the fact that what motivates employees is constantly changing.

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